

**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 ) Case No. 16-776-EL-UNC  
of Ohio Edison Company, The Cleveland )  
Electric Illuminating Company, and The )  
Toledo Edison Company. )

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

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

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

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**DUKE ENERGY OHIO, INC.'S PROPOSED AUCTION SCHEDULE**

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**I. Introduction**

On February 13, 2020, in response to continuing delays and uncertainty regarding the capacity construct of PJM Interconnection L.L.C. (PJM), the Public Utilities Commission of Ohio (Commission) issued an entry directing Commission Staff (Staff) to propose a modified product containing capacity flow-through provisions for electric distribution utility (EDU) default service

auctions.<sup>1</sup> Staff filed its proposal on March 13, 2020, suggesting that the standard service offer (SSO) auction products for the various Ohio EDUs be modified such that capacity is priced at \$0/MW-day and the winning suppliers are made whole for the actual capacity costs via a pass-through charge, which charge would then be recovered from SSO customers as part of the auction cost recovery mechanism.

On April 16, 2020, interested stakeholders, including Duke Energy Ohio, Inc., (Duke Energy Ohio or Company), filed comments regarding Staff's proposal. By Entry dated May 15, 2020, the Commission requested that interested stakeholders file reply comments, specifically addressing eight issues on which the Commission desired to receive additional information.<sup>2</sup> Among those issues, the Commission was interested in whether parallel, but separate, auctions could be held for energy and full requirements, and what issues could be created with such a strategy.<sup>3</sup> Numerous stakeholders, including Duke Energy Ohio, timely submitted comments that discussed the risks and challenges in conducting separate auctions for energy and full requirements. On July 15, 2020, the Commission issued its Finding and Order (July Order), that among other things, directed each EDU to modify its current SSO procurement process in two respects:<sup>4</sup>

- 1) Submit a plan to change the current auction scheduled for Fall 2020 and Spring 2021 to substitute a 12-month product for the current, planned products;
- 2) Submit a new plan, within 90 days, for dual auctions for a period of four years, commencing with the June 2022 delivery year. These auctions would run simultaneously, and the Commission would select the bid to be implemented or reject the results of both

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<sup>1</sup> *In re Duke Energy Ohio, Inc.*, Case No. 17-1263-EL-SSO *et al.*, Entry (Feb. 13, 2020).

<sup>2</sup> Entry, p. 8 (May 15, 2020).

<sup>3</sup> Id.

<sup>4</sup> Order, ¶ 35 (July 15, 2020).

auctions. The plans for dual auctions could include a laddering or staggered structure and must include the following components:

- A full requirements product with a proxy price, using the June 2021 capacity price as the proxy, subject to true-up and reconciliation; and
- An energy-only auction and a capacity-only hedge product. Suppliers will offer a capacity hedge at a fixed price for all years included in the auction product, thereby guaranteeing the capacity price to be paid by all consumers over the long-term.<sup>5</sup>

It is noteworthy that the Commission’s July Order recognizes “that the EDUs, working with their auction managers as well as Staff, are in the best position to propose the details necessary to implement the auctions in the plans to be submitted to the Commission, mindful of the experience with competitive bidding procedures used by other states.”<sup>6</sup>

With respect to the first directive, to submit a plan change for the Fall 2020 and Spring 2021 auctions substituting a 12-month product, Duke Energy Ohio submitted its plan on August 14, 2020.<sup>7</sup> This plan was approved by the Commission by Finding and Order dated August 26, 2020.<sup>8</sup>

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<sup>5</sup> Id.

<sup>6</sup> Finding and Order July 15, 2020, ¶ 38.

<sup>7</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates*, Case Nos. 17-32-EL-AIR, *et al.*, Motion to Adjust Standard Service Offer Auctions (August 14, 2020).

<sup>8</sup> Finding and Order August 26, 2020, ¶ 12, noting that the approval “does not foreclose the EDUs’ rights to challenge the Commission’s directives set forth in part b. of paragraph 35...” of its July Order.

On August 14, 2020, Duke Energy Ohio, as well as several other stakeholders, sought rehearing of the Commission's July Order, specifically questioning the advisability of significant modifications to the established EDU auction processes that have been previously approved by the Commission.<sup>9</sup> By Entry dated September 9, 2020, the Commission granted numerous rehearing requests, including the Company's, for further consideration (September Rehearing Entry).<sup>10</sup> Subsequently, the Federal Energy Regulatory Commission (FERC) has issued orders allowing PJM to schedule its next capacity auction.<sup>11</sup> On February 24, 2021, the Commission issued its Second Entry on Rehearing that among other things, recognized the developments at the FERC and with PJM regarding the resumption of the PJM BRA construct, stayed its previous order directing the submission of dual auction by affected EDUs, and directed EDUs to submit a new proposed auction schedule consistent with the timeframes established by PJM for future BRAs.<sup>12</sup>

## **II. Duke Energy Ohio's Auction Plan**

In accordance with the Commission's Second Entry on Rehearing Duke Energy Ohio proposes to fundamentally maintain its current ESP auction structure and modify only the timing and number of tranches available in these auctions to align with the newly determined PJM auction timing.

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<sup>9</sup> The Company alleged that the Order is unreasonable and unlawful in that it: 1) modifies the terms of Duke Energy Ohio's approved Electric Security Plan (ESP) without the Company's consent; 2) precludes the Company's ability to evaluate alternative procurement processes permitted in an ESP under R.C. 4928.143, including bilateral contracts and building of new generation; 3) places risk on the Company by requiring the Company to enter into contracts with suppliers beyond the term of its current ESP, while failing to approve cost recovery; 4) places additional risk on the Company for participation in the retail standard service auctions.

<sup>10</sup> Entry, ¶28; granting rehearing on applications filed by the Office of the Ohio Consumers' Counsel, FirstEnergy, Duke Energy Ohio, the Dayton Power & Light Company, and AEP Ohio.

<sup>11</sup> Order on Compliance, Granting Waiver Request, Addressing Arguments Raised on Rehearing, and Setting Aside Prior Order, in Part, Case No. EL16-49-003, *et al.*, (Oct. 15, 2020); Order on Compliance, Case No. EL19-58-002, *et al.*, (Nov. 12, 2020).

<sup>12</sup> Second Entry on Rehearing, February 24, 2021, p. 9.

Duke Energy Ohio’s current electric security plan (ESP) is approved through May 31, 2025. Since 2012, the Company has procured its SSO supply via a version of the simultaneous, multiple-round, descending-price clock auction format, consisting of two annual auctions, one in February and the second in September. The product in Duke Energy Ohio's competitive bidding plan is an hourly, load-following full requirements tranche of the Company's entire SSO load, which now excludes the load of percentage of income payment plan (PIPP) customers. The Company includes different products of varying contract durations necessary to meet all of its SSO load.

To date, the Company has procured supply through the 2021/2022 delivery year. Supply has not been procured for any future delivery period because of the suspension of the PJM BRA process. Recent orders at the FERC have prompted a change in that regard and PJM has a schedule to reinstitute the BRA as follows:

Delivery Year	Revised BRA Schedule
2022/2023	May 2021
2023/2024	December 2021
2024/2025	June 2022
2025/2026	January 2023
2026/2027	July 2023
2027/2028	May 2024

On May 19, 2021, PJM is scheduled to commence capacity procurement via the BRA for the 2022/2023 delivery year. As a result, and in satisfaction of the Commission’s Second Entry on Rehearing, Duke Energy Ohio proposes to commence procurement for the 2022/2023 delivery

year with its currently scheduled September 2021 auction. The Company proposes to procure 50 percent of the load requirement (50 tranches) for the 2022/2023 delivery year. The Company anticipates that by the time the February 2022 auction occurs, PJM will have conducted the BRA for the 2023/2024 delivery year. Accordingly, the Company proposes to procure the remaining 50 percent of the 2022/2023 year in its February 2022 SSO auction, following the December 2021 BRA for the 2023/2024 delivery year. This February 2022 auction will include two products, a 12-month product with 20 tranches and a 24-month product, consisting of 30 tranches. The 24-month product will include load for the 2023/2024 delivery year. This staggered approach will mitigate against the risk of potential price volatility, as compared to procuring 100 percent of the delivery year all at once.

For its September 2022 auction and following the scheduled June 2022 BRA, Duke Energy Ohio will procure two products: 1) a 12-month, 15 tranche product; and 2) a 24-month product, 20 tranche product. For its February 2023 auction, occurring after the January 2023 BRA for the 2025/2026 delivery period, Duke Energy Ohio will again procure two products: 1) a 12-month, 15 tranche; and 2) a 24-month, 20 tranche product. For its September 2023 auction, Duke Energy Ohio will procure a 12-month, 30 tranche product for the 2024/2025 delivery period. Finally, in February 2024, the Company will procure a 12-month, 30 tranche product for the 2024/2025 delivery period. The table below depicts the proposed timing to align the Company's SSO

procurement, with current PJM auction schedules, and with the remaining duration of the Company's ESP.

DEO ESP CBP Schedule

			2021												2022												2023												2024												2025																	
ESP	Auction Date	Tranche Target	Load Cap	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5												
				MAY 2021 BRA PERIOD												DEC 2021 BRA PERIOD												June 2022 BRA PERIOD																																								
	September 2021	50	40	BRA												S																																																				
	February 2022	20	40													BRA												F																																								
		30																																																																		
	September 2022	15	28													BRA												S																																								
		20																																																																		
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		20																																																																		
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	February 2024	30	24																																					F																												
				MAY 2021 BRA PERIOD												DEC 2021 BRA PERIOD												June 2022 BRA PERIOD																																								

The Company considered the possibility of holding additional SSO auctions between the current auction timeline but does not believe the incremental costs of doing so will yield material pricing benefits to customers. Rather, the Company believes simply adjusting the number of tranches procured and using a mix of 12 and 24-month products provides the best alternative for customers under the current BRA schedule.

## II. Conclusion

The Company believes its proposed plan for procurement process satisfies the Commission's directives and results in a balanced approach to mitigate unnecessary risk in pricing. The Company requests that the Commission accept this plan for implementation.

Respectfully submitted,

DUKE ENERGY OHIO, INC.

/s/ Rocco O. D'Ascenzo

Rocco O. D'Ascenzo (0076517)

Deputy General Counsel

Jeanne W. Kingery (0012172)(Counsel of Record)

Associate General Counsel

Larisa M. Vaysman (0090290)

Senior Counsel

DUKE ENERGY BUSINESS SERVICES LLC

139 East Fourth Street, ML 1301

Cincinnati, Ohio 45202

Phone: 614-222-1334

Fax: 513-287-4385

[Rocco.DAscenzo@duke-energy.com](mailto:Rocco.DAscenzo@duke-energy.com)

[Jeanne.Kingery@duke-energy.com](mailto:Jeanne.Kingery@duke-energy.com)

[Larisa.Vaysman@duke-energy.com](mailto:Larisa.Vaysman@duke-energy.com)

Willing to accept service via e-mail

**Attorneys for Duke Energy Ohio, Inc.**



**CERTIFICATE OF SERVICE**

I certify that *Duke Energy Ohio, Inc.’s Plan for Dual Auctions Commencing with the June 2022 Delivery Year* was served by First-Class U.S. Mail or electronic delivery upon counsel identified below for all parties of record this 23<sup>rd</sup> day of April 2021.

/s/ Rocco O. D’Ascenzo  
Rocco O. D’Ascenzo

John Jones  
Section Chief, Public Utilities Section  
Thomas Lindgren  
Assistant Attorneys General  
Public Utilities Section  
30 East Broad Street, 16th Floor  
Columbus, Ohio 43215  
Telephone: 614-466-4397  
Facsimile: 614-644-8767  
[John.jones@ohioattorneygeneral.gov](mailto:John.jones@ohioattorneygeneral.gov)  
[Thomas.lindgren@ohioattorneygeneral.gov](mailto:Thomas.lindgren@ohioattorneygeneral.gov)

Joseph Olikier  
Counsel of Record  
Michael Nugent  
Bethany Allen  
IGS Energy  
6100 Emerald Parkway  
Dublin, Ohio 43016  
Telephone: (614) 659-5000  
[Joe.oliker@igs.com](mailto:Joe.oliker@igs.com)  
[Michael.nugent@igs.com](mailto:Michael.nugent@igs.com)  
[Bethany.allen@igs.com](mailto:Bethany.allen@igs.com)

**Attorneys for Staff of the Public Utilities Commission**

**Attorneys for IGS Energy**

Mark Whitt  
Lucas Fykes  
WHITT STURTEVANT LLP  
The KeyBank Building, Suite 1590  
88 East Broad Street  
Columbus, Ohio 43215  
Telephone: (614) 224-3946  
Facsimile: (614) 675-9448  
[whitt@whitt-sturtevant.com](mailto:whitt@whitt-sturtevant.com)  
[fykes@whitt-sturtevant.com](mailto:fykes@whitt-sturtevant.com)

N. Trevor Alexander  
Mark T. Keaney  
Kari Hehmeyer  
BENESCH, FRIEDLANDER, COPLAN &  
ARONOFF LLP  
41 South High Street  
Suite 2600  
Columbus, Ohio 43215-6164  
Tel: (614) 223-9300  
Fax: (614) 223-9330  
[talexander@beneschlaw.com](mailto:talexander@beneschlaw.com)  
[mkeaney@beneschlaw.com](mailto:mkeaney@beneschlaw.com)  
[khehmeyer@beneschlaw.com](mailto:khehmeyer@beneschlaw.com)

**Attorneys for Direct Energy Business, LLC and Direct Energy Services, LLC and Retail Energy Supply Association**

**Attorneys for Energy Harbor LLC**

Michael Kurtz  
Kurt Boehm  
Jody Kyler Cohn  
BOEHM, KURTZ & LOWRY  
36 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202  
Ph: 513.421.2255 Fax: 513.421.2764  
E-Mail: [mkurtz@BKLawfirm.com](mailto:mkurtz@BKLawfirm.com)  
[kboehm@BKLawfirm.com](mailto:kboehm@BKLawfirm.com)  
[jkylercohn@BKLawfirm.com](mailto:jkylercohn@BKLawfirm.com)

**Attorneys for the Ohio Energy Group**

Steven T. Nourse  
Christen M. Blend  
American Electric Power Service  
Corporation  
1 Riverside Plaza, 29th Floor  
Columbus, Ohio 43215  
Telephone: (614) 716-1608  
Fax: (614) 716-2950  
Email: [stnourse@aep.com](mailto:stnourse@aep.com)

**Attorney for Ohio Power Company**

Matthew R. Pritchard  
Rebekah J. Glover  
McNees Wallace & Nurick LLC  
21 East State Street, 17<sup>th</sup> Floor  
Columbus, Ohio 43215  
Telephone: (614) 469-8000  
Fax: (614) 469-4653  
[mpritchard@mcneeslaw.com](mailto:mpritchard@mcneeslaw.com)  
[rglover@mcneeslaw.com](mailto:rglover@mcneeslaw.com)

**Attorneys for Industrial Energy Users-  
Ohio**

Christopher Healey  
Counsel of Record  
William Michael  
Assistant Consumers' Counsel  
Office of the Ohio Consumers' Counsel  
65 East State Street, 7th Floor  
Columbus, Ohio 43215  
Telephone [Healey]: (614) 466-9571  
Telephone [Michael]: (614) 466-1291  
[Christopher.healey@occ.ohio.gov](mailto:Christopher.healey@occ.ohio.gov)  
[William.michael@occ.ohio.gov](mailto:William.michael@occ.ohio.gov)

**Attorneys for the Office of the Ohio  
Consumers' Counsel**

Gretchen L. Petrucci  
Vorys, Sater, Seymour and Pease LLP  
52 East Gay Street  
P.O. Box 1008  
Columbus, Ohio 43216-1008  
Telephone: (614) 464-6400  
[glpetrucci@vorys.com](mailto:glpetrucci@vorys.com)

**Attorney for Exelon Generation Company,  
L.L.C.**

Robert M. Endris (0089886)  
FIRSTENERGY SERVICE COMPANY  
76 South Main Street  
Akron, OH 44308  
Telephone: (330) 384-5728  
Fax: (330) 384-3875 (fax)  
[rendris@firstenergycorp.com](mailto:rendris@firstenergycorp.com)

**Attorney for FirstEnergy Companies**

Michael J. Schuler  
The Dayton Power and Light Company  
1065 Woodman Drive  
Dayton, OH 45432  
Telephone: (937) 259-7358  
Fax: (937) 259-7178  
Email: [michael.schuler@aes.com](mailto:michael.schuler@aes.com)

**Attorney for The Dayton Power and Light  
Company**

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