

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Procurement of)
Standard Service Offer Generation as)
Part of the Fourth Electric Security)
Plan for Customers of Ohio Edison) Case No. 16-776-EL-UNC
Company, the Cleveland Electric)
Illuminating Company, and the Toledo)
Edison Company)

In the Matter of the Procurement of)
Standard Service Offer Generation for) Case No. 17-957-EL-UNC
Customers of Dayton Power & Light)
Company)

In the Matter of the Procurement of)
Standard Service Offer Generation for) Case No. 17-2391-EL-UNC
Customers of Ohio Power Company)

In the Matter of the Procurement of)
Standard Service Offer Generation for) Case No. 18-6000-EL-UNC
Customers of Duke Energy Ohio, Inc.)

SUR-REPLY COMMENTS OF OHIO POWER COMPANY

A. INTRODUCTION

By entry dated May 15, 2020, the Attorney Examiner sought additional comments from interested stakeholders to file comments regarding Staff’s proposal and recommendations filed on March 13, 2020 regarding Standard Service Offer (SSO) products/auctions and the projected schedule for PJM’s Base Residual Auction (BRA). Ohio Power Company (“AEP Ohio” or the “Company”) filed comments on May 29, 2020 and stands behind the positions stated therein; the Company also appreciates the opportunity to submit sur-reply in response to the other comments filed on May 29, 2020.

B. AEP OHIO SUR-REPLY COMMENTS

AEP Ohio would like to reinforce that it sees no basis for disrupting the current auction structure for its customers, as the Company does not see any benefit given the nature and timing of our existing auctions. In fact, disruption of the current auction structure may actually be counterproductive. When the Base Residual Auction (“BRA”) is known, the traditional and well-established “Full Requirements” auction can continue to be used without modification. AEP Ohio has the ability to update its auction schedule to adjust to the known capacity auctions, as the timing issue associated with the delay in the BRA auction will be resolved shortly, given PJM’s commitment to a compressed auction schedule. Further, the precedent of simply adjusting the products up for auction was already established in the Duke Energy Ohio September 2019 and February 2020 auctions when the PUCO directed Duke to reshuffle its auction schedule to adjust to the known BRA results. *In the Matter of the Application of Duke Energy Ohio, Inc. for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928143 in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service*, Case No. 17-1263-EL-SSO (July 31, 2019 Entry). This meant updating the auction schedule to procure 24-month full requirement products instead of 36-month full requirement products.

Additionally, OCC referenced the acceptable amendment of the Duke auction product by the PUCO in their reply comments filed in Case No. 17-2391-EL-UNC on May 29, 2020. Also, as it stands now, PJM is likely to resume its BRA within eight (8) months of the MOPR Compliance filings (unless such time period is shortened by Federal Energy Regulatory Commission, and the PJM capacity costs to the suppliers for delivery year 2022/2023 and later years will be established and available after these PJM auctions. Specifically, PJM has already

filed two separate MOPR Compliance filings, with the last, most recent, compliance filing being made on June 1, 2020, and that specifically clarified and identified that State auctions meeting certain criteria would not be considered a ‘State subsidy.’ *Second Compliance Filing Concerning Application of the Minimum Offer Price Rule*, Docket No. EL16-49 *et. al.* (submitted June 1, 2020), at pp. 19-21.

AEP Ohio believes that a small restructuring of the products available for auction will be the best way to handle/address the transitory issue of the current delay in the PJM BRA schedule. But if the PUCO chooses to adopt a blanket process that all EDUs must adapt too, such blanket process should still allow for the flexibility to simply permit an EDU to address such issue through a product restructuring. If a process were to be developed as an alternative to the solution that has already worked for the Duke Energy Ohio auctions (Sept 2019 and Feb 2020) and can easily work for AEP Ohio’s upcoming auctions, then AEP Ohio believes that a “Proxy Price” capacity approach would be more economical than a \$0/MW-day approach. Using a non-zero proxy price is a better method to estimate actual capacity costs even in the face of volatile capacity prices. A proxy price approach attempts to level out the eventual true up. Due to the potential uncertainty of pricing and the reconciliation of those capacity costs, a proxy approach allows the EDU to estimate a fair market price to pass along to customers at that time without an unduly high reconciliation later. Also, a \$0/MW-day price could inadvertently pass costs to a different set of customers that did not necessarily incur those costs – because the timing of the true-up could be affected by switching and customer load at that time. While all of the details pertaining to a Proxy Price approach would still need to be further understood and worked out, as between a non-zero price approach and the proxy price approach, the latter would be more useful, if it were adopted as an alternative to a product restructuring approach.

As it pertains to State auctions, the most recent PJM Compliance filing has provided much more clarity as to how such processes will be handled. As it pertains to the existing AEP Ohio auction, making some modest changes to the product term being auctioned is a much more reasonable approach and less costly or administratively burdensome approach, than adopting a new framework for handling an issue that will be transitory and resolved once PJM completes the compressed auction schedule.

CONCLUSION

For the foregoing reasons, AEP Ohio respectfully requests that the Commission consider the above sur-reply comments.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of Ohio Power Company's *Comments* was served by electronic mail upon the individuals listed below this 5th day of June, 2020.

//s/ Steven T. Nourse
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Summary: Comments - SUR REPLY COMMENTS of OHIO POWER COMPANY electronically filed by Mr. Steven T Nourse on behalf of Ohio Power Company