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**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

PUCO In the Matter of the Application of Duke)
 Energy Ohio for Authority to Establish a)
 Standard Service Offer Pursuant to Section)
 4928.143, Revised Code, in the Form of) Case No. 11-3549-EL-SSO
 an Electric Security Plan, Accounting)
 Modifications and Tariffs for Generation)
 Service.)

In the Matter of the Application of Duke)
 Energy Ohio for Authority to Amend its) Case No. 11-3550-EL-ATA
 Certified Supplier Tariff, P.U.C.O. No. 20.)

In the Matter of the Application of Duke)
 Energy Ohio for Authority to Amend its) Case No. 11-3551-EL-UNC
 Corporate Separation Plan.)

SUPPLEMENTAL DIRECT TESTIMONY OF

ROBERT J. LEE

ON BEHALF OF

DUKE ENERGY OHIO, INC.

October 28, 2011

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Attachment:

RJL SUPP-1: Proposed Timeline

I. INTRODUCTION

1 **Q. PLEASE STATE YOUR NAME, PROFESSIONAL POSITION, BUSINESS**
2 **ADDRESS, AND FOR WHOM YOU ARE TESTIFYING.**

3 A. My name is Robert J. Lee. I am a Principal at CRA International, Inc. d/b/a
4 Charles River Associates (CRA) and a member of CRA's Auctions &
5 Competitive Bidding consulting practice. Founded in 1965, CRA provides
6 economic and financial expertise and management consulting services to
7 businesses, law firms, accounting firms, and governments. My business address
8 is John Hancock Tower, T-32, 200 Clarendon Street, Boston, Massachusetts
9 02116. I am testifying on behalf of Duke Energy Ohio, Inc. (Duke Energy Ohio
10 or the Company).

11 **Q. ARE YOU THE SAME ROBERT J. LEE WHO FILED DIRECT**
12 **TESTIMONY IN THIS PROCEEDING ON JUNE 20, 2011?**

13 A. Yes.

14 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT**
15 **TESTIMONY IN THIS PROCEEDING?**

16 A. The purpose of my Supplemental Direct Testimony is to address the changes to
17 the competitive bidding process (CBP) plan as agreed by the Signatory Parties in
18 the Stipulation and Recommendation (Stipulation) filed on October 24, 2011. In
19 doing so, I provide support for the conclusion that the Stipulation was the product
20 of serious bargaining among capable, knowledgeable parties.

II. DESCRIPTION OF THE REVISIONS
TO THE CBP PLAN

1 **Q. PLEASE BRIEFLY DESCRIBE THE CHANGES TO THE CBP PLAN**
2 **REFLECTED IN THE ESP.**

3 A. In discussing the changes to the CBP plan, I believe it is helpful to first identify
4 the documents that comprise the bid documents applicable to the competitive
5 procurements to be implemented by Duke Energy Ohio. These bid documents
6 were filed in support of the Application for Approval of an Electric Security Plan,
7 Case No. 11-3549-EL-SSO, *et al.*, on June 20, 2011 (Application). These
8 documents include:

- 9 • Bidding Process Schedule and Timeline
- 10 • Bidding Rules
- 11 • Part 1 and Part 2 Applications
- 12 • Communications Protocol
- 13 • Master Standard Service Offer Supply Agreement
- 14 • Glossary

15 During the settlement negotiations, the parties to these proceedings agreed upon
16 changes to the CBP plan that was initially proposed by the Company in its
17 Application. And these changes to the CBP plan necessarily resulted in changes to
18 certain of the bid documents. Specifically, Stipulation Attachments A, C, F, and G
19 reflect the bid documents that were revised through the detailed negotiations that
20 resulted in the electric security plan (ESP) detailed in the Stipulation.

1 **Q. PLEASE BRIEFLY SUMMARIZE ATTACHMENT A TO THE**
2 **STIPULATION.**

3 A. Attachment A is the schedule for the Company's auctions to be conducted for the
4 duration of the ESP. This document reflects the change in timing of auctions due
5 to the shorter term of the ESP – three years and five months – from what was
6 originally proposed in the Application. Consequently, although the document
7 titles are different, Attachment A reflects revisions to the Bidding Process
8 Schedule and Timeline filed in support of the Company's Application.

9 **Q. PLEASE BRIEFLY SUMMARIZE ATTACHMENT C TO THE**
10 **STIPULATION.**

11 A. Attachment C is the revised Bidding Rules for the auctions to be conducted
12 during the term of the Company's ESP. These rules are similar to those already in
13 use as part of the FirstEnergy distribution utilities' competitive procurements for
14 standard service offer (SSO) supply and are similar in form to those originally
15 included in the Company's Application. However, there are differences in the
16 final document designed to provide enhancements from what was proposed,
17 which were negotiated among the parties to this proceeding including, but not
18 limited to Commission Staff, wholesale suppliers, and consumer organizations.
19 Although not intending to provide an exhaustive list, I highlight here some of the
20 changes.

21 Duke Energy Ohio agreed to relax certain credit terms for auction
22 participants that were not included in the Company's original set of rules. Also,

1 the Company is agreeing to provide additional information to auction participants
2 in advance of the auction itself.

3 **Q. PLEASE BRIEFLY SUMMARIZE ATTACHMENT F TO THE**
4 **STIPULATION.**

5 A. Attachment F is the Master SSO Supply Agreement. This agreement was
6 negotiated among the parties in these proceedings to determine the terms under
7 which successful bidders in the Company's forthcoming auctions will supply the
8 Company's retail load for the duration of the ESP. Again, the changes in this
9 document from what was originally filed are in the nature of improvements and
10 enhancements from what was originally proposed by Duke Energy Ohio. These
11 changes were negotiated among the various parties as part of the settlement of
12 these proceedings.

13 **Q. PLEASE BRIEFLY SUMMARIZE ATTACHMENT G TO THE**
14 **STIPULATION.**

15 A. Attachment G is a glossary of terms for the Company's CBP. This document is
16 designed to provide clarity to participants regarding the various commonly used
17 terms in the CBP. The revisions to this document were necessary to ensure that
18 certain loads will be excluded from the auction, thereby providing prospective
19 bidders with needed detail to structure their bids.

20 **Q. DO YOU BELIEVE AUCTIONS CAN BE CONDUCTED IN 2011 FOR**
21 **DELIVERY COMMENCING JANUARY 1, 2012?**

22 A. Yes. Although I acknowledge that the schedule will be compressed, I am
23 confident that Duke Energy Ohio will be able to conduct auctions in December

1 2011. In that regard, Attachment RJL SUPP-1 reflects a proposed schedule that
2 culminates in an auction on December 14, 2011. In connection with this auction
3 date, I would reiterate that the CBP plan as detailed in the Application and as
4 modified in the Stipulation and Attachments thereto is familiar to the Commission
5 and prospective auction participants. Indeed, the CBP plan pursuant to which
6 Duke Energy Ohio will procure supply for its SSO load is very similar to the
7 auctions that CRA has initiated over the last three years for the FirstEnergy
8 distribution utilities, the last such auction conducted on October 25, 2011. The
9 consistency between those auctions and the Duke Energy Ohio auction will serve
10 to ease the process for many prospective auction participants.

11 I would further add that CRA, in collaboration with Duke Energy Ohio,
12 will initiate pre-auction activity prior to a Commission decision on the
13 Stipulation, as detailed on Attachment RJL SUPP-1. As a result, prospective
14 auction participants will not be unduly burdened in preparing for the Duke Energy
15 Ohio auction and the December 14, 2011, auction date will not be jeopardized.

16 **Q. DO YOU HAVE ANY CONCERNS THAT THE EXPEDITED TIME**
17 **FRAME WILL NOT RESULT IN A SUCCESSFUL AND TRANSPARENT**
18 **AUCTION PROCESS?**

19 **A.** I have no such concerns. As I previously mentioned, the auction process agreed
20 to in this case is very similar to those that have occurred for the FirstEnergy
21 distribution utilities. Therefore, potential participants are already very familiar
22 with the process and I have no reason to believe that the process in the Duke
23 Energy Ohio auction will be any less successful.

III. CONCLUSION

1 **Q. WAS ATTACHMENT RJL SUPP-1 PREPARED UNDER YOUR**
2 **DIRECTION?**

3 **A. Yes, it was.**

4 **Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL DIRECT**
5 **TESTIMONY?**

6 **A. Yes.**

Proposed Timeline for Duke Energy Ohio's 2011 Competitive Procurement Auction	
Activity	Date
CBP Information Website goes live	Tuesday, November 01, 2011
Information Session #1	Tuesday, November 08, 2011
Deadline: CRA announces tranche target and tranche size (% and MW)	Thursday, November 10, 2011
Part 1 Applications can be submitted	Thursday, November 10, 2011
Deadline to submit Part 1 Applications	Friday, November 18, 2011
Information Session #2 (if needed)	Tuesday, November 22, 2011
Deadline: CRA announces minimum and maximum starting prices	Monday, November 28, 2011
Deadline: CRA announces any update to the tranche size (MW)	Monday, November 28, 2011
Part 2 Applications can be submitted	Monday, November 28, 2011
Deadline to submit Part 2 Applications	Monday, December 05, 2011
Bidder User Manuals distributed	Thursday, December 08, 2011
Mock Auction for Registered Bidders	Monday, December 12, 2011
Deadline: CRA announces starting prices to Registered Bidders	Monday, December 12, 2011
Auction for Registered Bidders	Wednesday, December 14, 2011
CRA notifies Duke and PUCO of results (tentative)	Wednesday, December 14, 2011
Master SSO Supply Agreements signed (tentative)	Monday, December 19, 2011
Power Flow	Sunday, January 01, 2012