

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE PROCUREMENT
OF STANDARD SERVICE OFFER
GENERATION FOR THE CUSTOMERS OF
OHIO POWER COMPANY.

CASE NO. 17-2391-EL-UNC

FINDING AND ORDER

Entered in the Journal on March 8, 2018

I. SUMMARY

{¶ 1} The Commission accepts the results of the auction conducted on March 6, 2018, to procure generation supply for standard service offer customers of Ohio Power Company d/b/a AEP Ohio.

II. DISCUSSION

{¶ 2} Ohio Power Company d/b/a AEP Ohio (AEP Ohio or the Company) is an electric distribution utility as defined in R.C. 4928.01(A)(6) and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} In Case No. 13-2385-EL-SSO, et al., the Commission modified and approved, pursuant to R.C. 4928.143, AEP Ohio's application for an ESP, including a competitive auction-based SSO format, as well as a competitive bid procurement (CBP) process for the Company's auctions, for the period of June 1, 2015, through May 31, 2018. *In re Ohio Power Co.*, Case No. 13-2385-EL-SSO, et al., Opinion and Order (Feb. 25, 2015)

at 31. With respect to the auction schedule, the Commission determined that six auctions should be conducted for the ESP term, with the final auction to occur in March 2017. The approved bidding rules provided the Commission with a two business day window from the conclusion of the auction for review of the results.

{¶ 5} On November 23, 2016, in Case No. 16-1852-EL-SSO, et al. (*ESP Case*), AEP Ohio filed an application that, if approved, would modify the ESP and extend its term through May 31, 2024. Subsequently, on August 25, 2017, AEP Ohio filed a joint stipulation and recommendation (stipulation) for the Commission's consideration, which, if approved, would resolve all of the issues raised in the *ESP Case*.

{¶ 6} On September 18, 2017, AEP Ohio filed a motion for interim relief seeking authority to conduct an SSO auction in November 2017. AEP Ohio explained that its ESP application sets forth a recommended auction schedule for the term of the extended ESP, including an auction that would occur in November 2017. Because the evidentiary hearing on the stipulation was scheduled to commence on November 1, 2017, AEP Ohio noted that a final Commission order would not be issued in time to conduct the SSO auction proposed to occur in November 2017. AEP Ohio, therefore, requested that the Commission issue an interim order authorizing the Company to conduct the SSO auction in November 2017, as proposed in the Company's application and the direct testimony of David B. Weiss, and as modified by the stipulation.

{¶ 7} By Entry issued on September 27, 2017, the Commission granted AEP Ohio's unopposed motion for interim relief, in accordance with the Entry, and authorized the Company to conduct an SSO auction in November 2017.

{¶ 8} On December 21, 2017, AEP Ohio filed, in the *ESP Case*, a motion for interim relief seeking authority to conduct an SSO auction in March 2018. Consistent with its earlier motion, AEP Ohio explained that, in order to ensure that its SSO obligation is met on and after June 1, 2018, the Company proposed, in its application in the *ESP Case*, to

conduct an auction in March 2018, which would seek to procure 50 tranches through three separate products: 16 tranches of a 36-month product, 17 tranches of a 24-month product, and 17 tranches of a 12-month product. AEP Ohio further explained that the signatory parties to the stipulation recommend that the Company's application be modified and approved, including the Company's SSO auction related proposals. AEP Ohio also noted that a Commission decision regarding the stipulation in the *ESP Case* was not expected to be issued prior to the pre-notice and other activities leading up to the auction, which would need to commence in mid-January. AEP Ohio, therefore, requested that the Commission issue an interim order authorizing the Company to conduct the SSO auction in March 2018, as proposed in the Company's application and the direct testimony of David B. Weiss, and as modified by the stipulation in the *ESP Case*.

{¶ 9} By Entry dated January 10, 2018, in the *ESP Case*, the Commission granted AEP Ohio's unopposed motion for interim relief, consistent with the Entry, and authorized the Company to conduct an SSO auction in March 2018.

{¶ 10} On March 8, 2018, in the above-captioned case, National Economic Research Associates, Inc. d/b/a NERA Economic Consulting (NERA), the auction manager for AEP Ohio's SSO auctions, and Bates White, LLC (Bates White), a consultant retained by the Commission to monitor the auctions, filed reports regarding the conduct of the Company's auction, which was held on March 6, 2018, and included one-year, two-year, and three-year products. These reports consisted of confidential versions, filed under seal, and a redacted version of the report filed by NERA, which is publicly available in this docket.

{¶ 11} According to the reports filed by NERA and Bates White, for the one-year product, the auction resulted in a clearing price of \$52.01 per megawatt hour (MWh) for the delivery period of June 1, 2018, to May 31, 2019. For the two-year product, the auction resulted in a clearing price of \$48.29 per MWh for the delivery period of June 1, 2018, to May 31, 2020. Finally, for the three-year product, the auction resulted in a clearing price

of \$46.53 per MWh for the delivery period of June 1, 2018, to May 31, 2021. NERA and Bates White each recommended that the Commission find that the auction, within the limits of its structures, had sufficient competitive attributes and resulted in a winning price that is reasonable.

{¶ 12} The Commission finds that the reports filed by NERA and Bates White do not contain any recommendation or evidence that the auction violated the CBP rules in such a manner as to invalidate the auction. Accordingly, the Commission will not reject the results of the auction.

{¶ 13} On March 8, 2018, Staff filed a motion for protective order, pursuant to Ohio Adm.Code 4901-1-24, requesting that both the report of the Commission's consultant regarding AEP Ohio's auction and the notification of the auction results filed on March 8, 2018, be kept confidential. In support of the motion, Staff submits that these documents are highly competitively sensitive, in that they identify the details of various bids and parties making the bids in the auction. According to Staff, disclosure of this information would be highly prejudicial to the bidding parties and the viability of any future auction in Ohio.

{¶ 14} Ohio Adm.Code 4901-1-24 provides that, unless otherwise ordered, protective orders issued pursuant to the rule automatically expire after 24 months. However, given the highly competitive and sensitive nature of the reports filed by NERA and Bates White, the Commission finds that it would be appropriate to grant protective treatment indefinitely, until the Commission orders otherwise. Therefore, we find that Staff's motion for protective order of the information filed on March 8, 2018, is reasonable and should be granted, to the extent set forth in this Finding and Order. Accordingly, the Bates White report and the following information related to the NERA report will be protected from public release: the names of unsuccessful bidders; price information, including starting price methodologies and round prices/quantities for individual

bidders; all information contained in Part I and Part II of the bidder applications; and indicative preauction offers.

{¶ 15} However, the Commission finds that certain information regarding the auction contained in the report submitted by NERA should be released to the public after a brief period of time to allow the winning bidders to procure any additional necessary energy or capacity to serve the SSO load. Therefore, unless otherwise ordered by the Commission, the following information will be subject to public release 21 days after the issuance of this Finding and Order, or on March 29, 2018: the names of bidders who won tranches in the auction; the number of tranches won by each bidder; the first round ratio of tranches supplied compared to tranches needed; and the redacted report filed by NERA detailing the auction proceedings, subject only to redaction of any confidential information enumerated in Paragraph 14. The Commission's docketing division is directed to work with Staff to assure the appropriate public release of information.

{¶ 16} Finally, all bidders are required to immediately disclose to the Commission and Staff all prices, terms, and conditions for any post-auction assignments of tranches obtained through the CBP, subject to appropriate protections for confidential or proprietary information.

III. ORDER

{¶ 17} It is, therefore,

{¶ 18} ORDERED, That Staff's motion for protective order be granted and the information set forth in Paragraph 14 be deemed confidential and remain under seal indefinitely, until otherwise ordered by the Commission. It is, further,

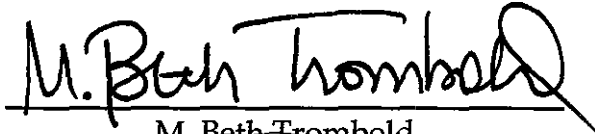
{¶ 19} ORDERED, That, unless otherwise ordered by the Commission, the information set forth in Paragraph 15 be subject to public release 21 days after the issuance of this Finding and Order, or on March 29, 2018. It is, further,

{¶ 20} ORDERED, That a copy of this Finding and Order be served upon all interested persons and parties of record.

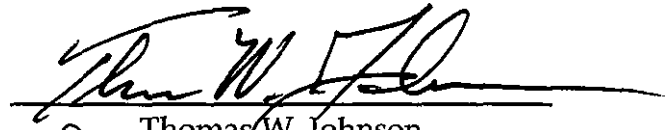
THE PUBLIC UTILITIES COMMISSION OF OHIO



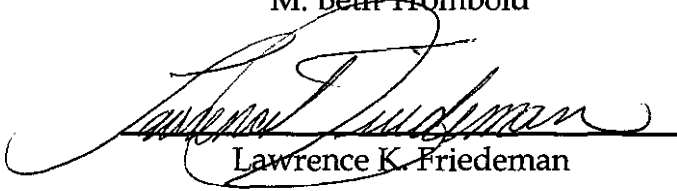
Asim Z. Haque, Chairman



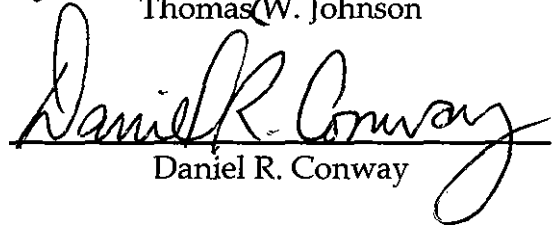
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Secretary