

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company and The Toledo)	Case No. 23-301-EL-SSO
Edison Company for Authority to Provide)	
for a Standard Service Offer Pursuant to)	
R.C. 4928.143 in the Form of an Electric)	
Security Plan)	

Direct Testimony of
Muralikrishna Indukuri

Portfolio Manager
Constellation Energy Generation, LLC

On Behalf of Intervenors
Constellation Energy Generation, LLC
and
Constellation NewEnergy, Inc.

Dated: October 23, 2023

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
A.	Identification of Witness	1
B.	Purpose of Testimony	4
C.	Context of the Instant Proceeding.	7
II.	RISKS EXISTING WITH SERVING THE DEFAULT SERVICE LOAD UNDER THE CBP CONSTRUCT.....	11
III.	THE RISKS REFLECTED IN AUCTION CLEARING PRICES CAN BE MITIGATED	19
A.	Adopting a Volumetric Risk Cap Would Mitigate Risk	19
B.	Conduct Default Service Auctions by Customer Class Further Mitigates Risk.....	25
IV.	USING A CAPACITY PROXY PRICE THAT IS SUBJECT TO RECONCILIATION WHEN RESULTS OF THE BRA ARE KNOWN BENEFITS ALL	31
V.	AUCTION PROCESSES AND REQUIREMENTS SHOULD BE MODIFIED TO REMOVE UNNECESSARY BURDENS	31
VI.	CONCLUSION AND SUMMARY OF RECOMMENDATIONS.....	32

1 **I. INTRODUCTION**

2 **A. Identification of Witness**

3 **Q. Please state your name and your business address.**

4 **A.** My name is Muralikrishna Indukuri, and my business address is Constellation Energy
5 Generation, LLC (“CEG”), 1310 Point Street, 8th floor, Baltimore, MD 20231.

6
7 **Q. Please describe your position and job responsibilities with CEG.**

8 **A.** I am a Portfolio Manager for CEG. In this role, I am responsible for Constellation’s
9 participation in competitive utility default service (also referred here as the standard service
10 offer or “SSO”) auctions in PJM and ISO-NE, including competitive procurements in Ohio,
11 Pennsylvania, Delaware, New Jersey, Maryland, District of Columbia, Massachusetts, Rhode
12 Island, Connecticut, New Hampshire and Maine. In this role, I lead all the internal and
13 external processes associated with participating in default service procurements, namely: filing
14 the necessary applications and pre-bid collateral to qualify to bid in default service
15 procurements; obtaining necessary internal approvals; submitting final binding bids and/or
16 leading real-time participation in live auctions; and negotiating and executing Master SSO
17 Supply Agreements and Transaction Confirmations. Having participated in and served default
18 service load across multiple ISOs, states, procurement formats (sealed bid versus descending
19 clock) and product structures, I have a unique perspective of the risks associated with
20 participating in default service procurements and the advantages/disadvantages of the various
21 procurement/product structures from a customer, SSO supplier and market standpoint.

1 **Q. Please describe your educational and business experience.**

2 **A.** I am an Engineer by qualification with a Bachelor of Engineering from University College of
3 Engineering, Osmania University, Telangana, India and a Master of Science in Computer
4 Engineering and a Master of Science in Computer Science from Drexel University. I have
5 over 18 years of experience in the energy industry (both retail and wholesale) having held
6 various roles in pricing, trading, and risk management. Prior to my current role in Portfolio
7 Management, I was a Principal in Retail Pricing at CEG, where I was responsible for
8 optimizing and expanding the functionality of the Retail Pricing model to price structured
9 transactions and products to meet customer needs and better manage the energy risk for
10 customers.

11
12 Prior to this role, I held various roles in Trading and Risk Management organizations of NRG.
13 As a member of the PJM desk specifically responsible for optimizing NRG's Illinois fleet of
14 ~5 gigawatts and by providing analytical support to NRG's PJM desk, I developed a very good
15 understanding of the supply/demand dynamics inherent to deregulated power and gas markets
16 in North America. As a member of NRG's risk team, I worked on modeling the risk associated
17 with acquisition of retail books with customers across multiple states and ISOs. I also
18 provided analytical support for the acquired retail business to expand their retail footprint to
19 states and utilities that they were not in and, in doing so, acquired a good understanding of
20 default service procurements and the interplay between the procurements and retail products.

21
22 Prior to NRG, I held various roles in the Risk Management Division of Constellation
23 NewEnergy, Inc. ("CNE"). While working in the risk management roles at CNE and in retail
24 pricing, I had the opportunity to interact with large industrial and commercial customers and

1 have a good understanding of the product structures that they look for to manage their energy
2 risks. I also developed a good understanding of the risks inherent in serving full requirements
3 fixed-price products and other structured products as well as the risk appetite of various
4 customer classes.

5
6 **Q. On whose behalf are you testifying?**

7 **A.** I am testifying on behalf of CEG and CNE.
8

9 **Q. Please provide some background on the Constellation companies on whose behalf you**
10 **are testifying in the instant proceeding.**

11 **A.** Constellation Energy Corporation is the parent company of CEG and its wholly-owned
12 subsidiary CNE.
13

14 CEG is the nation's largest producer of clean, carbon-free energy. With an annual output that
15 is nearly 90 percent carbon-free, our hydro, wind and solar facilities paired with the nation's
16 largest nuclear fleet have the generating capacity to power the equivalent of 15 million homes.
17 CEG provides wholesale power and risk management services to wholesale customers
18 (distribution utilities, cooperatives, municipalities, power marketers, utilities and other large
19 load-serving entities) throughout the United States, in both regulated and competitive energy
20 markets. CEG is active in the PJM Interconnection, L.L.C. ("PJM") and Midwest Independent
21 System Operator ("MISO") wholesale power markets. CEG is an active participant in the
22 default service procurements across all utilities and states in PJM and, since market
23 restructuring in Ohio occurred, has sold power to utilities for wholesale delivery as well as
24 serving the needs of wholesale customers. In Ohio, CEG has participated in the default service

1 auction process since its inception, some of which was through its predecessor entities (CEG
2 was formerly known as Exelon Generation Company, LLC and, before a corporate parent's
3 merger with Exelon Corporation, it was Constellation Energy Commodities Group, Inc.).
4 CEG has routinely been a winning SSO bidder in Ohio.

5
6 CNE provides electricity and energy-related services to retail customers in Ohio as well as in
7 15 other states and the District of Columbia, serving over 2 million residential, public sector,
8 and business customers. CNE holds a certificate as a competitive retail electric service
9 ("CRES") supplier from the Public Utilities Commission of Ohio ("PUCO" or "the
10 Commission") to engage in the competitive sale of electric service to retail customers in Ohio
11 (specifically, PUCO Certificate No. 00-03E, which has been consistently renewed in PUCO
12 Case No. 00-1717-EL-CRS). CNE currently provides service to retail electric customers in
13 Ohio. For more than 20 years, CNE has been an active participant in the Ohio markets,
14 including active participation in the competitive market in the service territories of Ohio
15 Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison
16 Company (collectively, "FE Ohio").

17
18 CEG and CNE are collectively referred to in this testimony as "Constellation."
19

20 **B. Purpose of Testimony**

21 **Q. What is the purpose of your Direct Testimony?**

22 **A.** My Direct Testimony addresses FE Ohio's proposal to continue procuring energy for its SSO
23 customers using a descending clock auction, conducted on a slice-of-system basis. I will
24 address FE Ohio's proposed competitive bidding process ("CBP") for SSO customers, which

1 essentially maintains the auction process for the term of FE Ohio's fifth electric security plan
2 ("ESP 5"), while making some notable improvements. My Direct Testimony also presents
3 further improvements and other PJM states' best practices to the utilities' CBP for the ESP 5.
4 These proposed improvements correspond with the stated goals of the Commission of
5 reducing SSO prices by attracting participants in the FE Ohio SSO auctions.
6

7 **Q. Does FE Ohio have a CBP in place today?**

8 **A.** Yes, FE Ohio has an auction-based CBP. CEG has participated in those SSO auctions, and
9 has first-hand knowledge of how they have proceeded and their results. The format is a
10 descending-price clock auction format. All bidders bid on a slice-of-system basis called
11 tranches and winning SSO suppliers enter into standardized Master SSO Supply Agreements.
12

13 **Q. Have you reviewed the Application in this proceeding?**

14 **A.** Yes, I have reviewed the Application and certain testimony that I found relevant to my Direct
15 Testimony.
16

17 **Q. Please describe FE Ohio's filing.**

18 **A.** In the instant proceeding, FE Ohio filed an Application with the Commission seeking
19 approval, as part of its ESP 5, of a CBP to procure electric power and energy for the provision
20 of SSO electric generation service to eligible FE Ohio retail electric customers who do not
21 choose to purchase electric generation service from a CRES supplier or through aggregations
22 beginning June 1, 2024.¹ The Application proposes to continue the existing descending-price

¹ Application at p. 6; FE Ohio Witness Lee Direct Testimony, p 6.

1 clock SSO auction format, with all bidders bidding on a slice-of-system basis.² The Application
2 proposes to include a volumetric risk cap to offset risk to suppliers of standing by to serve that
3 load.³ The Application proposes to use a combination of 12-month and 24-month products
4 and a capacity proxy price when the results of PJM's Base Residual Auction ("BRA") for
5 capacity are unknown prior to the SSO Auction.⁴

6
7 **Q. Please summarize Constellation's position regarding FE Ohio's auction proposal.**

8 **A.** Constellation supports continuing the descending clock auction format for the setting of SSO
9 rates for FE Ohio's retail customers. Constellation through my testimony will address the
10 following:

- 11 • Certain features of the Ohio competitive electric market and the procurement process
12 increase risks to SSO suppliers, and by extension to customers served under the SSO;
- 13 • FE Ohio (and Ohio in general) should adopt a competitive procurement methodology
14 tailored to meet the needs of consumers in the Ohio electric market;
- 15 • FE Ohio's proposed volumetric risk cap, which should be constructed with SSO suppliers
16 serving all load and settling financially above the cap, will help mitigate risks;
- 17 • Easing administrative burdens on SSO bidders supports efficient outcomes;
- 18 • Credit and collateral requirements should be set at a level to attract financially stable
19 bidders;

² FE Ohio Witness Lee Direct Testimony, p. 20-21.

³ Application, p. 6; FE Ohio Witness Lee Direct Testimony, p. 6-9.

⁴ Application, p. 6; FE Ohio Witness Lee Direct Testimony, p. 6, 11-13.

- Delaying auction schedules increases uncertainty, which can be mitigated by using a capacity proxy price that is subject to reconciliation when results of the BRA are known; and
- Constellation’s proposed changes to conduct auctions by class will help mitigate risks and properly assign risks and costs.

Each of these items will be discussed in detail below.

Q. Please discuss Constellation’s commitment to Ohio and Ohio consumers.

A. Constellation, like many other competitive SSO and CRES suppliers, has been here in Ohio offering electric service to consumers since the opening of the market to competition. We continue to do so today. Constellation remains ready, willing, and able to provide service to Ohio consumers.

C. Context of the Instant Proceeding

Q. Are you familiar with the competitive retail electric market in Ohio?

A. Yes. Ohio has a very robust competitive power market with multiple options for customers to choose their suppliers. FE Ohio currently has more than 100 active CRES suppliers in its service territories.⁵ Having been a SSO supplier and an active participant via the default service procurements and through my prior experience of having worked in retail, I have a good

⁵ See the “List of Electric Generation Suppliers & Consultants” on FE Ohio’s website at <https://www.firstenergycorp.com/content/dam/customer/Customer%20Choice/Files/Ohio/CertifiedSuppliersOH.pdf>.

1 understanding of risks associated with serving the default service load and the retail load, and
2 the interplay between them.

3
4 **Q. Please discuss the competitive retail electric market in Ohio.**

5 **A.** Ohio has a robust competitive power market as evidenced by the above number of CRES
6 suppliers currently active in the FE Ohio service territories. Customers in Ohio have an array
7 of CRES suppliers to choose from, to fulfill their energy needs. Ohio also has robust
8 government aggregation activity, thus offering customers another avenue to choose their
9 CRES supplier by participating in local government aggregation programs that are supplied at
10 competitive rates. Eligible customers who do not choose to get their electric supply from
11 CRES suppliers (including aggregations) are served under the SSO rates. The SSO rate is set
12 via a CBP, the results of which are approved by the PUCO.

13
14 **Q. What does the Application propose for FE Ohio's CBP?**

15 **A.** The proposed CBP is briefly described in the Application, but more thoroughly presented
16 through a collection of documents – a Master SSO Supply Agreement, auction schedule, part
17 1 and part 2 applications to qualify to bid in the auctions, bidding rules, communication
18 protocols, pre-bid letter of credit, and glossary. These separate documents were attached to
19 FE Ohio Witness Lee's testimony as Attachments RJL-2 through RJL-9 which I refer to as
20 the "proposed CBP."

21
22 FE Ohio's significant proposed CBP revisions that my testimony addresses are:

- 23
- Instituting a volumetric risk cap on load migration back to SSO service;

- The adoption of a capacity proxy price mechanism for situations where there is no Base Residual Auction (“BRA”) price available at the time of an auction; and
- Changes to improve the efficiency of administering auction events.

There may also be minor language changes, for clarification purposes, included in the documents.

Q. What advice do you have for the Commission as it considers FE Ohio’s CBP in the instant proceeding?

A. The instant proceeding provides the Commission with a unique opportunity to modify the FE Ohio SSO auction format to reflect the evolution that has occurred in the electric markets generally in recent years and in Ohio’s competitive electric markets specifically. Making the recommended changes set forth in this testimony will result in a more transparent, efficient, and equitable electric marketplace in FE Ohio’s service territories.

Q. Has the Commission expressed an interest in changes for FE Ohio’s CBP?

A. Yes. The Commission has invited comments in several dockets, based on its stated concerns regarding SSO pricing. In an Entry issued on January 3, 2023, in Case Nos. 16-776-EL-UNC *et al.*, the Commission asked for comments on the effectiveness of two modifications to the Ohio electric distribution utilities’ CBPs, including FE Ohio’s CBP, in order to help significantly reduce SSO rates resulting from recent increases in the SSO auction prices. Those proposed modifications were including six-month products in the mix of products for each auction and to revise credit requirements for companies seeking to bid at the auctions.

1 In an Entry issued on July 26, 2023, in Case No. 23-781-EL-UNC, the Commission found it
2 necessary to revisit possible modifications to the electric distribution utilities' CBPs, including
3 FE Ohio's CBP, in order to mitigate uncertainty surrounding PJM's capacity market. The
4 Commission sought comments on a proposed capacity proxy price mechanism.
5

6 **Q. Do you recommend that the Commission adopt the CBP, including revisions, as**
7 **proposed by FE Ohio in its Application?**

8 **A.** I support continuation of a CBP in FE Ohio's service territories and FE Ohio's proposed
9 continuation of certain elements of the proposed CBP, such as conducting two auctions in a
10 year and procuring a combination of 12- and 24- month products. I support FE Ohio's
11 concept of a volumetric risk cap which, if set appropriately, would improve the proposed CBP
12 so that it would be more attractive to potential bidders, reduce risks to SSO suppliers, and
13 reduce SSO prices. Additionally, continually altering the auction schedule to conform with
14 the PJM BRA is unnecessary, and requires additional commitment of resources from SSO
15 suppliers. I therefore support the use of a capacity proxy price as recommended by FE Ohio.
16 I also support FE Ohio's suggestions to streamline the auction processes.
17

18 I do have some recommendations, either modifying FE Ohio's proposals or suggesting
19 improvements upon the ESP, as filed. First, I recommend that the volumetric risk cap be
20 adjusted and that SSO suppliers serve all of the SSO load, including the load that is above the
21 volumetric cap. Second, I recommend that collateral requirements be maintained to ensure
22 the credit-worthiness of foreign bidders participating in the auction. Additionally, I
23 recommend that the Commission improve the proposed CBP to conduct auctions by class.
24 These proposals are set forth further in my testimony.

1 **II. RISKS EXISTING WITH SERVING THE DEFAULT SERVICE LOAD UNDER THE CBP**
2 **CONSTRUCT**

3 **Q. Do SSO suppliers take on risks in serving the default service load?**

4 **A. Yes.**

5 **Q. What are the risks in serving the default service load, generally speaking?**

6 **A. Acting as an SSO supplier necessarily means taking some risks. SSO suppliers are**
7 **sophisticated portfolio managers, and have tools to mitigate certain risks, such as buying**
8 **hedges in forward electricity markets. Put simply, the SSO supplier creates a forecast of the**
9 **expected load that it will be obligated to serve based in large measure on information provided**
10 **during the bidding process, and the SSO supplier then procures energy in the forward market**
11 **to meet that expected load consistent with the SSO supplier's hedging strategy. To the extent**
12 **that SSO suppliers are able to effectively manage those risks, SSO auction prices will be lower,**
13 **which benefits default service customers. In previous years, although there were movements**
14 **on and off the SSO, and there were changes in usage during different seasons, load was**
15 **sufficiently predictable such that SSO suppliers were willing to and capable of effectively**
16 **managing risks.**

17
18 **Q. How did that change?**

19 **A. Recently, there has been unprecedented volatility both in the wholesale electric and natural gas**
20 **commodity markets. There were multiple factors that caused the volatility in general, and in**
21 **Ohio specifically. Geopolitical events and the disruption in supply chains, among other things,**
22 **resulted in both high inflation and high energy prices. Higher energy prices and high price**
23 **volatility increased the risk (and hence the cost) for SSO suppliers serving full requirements**
24 **load. SSO suppliers faced further increased risks because of unprecedented customer**

1 migration (movement) to default service. This occurs because during times in which there are
2 higher prices in the energy market, customers will explore and return to default service, if a
3 lower-priced option, after their agreement with their CRES supplier has ended or potentially
4 terminating their CRES agreement early.

5
6 Thus, the customer migration results in compounding the risk that SSO suppliers are exposed
7 to. To serve the additional load above what the SSO supplier had originally forecasted, the
8 SSO supplier must procure additional energy in the forward energy markets for the
9 unanticipated load at prices that were substantially higher than originally projected. The prices
10 paid to procure that power are more than the SSO supplier will be paid to serve that load
11 under its Master SSO Supply Agreement.

12
13 **Q. Shouldn't the risk of customer movements on or off the SSO be a concern of the SSO**
14 **supplier alone?**

15 **A.** While it certainly is a concern, those actual losses or the risk of losses, and the costs to procure
16 a greater supply of energy than what previously was believed to be necessary and procured,
17 become the future cost of doing business and are reflected in SSO prices. Consequently, it
18 affects and should concern customers and the Commission, as well.

19
20 **Q. Are there unique risks in Ohio, including in the FE Ohio service territories?**

21 **A.** Yes. In addition to universal risks inherent in the default service, there are two elements of
22 the Ohio default service procurement process that impose elevated risks, which are reflected
23 in SSO prices. Those risks that are unique to Ohio are governmental aggregation, and the
24 procurement of default service on a slice-of-system basis. Although the robust governmental

1 aggregation activity provides additional benefits and choice to Ohio governmental entities as
2 well their residents and businesses, it also poses greater risk to auction participants because
3 significant load may either come onto the SSO, or leave the SSO, all at once. The structure
4 of default service procurements on a slice-of-system basis, including all classes of customers,
5 is another area in which risks for serving Ohio default service load including the FE Ohio
6 service territories, are exacerbated for SSO suppliers. Specifically, the load shape for
7 commercial and industrial customers can vary significantly, adding additional risk to SSO
8 pricing when the SSO load is procured on a slice-of-system basis for all customers, rather than
9 by class.

10
11 **Q. How have the risks associated with governmental aggregation in Ohio increased,**
12 **including in the FE Ohio service territories?**

13 **A.** Although the categories of risk themselves have not changed, how they are valued has changed
14 dramatically, based on recent experience. SSO suppliers had not previously experienced either
15 the general market volatility to the levels seen recently, or the related behavior with customers
16 moving back to the SSO from aggregations and CRES suppliers. More recently, significant
17 shifts have occurred in aggregations. The risk also exists by a local governmental entity or the
18 CRES supplier serving the aggregation of not renewing the supply agreement, which
19 automatically returns customers to the SSO unless a new CRES supplier is selected. Ohio
20 residential customers served through aggregations went from a high of approximately 73% to
21 a low of 53% in a single calendar year - 2022.⁶ This unprecedented drop is a direct result of

⁶ See the Electric Choice Aggregation Activity chart available by link on the Commission's Ohio Customer Choice Activity webpage at <https://puco.ohio.gov/utilities/electricity/resources/ohio-customer-choice-activity>.

1 aggregators choosing to not continue with their CRES supplier contracts because the default
2 service price was much lower than market prices.

3
4 **Q. How have the risks associated with large commercial and industrial customers**
5 **increased?**

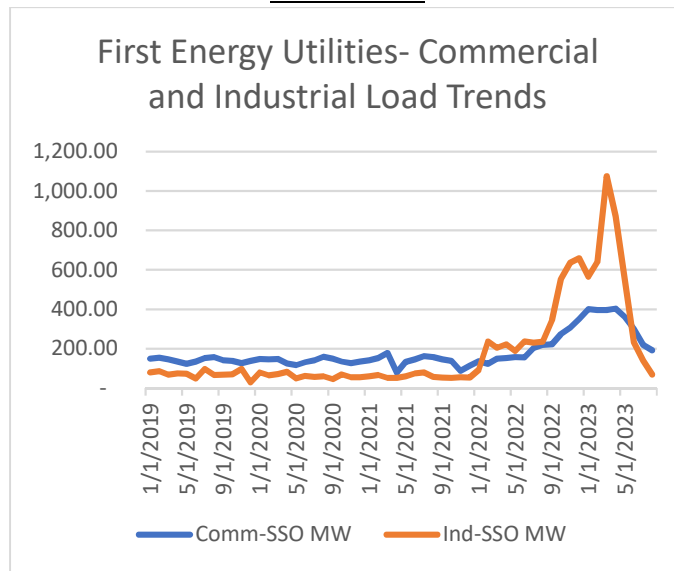
6 **A.** Customers have moved back to the SSO in numbers and load (MWh) not previously
7 experienced, particularly in the large commercial and industrial segments. Based on the timing
8 of previous SSO procurements and the circumstances that existed at the time of those
9 procurements, the SSO price was significantly below the prevailing market price. That price
10 difference can be particularly acute for large commercial and industrial customers, who have
11 diverse load characteristics and a wide degree of variability from one customer to the next.

12
13 **Q. What was the magnitude of the change in the commercial and industrial load on**
14 **default service in the FE Ohio service territories in 2022?**

15 **A.** At its peak in 2022, the commercial load in FE Ohio's service territories on the SSO was more
16 than 291% higher than the average SSO commercial load over the past three years (2019-
17 2021), while the industrial load in FE Ohio's service territories was more than 1,667% higher
18 than the average industrial SSO load over the same period.⁷ Figure 1 below illustrates the
19 significant changes (in megawatts) by the commercial and industrial load in FE Ohio's service
20 territory over the four-year period.

⁷ See the FE Ohio-specific information on the Electric Choice Activity report (page 2) linked on the Ohio Customer Choice Activity webpage on the Commissions website at <https://puco.ohio.gov/utilities/electricity/resources/ohio-customer-choice-activity>; and see the Commission's Electric Choice Activity dashboard - [Microsoft Power BI \(powerbigov.us\)](https://powerbigov.us).

FIGURE 1⁸



Q. How does the reversion of large commercial and industrial customers back to the SSO affect the risk in serving the SSO load?

A. SSO suppliers had to serve a significantly higher and unpredictable load than the SSO suppliers had forecasted. SSO suppliers that purchased hedges in the forward markets based on the expected load would have been unhedged for the additional unanticipated commercial and industrial load, just as with changes in the governmental aggregation load. Consequently, they would have to procure additional energy for the unanticipated load at a time when market prices were high.

Q. Is it just changes in the overall amount of load that is risky?

A. No. It is not only changes to the total volume of load that creates risk, but unpredictable variation in usage during the day or month or season, which I will refer to as “load shape”, creates additional risk. For instance, residential customers typically have a pattern of usage

⁸ See the Commission’s Electric Choice Activity dashboard - [Microsoft Power BI \(powerbigov.us\)](https://powerbigov.us).

1 that is extremely weather-sensitive, with usage rising and falling in a predictable way, based on
2 temperature. Commercial customers that operate retail businesses have a different load shape
3 based on their business hours and type of business. Large commercial and industrial
4 customers, such as manufacturing facilities, have a load shape that is significantly different
5 from one customer to the next, and is also distinct from both residential customers and other
6 types of commercial customers. In fact, large commercial and industrial customers have a
7 load shape that is unique to the individual large commercial or industrial customer, and
8 forecasting these loads in a slice-of-system auction process is nearly impossible since there are
9 multiple drivers that affect their load.

10
11 **Q. What does lumping all different types of customers under a slice-of-system approach**
12 **do to the risk for SSO suppliers?**

13 **A.** Serving SSO customers on a slice-of-system basis, as opposed to by customer class, increases
14 risks dramatically because an SSO supplier does not have any reasonable assurance as to what
15 the overall load volume will be, or what the shape of the load will be since it could be any and
16 every customer in the utility service territory. Estimating that information, instead of actually
17 knowing it, creates inefficiencies, risk, and additional cost – all of which can be mitigated.

18
19 **Q. Have those risks affected customers?**

20 **A.** Yes, in several ways. First, in recent SSO auctions, including the FE Ohio auctions, there have
21 been fewer bidders, which means that some SSO suppliers that had been active participants
22 in previous Ohio SSO auctions simply stayed away. In the 2020 and 2021 FE Ohio SSO
23 auctions, there were 11-13 registered bidders in each auction, whereas in the 2022 Fall FE

Ohio SSO auction, there were only seven registered bidders.⁹ The number of registered bidders did not improve in the Spring 2023 FE Ohio SSO auction.¹⁰ Additionally, the auctions held in Fall 2022 and in both Winter and Spring 2023 resulted in significantly higher Auction Clearing Prices (“ACPs”) than the results of the auctions held in the immediately preceding years. Figure 2 below illustrates the differences.

FIGURE 2¹¹

Auction Date	Term	Total Bidders	ACPs in (\$/MWH)
January 28, 2020	6/01/2020-5/31/2021 6/01/2020-5/31/2022	13	38.65 42.95
October 5, 2020	6/01/2021-5/31/2022	12	48.47
January 26, 2021	6/01/2021-5/31/2022	12	46.80
August 23, 2021	06/01/2022-05/31/2023	11	42.10
October 4, 2021	06/01/2022-05/31/2023	11	50.21
March 7, 2022	06/01/2022-05/31/2023	11	68.11
October 4, 2022	06/01/2023-05/31/2024	7	122.30
January 10, 2023	06/01/2023-05/31/2024	6	97.70
March 20, 2023	06/01/2023-05/31/2024	7	83.75

Q. How do FE Ohio’s default service auction results compare to procurements in other states?

A. The high volatility and high commodity price environment were in effect when other utilities in PJM conducted their default service auctions in Fall 2022 and Winter 2022-2023. Yet other states had greater bidder participation and lower ACPs, even considering procurement of

⁹ Compare the auction reports filed on January 29, 2020, October 6, 2020, January 27, 2021, August 25, 2021, and October 5, 2021, in *In the Matter of the Procurement of Standard Service Offer Generation as Part of the Fourth Electric Security Plan for Customers of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company*, Case No. 16-766-EL-UNC. See also [FirstEnergy Ohio Utilities CBP SSO Auctions > Results \(firstenergycbp.com\)](#).

¹⁰ See page three of the auction report filed on January 11, 2023, in *In the Matter of the Procurement of Standard Service Offer Generation as Part of the Fourth Electric Security Plan for Customers of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company*, Case No. 16-766-EL-UNC. See also [FirstEnergy Ohio Utilities CBP SSO Auctions > Results \(firstenergycbp.com\)](#).

¹¹ See [FirstEnergy Ohio Utilities CBP SSO Auctions > Results \(firstenergycbp.com\)](#).

1 additional products. For example, in addition to procuring energy, Pennsylvania bids include
2 transmission and renewable energy credits (“RECs”), which were not a part of the FE Ohio
3 default service auction products.
4

5 Although there were increases in the ACPs in other PJM default service auctions, the increase
6 in the FE Ohio ACPs during auctions conducted near the same time was substantially higher,
7 as can be seen and as discussed further below and in Figure 6, which I prepared. This indicates
8 that the risks are higher in Ohio than in these other states. In my opinion and based on my
9 experience, the procurement structure(s) and/or contractual mitigation provisions in
10 Pennsylvania, Maryland, and New Jersey were a significant factor in drawing more bidder
11 interest and in lower premiums in their respective default service procurements.
12

13 **Q. If volatility in the natural gas market eases, would that eliminate the risks you**
14 **described?**

15 **A.** No. Natural gas prices may fall and, given that is a component of the electric SSO bids, one
16 would expect that ACPs would be somewhat lower. However, the fact that SSO suppliers
17 have experienced or seen extreme fluctuations in natural gas prices means that SSO suppliers
18 will continue to incorporate such price volatility into their future bids. In addition, there is
19 significant risk associated with the movements in the amount of load that they would be
20 obligated to serve as an SSO supplier.

1 **III. THE RISKS REFLECTED IN AUCTION CLEARING PRICES CAN BE MITIGATED**

2 **A. Adopting a Volumetric Risk Cap Would Mitigate Risk**

3
4 **Q. Does FE Ohio appear to understand the risks and attempt to mitigate them?**

5 **A.** Yes, it does. FE Ohio has proposed a volumetric risk cap on load migration back to SSO
6 service. As explained by FE Ohio witness Lee, under the Companies' proposal, each auction
7 tranche would be set to baseline level equal to the Peak Load Contribution ("PLC") per
8 tranche as of the first day of the delivery period. SSO suppliers would be required to serve up
9 to the baseline plus an additional 20 MW above that number, per tranche served.¹² Each
10 business day, the Companies would evaluate the daily PLC per tranche with the baseline level.
11 The load in excess of the volumetric cap would be supplied by the Companies at real-time
12 market prices.¹³

13
14 **Q. Does Constellation have an opinion on FE Ohio's volumetric risk cap proposal?**

15 **A.** Yes, Constellation supports the FE Ohio proposal. FE Ohio's proposal is somewhat similar
16 to contractual provisions that are used successfully in Maryland, which limit the exposure to
17 the SSO supplier to a specific load increase and a specific load decrease from a set baseline
18 load level, which I will refer to as an upper mitigation threshold and lower mitigation
19 threshold, respectively. FE Ohio proposes the use of an upper mitigation threshold only,
20 whereas Maryland utilizes both an upper mitigation threshold and a lower band.

21
22 The proposed cap is implemented somewhat differently. In Maryland, the upper band is set
23 at 10% of the tranche, converted to a PLC. FE Ohio's proposal for a firm 20 MW cap would

¹² FE Ohio Witness Lee Direct Testimony, p. 6.

¹³ *Id.* at 7.

1 allow for significant changes in load volume. Although there is no magic number, the higher
2 the mitigation threshold percentage, the greater the risk that SSO suppliers will face, which
3 will be incorporated into bids.
4

5 **Q. What benefit would the upper mitigation threshold have for customers?**

6 **A.** Based on the results of last year's auctions, SSO suppliers have seen that they could realistically
7 be obligated to serve 200% of the load taking SSO service at the time of the auction. In order
8 to mitigate their risk, SSO suppliers would have to procure energy for the term of the Master
9 SSO Supply Agreement at that volume, the costs of which would be reflected in their bid. Yet
10 if the load did not materially increase from the date of the auction, customers would have paid
11 for a risk that did not materialize. If done correctly, the upper mitigation threshold eliminates
12 the risk of a material increase in load from the date of the auction. It would result in lower
13 ACPs that reflect the costs to serve SSO customers, and would manage risk on a contingent
14 event basis instead of assessing a risk premium to all customer classes, all the time for all load
15 served.
16

17 **Q. What are the important considerations when setting the volumetric risk cap?**

18 **A.** The cap needs to be set at such a level that it allows customers to move into default service in
19 the event of bankruptcy of their supplier or any other such unforeseen circumstances, while
20 disincentivizing customers from gaming/arbitraging the default service price against market
21 prices. Most of the customers that switched in early 2022 from CRES suppliers to default
22 service were industrial customers, who are generally savvy and have a very good understanding
23 of the markets. The result was that a few industrial customers derived a significant benefit.

1 Going forward, the associated risk and cost for a repeat of that arbitrage behavior will be borne
2 mostly by residential customers, who make up the lion's share of the default service load.

3
4 **Q. What is the optimal level for a volumetric risk cap?**

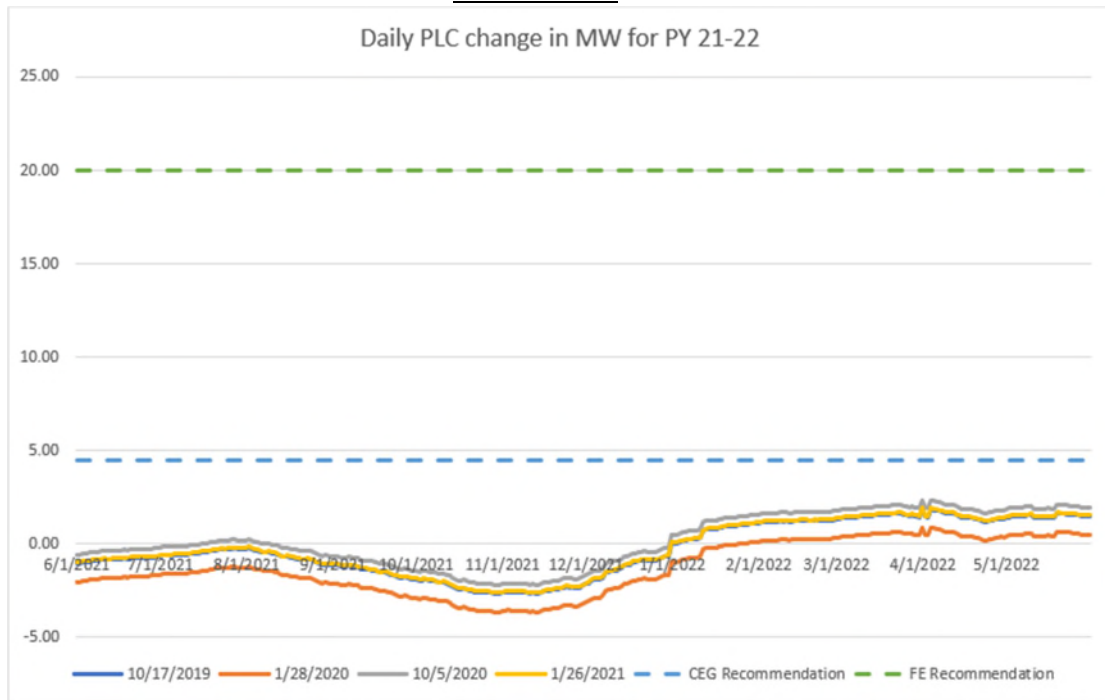
5 **A.** The upper volumetric risk cap that has been used successfully in Maryland is set as 10% of the
6 tranche size; based on 50MW tranches, the cap is 5MW. The tranche size from FE Ohio's
7 most recent auction (March 20, 2023) was approximately 12MW from a PLC cap perspective.¹⁴
8 At 2MW-5MW (approximately 15 - 40% of PLC tranche size), there is sufficient room for
9 many of the residential and small commercial and a few industrial customers to move to
10 default service, while preventing very large customers from arbitraging the default service
11 price. The advantage of a lower threshold is that it modulates customer behavior and prevents
12 gaming. This reduces the risk to SSO suppliers, which lowers risk premiums and consequently
13 lowers bids, benefitting the residential and small commercial customers that make up most of
14 default service customers.

15
16 Additionally, based on historical data, the cap would not be exceeded very often. Even when
17 energy prices were volatile in the second half of 2021 and in the first half of 2022, the PLC
18 change was well below 5MW. Figure 3 below, which I prepared, illustrates the daily PLC
19 values in 2021 and 2022, as compared to FE Ohio's proposed volumetric cap and
20 Constellation's proposed volumetric cap.

¹⁴ See page three of the updated redacted auction report filed on April 12, 2023, in *In the Matter of the Procurement of Standard Service Offer Generation as Part of the Fourth Electric Security Plan for Customers of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company*, Case No. 16-766-EL-UNC and see <https://www.firstenergycbp.com/Documents/LoadandOtherData.aspx>.

1

FIGURE 3¹⁵



2

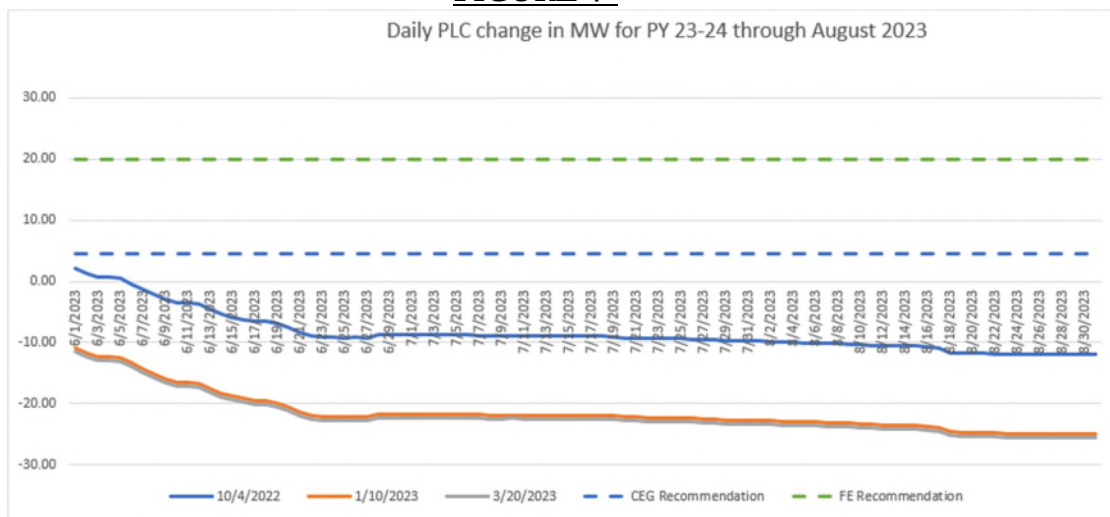
3

The daily PLC change was likewise always below 5MW in 2023. This is illustrated in Figure 4 below, which I prepared.

4

5

FIGURE 4¹⁶



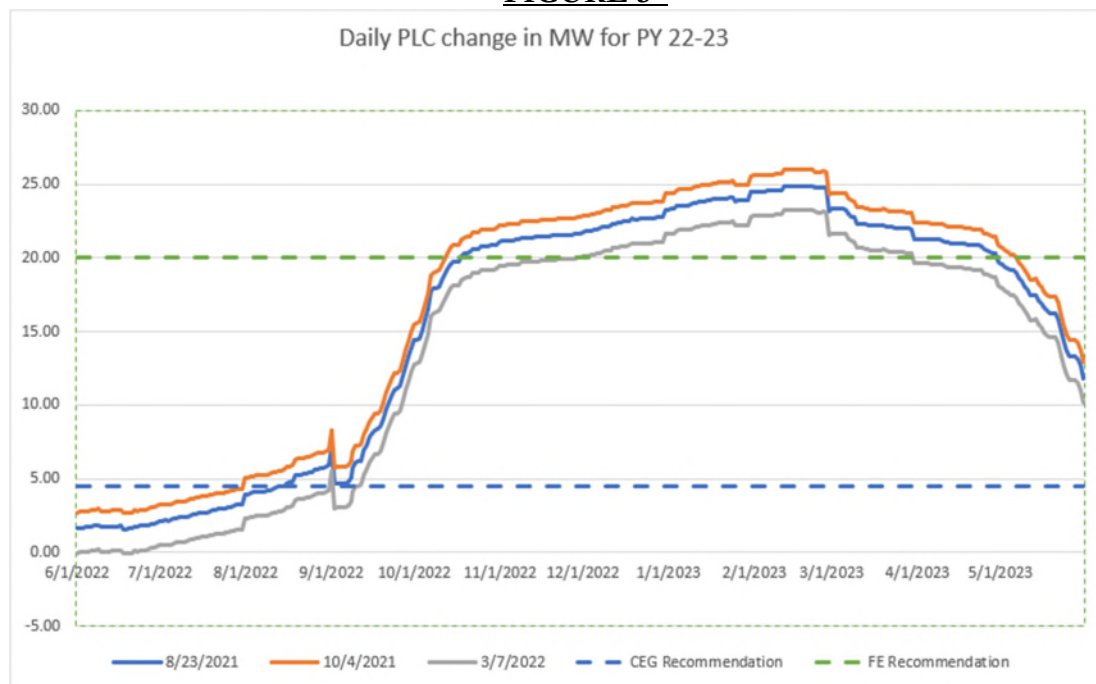
6

¹⁵ See the Capacity and Transmission PLC link on “FirstEnergy Ohio Utilities’ CBP SSO Auctions” webpage at <https://www.firstenergycbp.com/Documents/LoadandOtherData.aspx>.

¹⁶ See the Capacity and Transmission PLC link on “FirstEnergy Ohio Utilities’ CBP SSO Auctions” webpage at <https://www.firstenergycbp.com/Documents/LoadandOtherData.aspx>.

Using a volumetric risk cap of 20MW would obligate suppliers to serve PLC load that is more than 250% of the baseline at SSO auction prices. A volumetric risk cap set that high would only eliminate the most extreme risk: a mass migration on the scale of Northeast Ohio Public Energy Council (“NOPEC”) customers being returned *en masse* to SSO. The only time that the PLC change exceeded 5MW occurred with the transition of NOPEC customers in the Fall of 2022, and it remained elevated during their stay on SSO into 2023. These daily PLC changes in the June 2022-May 2023 time period are illustrated in Figure 5 below, which I prepared.

FIGURE 5¹⁷



Given the FE Ohio tariff changes made subsequent to that NOPEC event,¹⁸ that particular risk has been mitigated. A high threshold such as the proposed 20MW does not prevent customers from gaming the markets, which is the greatest risk going forward.

¹⁷ See the Capacity and Transmission PLC link on “FirstEnergy Ohio Utilities’ CBP SSO Auctions” webpage at <https://www.firstenergycbp.com/Documents/LoadandOtherData.aspx>.

¹⁸ *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Approval of Tariff Amendments*, Case No. 22-1127-EL-ATA, Finding and Order (March 8, 2023).

1 **Q. FE Ohio is proposing that the load in excess of the volumetric cap would be supplied**
2 **by FE Ohio at real-time market prices. Do you agree?**

3 **A.** No. Constellation strongly believes that the SSO suppliers should serve the default service
4 load, including the load in excess of the volumetric cap. Regardless of the supplier, the same
5 calculations would need to be performed for the volume served below the cap, which is to be
6 settled at the auction rate, and the load that is above the cap, which is to be settled at the Day
7 Ahead – Real Time price. There is no benefit in having the load above the cap served by FE
8 Ohio. Although increases in load above the volumetric cap would include providing specified
9 ancillary services for that load, the risk associated with changes in the ancillary services
10 obligation for the load above the cap would be negligible, from a supplier perspective.

11
12 In contrast, FE Ohio's proposal to serve the load above the volumetric cap creates several
13 issues. First, it is not as simple as FE Ohio simply being charged by PJM for that load. If FE
14 Ohio were to take on the obligation, they would be required to provide daily day-ahead bids,
15 which is something that only SSO suppliers do (and should do) today. Second, the costs
16 associated with serving SSO load reside in the PJM sub-accounts for SSO suppliers. FE Ohio
17 seems to be suggesting that all costs for serving SSO load would reside in FE Ohio's account.¹⁹
18 This is improper.

19
20 **Q. Is FE Ohio allowed to provide competitive generation service or default service load**
21 **directly?**

22 **A.** No.

¹⁹ FE Ohio Witness Lee Direct Testimony, p. 7. *See also* FE Ohio's response to Constellation Set 02-INT-009, included with my testimony as Attachment A.

1 **Q. Does FE Ohio’s corporate separation plan authorize it to offer competitive generation**
2 **service?**

3 **A.** No. FE Ohio’s current corporate separation plan requires it to provide competitive generation
4 service through a separate affiliate.

6 **Q. Would FE Ohio’s provision of competitive generation service be consistent with Ohio**
7 **energy policy?**

8 **A.** No. R.C. 4928.02 reflects a policy that utilities should operate as distribution companies in
9 providing non-competitive distribution services, and that competitive services should be
10 provided through the competitive market.

12 **Q. Are you concerned that FE Ohio is seeking to offer competitive generation service**
13 **directly?**

14 **A.** Yes. Allowing FE Ohio to offer competitive generation service is anti-competitive and will
15 send the improper signal to the market, which would harm competition and potentially
16 increase prices to the detriment of customers.

18 **B. Conducting Default Service Auctions by Customer Class Further Mitigates**
19 **Risk**

20 **Q. Based on your experiences from other states’ competitive default service auctions, in**
21 **addition to a volumetric risk cap, are there ways to mitigate the risks associated with**
22 **serving vastly different quantities of commercial and industrial load?**

23 **A.** Yes. Based on my experience in participating in default service auctions around the country
24 and on data from recent auctions in various utility territories in the region served by PJM that

1 procure full requirements supply for their default service customers, I recommend that FE
2 Ohio's default service auctions be improved to remove the slice-of-system methodology and
3 instead procure by customer class. I recognize that there is not a single "small commercial"
4 customer class, for instance. When I refer to "customer class," I mean grouping customers
5 that have similar characteristics, *i.e.*, served at similar voltages from those customers served at
6 different voltages or simply based on residential versus commercial. In FE Ohio's service
7 territory, natural breakpoints would be: Residential (RS class), Small Commercial (GS, ST, TR
8 and POL classes) and Large Commercial and Industrial (GP, GSU and GT classes) since these
9 classes would result in customers with similar load characteristics being grouped together for
10 auction purposes.

11
12 **Q. FE Ohio conducts procurements using a slice-of-system approach, and that**
13 **methodology is currently used by other Ohio utilities. Why should the Commission**
14 **change it now?**

15 **A.** The fact that it has always been done that way is not a good reason to retain the status quo.
16 The commodity markets in 2022 subjected Ohio SSO procurements to a stress test with the
17 procurements failing the stress test (by resulting in high prices and low participation) and
18 resulting in the Commission's desire to implement changes for lower SSO prices. Over a
19 decade ago, the Commission adopted a methodology that was practical, based on information
20 that was known at the time. The wholesale and retail electric markets have evolved in Ohio
21 and elsewhere (specifically, there has been a significant number of and participation in the

1 governmental aggregations in Ohio)²⁰ since the Commission took on the task of establishing
2 competitive procurements. We can learn from the experience in different states and recognize
3 that, as the world is a different place, the Ohio SSO auction construct should change along
4 with the times by adopting well-established best practices.

5
6 **Q. How do other PJM states structure their default service procurements?**

7 **A.** All Pennsylvania (PECO, PPL, METED, PENELEC, PENNPWR, WEST PENN PWR and
8 Duquesne) and Maryland utilities procure supply for default service load by class. New Jersey
9 procures supply for residential and small commercial customers together, with large
10 commercial and industrial customer supply being procured separately. No other jurisdiction
11 in PJM conducts a default service procurement that includes large commercial and industrial
12 customers with residential customers as a slice of the system.

13
14 **Q. How would procuring by customer class benefit FE Ohio customers?**

15 **A.** This improvement for the auction format would benefit FE Ohio customers in two significant
16 ways. First, it would provide SSO bidders with greater knowledge and therefore predictability
17 regarding the load they would be obligated to serve, as to the potential volume and the load
18 shape. With that knowledge and predictability comes decreased risk, which is translated to
19 lower ACPs. As can be seen from Figure 6 below, which I prepared, segmenting customer
20 classes results in lower ACPs. What is important to note, in addition to the ACP, is the
21 difference in the products being procured. In Ohio, default service auctions are full

²⁰ See the Electric Choice Aggregation Activity report (page 2) linked on the Ohio Customer Choice Activity webpage on the Commission's website at <https://puco.ohio.gov/utilities/electricity/resources/ohio-customer-choice-activity>. See also, Commission's map of governmental aggregations in Ohio on the Commission's website at <https://puco.ohio.gov/utilities/utility-maps/all-government-aggregators-web-application>.

requirements products for all classes. In order to make an apples-to-apples comparison, Pennsylvania ACPs would need to net out the transmission and renewable energy credit (“REC”) prices from the ACP using FERC-approved transmission rates as published by PJM, and the REC obligation by state from <https://www.dsireusa.org/> and REC Market prices from public sources (i.e., Megawatt Daily). Doing so would further lower the auction prices in those jurisdictions. As Figure 6 below shows, ACPs are higher in Ohio than other states, even though Ohio’s auctions procure fewer components as part of the auction product.

FIGURE 6²¹

September-December 2022 PJM Auctions						
Auction Date	State	Utility	Term	Product	ACP in \$/MWh	Notes on Product
Sep-22	Ohio	Duke Energy	06/1/2023-05/31/2024	Slice of System	\$ 115.75	Fixed price full requirements product that includes energy, capacity and ancillaries
Oct-22		First Energy Ohio			\$ 122.30	
Nov-22		AEP			\$ 119.98	
Nov-22		Dayton Power and Light/AES			\$ 113.42	
Sep-22	Pennsylvania	Duquesne	12/01/2022-11/30/2023	Residential	\$ 109.31	Fixed price full requirements product that includes energy, capacity ancillaries and REC's
			12/01/2022-11/30/2024		\$ 98.71	
			12/01/2022-11/30/2023	Small C&I	\$ 113.26	
			12/01/2022-11/30/2024		\$ 100.09	
Nov-22		Met-Ed Penelec Penn Power West Penn Power	06/01/2023-05/31/2024	Residential	12/01/2022-02/28/2023	\$ 182.00
						\$ 100.59
						\$ 94.66
						\$ 100.88
			06/01/2023-05/31/2024	Small Commercial		\$ 89.31
						\$ 107.37
						\$ 107.98
						\$ 113.33
						\$ 97.75
Oct-22		PPL Electric Utilities	12/01/2022-11/30/2023	Residential	\$ 106.47	Fixed price full requirements product that includes energy, capacity, ancillaries and REC's
			12/01/2022-05/31/2023		\$ 129.93	
			12/01/2022-11/30/2023	Small Commercial	\$ 102.82	
			12/01/2022-05/31/2023		\$ 130.86	
Sep-22		PECO	12/01/2022-11/30/2023	Residential	\$ 100.22	Fixed price full requirements product that includes energy, capacity, ancillaries and REC's
			12/01/2022-11/30/2024		\$ 93.71	
			12/01/2022-11/30/2023	Small Commercial	\$ 95.37	
			12/01/2022-11/30/2024		\$ 94.81	

²¹ See the auction report filed on October 5, 2022, in *In the Matter of the Procurement of Standard Service Offer Generation as Part of the Fourth Electric Security Plan for Customers of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company*, Case No. 16-766-EL-UNC; [FirstEnergy Ohio Utilities CBP SSO Auctions > Results \(firstenergycbp.com\)](https://www.firstenergycbp.com/); the auction report filed on November 2, 2022, in *In the Matter of the Procurement of Standard Service Offer Generation for Customers of Ohio Power Company*, Case No. 17-2391-EL-UNC; the auction report filed on September 21, 2022, in *In the Matter of the Procurement of Standard Service Offer Generation for Customers of Duke Energy Inc.*, Case No. 18-6000-EL-UNC; the auction report filed on November 30, 2022, in *In the Matter of the Procurement of Standard Service Offer Generation for Customers of The Dayton Power and Light Company d/b/a AES Ohio*, Case No. 17-957-EL-UNC; the Duquesne Light Company September 19, 2022 auction results linked on Duquesne Light Company’s Default Service Plan webpage at

1 **Q. What is the second way in which procuring default service by class would benefit**
2 **customers?**

3 **A.** The second benefit of procuring SSO generation by customer class is a better and more
4 accurate allocation of costs that simultaneously eliminates cross-subsidies among differing
5 customer classes. Supporting the continuing evolution of the competitive electric market
6 includes eliminating cross-subsidies and appropriately allocating costs. The Commission
7 should resist any approach that results in cross-subsidies and should actively take steps to
8 eliminate existing cross-subsidies. Forcing certain customers to subsidize others does not
9 lower total service costs, but instead, it serves only to distort the evaluations customers must
10 make in considering their choices of supply and products – ultimately leading to inefficiency
11 and higher total costs of service. The opportunity in this proceeding is to eliminate, as much
12 as possible, the problem of cross-subsidies.

13
14 **Q. Please discuss the importance of the proper allocation of costs in relation to the**
15 **development of the competitive electric market.**

16 **A.** The proper allocation of costs to cost-causers can only improve the market, and customer
17 behavior. The failure to properly allocate costs inevitably leads to inaccurate pricing.
18 Inaccurate pricing leads to inefficient choices on the part of both consumers and those who
19 must make decisions about energy usage. To the extent that the actual cost to serve one class
20 of customers is attributed instead to another class of customers, then the prices of serving

<https://www.duquesnedsp.com/Results.aspx>; the FE Pennsylvania utilities November 14, 2022 auction results (DSP-VI) linked on FirstEnergy's Pennsylvania Default Service Program webpage at <https://www.fepaauction.com/Results.aspx>; the PPL Electric Utilities October 11, 2022 auction results (DSP 5, Solicitation 4) available at <https://ppldsp.com/wp-content/uploads/2022/10/DSP5-Sol4-Results.pdf>; and the PECO September 2022 auction results available at https://pecoprocurement.com/assets/files/NERA_PECO_September%202022_Results_October%20121.pdf.

1 those two classes, which may be quite different, will not be reflective of the actual cost to
2 serve.

3
4 **Q. If Constellation’s proposal to conduct procurements by class were adopted, would you**
5 **expect that there would be pricing changes for customers?**

6 **A.** Yes, procurements by class would appropriately allocate the costs to serve customers to the
7 customers themselves, eliminating subsidies that currently exist.

8
9 **Q. Would this mean that customers would no longer have the same supply options?**

10 **A.** No, it does not. Customers would have the same supply options that they do today. The only
11 change is that their default service price would more accurately reflect the cost of the risks to
12 serve them. In addition, there would continue to be the other options that exist in well-
13 functioning competitive markets such as Ohio. Specifically, customers could contract with
14 CRES suppliers, if desired. There are numerous service options available from CRES
15 suppliers to meet customers’ needs, resources, budget requirements, environmental or
16 sustainability initiatives, and price-hedging strategies. These products can also be individually
17 customized to meet business goals, risk appetite, and needs for all types of consumers.
18 Customers have the resources available and can obtain the supply option for their specific
19 energy needs.

20
21 **Q. Would this recommendation require extensive work or a large lead time?**

22 **A.** No. FE Ohio’s auction manager already has experience and the capability and systems to
23 execute default service auctions using customer-class-based procurements. *See Attachment B*
24 containing FE Ohio’s responses to Constellation Set 02-INT-048, Constellation Set 02-INT-

049, and Constellation Set 02-RFA-001 through RFA-003. In addition, FE Ohio does not have any system or other limitations that would preclude auctions using customer-class-based procurements. *See Attachment C* containing FE Ohio's response to Constellation Set 02-INT-050.

IV. USING A CAPACITY PROXY PRICE THAT IS SUBJECT TO RECONCILIATION WHEN RESULTS OF THE BRA ARE KNOWN BENEFITS ALL

Q. FE Ohio proposes to adopt a capacity proxy price mechanism for situations where there is no BRA price available at the time of the auction. Do you have an opinion on that proposal?

A. Yes. I support FE Ohio's proposal. Uncertainty regarding capacity prices can be mitigated by using a capacity proxy price that is subject to reconciliation when the results of the BRA are known, as recommended by FE Ohio. Using a proxy price eliminates unnecessary risks that come with changing auction products after the auction has been announced. Moreover, using a proxy price preserves the benefits of laddering and staggering for customers. As noted by Mr. Lee, this solution has been used successfully in a number of PJM states.²² Constellation recommends that it be utilized in Ohio, including in the FE Ohio service territories.

V. AUCTION PROCESSES AND REQUIREMENTS SHOULD BE MODIFIED TO REMOVE UNNECESSARY BURDENS

Q. Do you have an opinion on the following changes that FE Ohio proposes to the auction process and requirements?

²² FE Ohio Witness Lee Direct Testimony, p. 12.

- 1 1. Adopting a single MSA approach for each supplier for the full ESP V term.
2 Following each auction, winning bidders would simply execute transaction
3 confirmations.
- 4 2. No longer requiring ink signatures or notarization of applications, which will
5 simplify the process for applicants, many of whom work remotely or across
6 different offices.
- 7 3. No longer requiring bidders relying on foreign guarantors to post additional pre-
8 bid security.
- 9 4. Relaxing the restrictions on back-up bidding during auctions by allowing the
10 auction help desk to take back-up bids over the phone lines or via email instead of
11 requiring bidders to use a fax-based process.

12 A. Yes. Constellation supports streamlining the CBP auctions and removing unnecessary
13 administrative burdens that do not provide an independent benefit. However, the
14 Commission should be careful about eliminating or lowering current requirements that are
15 protecting the interests of customers. With that in mind, the one proposed change that I
16 would caution against is eliminating the additional pre-bid security for foreign bidders that is
17 currently required. Potential changes in currency exchange rates alone supports asking foreign
18 bidders to post additional pre-bid security.

20 VI. CONCLUSION AND SUMMARY OF RECOMMENDATIONS

21 Q. Please summarize your conclusions and recommendations regarding FE Ohio's ESP
22 Application.

23 A. The Commission has an opportunity to be a steadying force in the continued evolution of the
24 competitive electric markets in FE Ohio's service territories. In doing so, it should accept FE

1 Ohio's proposed CBP including a volumetric risk cap (though with load above the cap still
2 served by SSO suppliers and Constellation's proposed cap level), which would decrease risks
3 reflected in SSO bids, resulting in lower prices for all default service customers in all classes
4 to which it is applied. The Commission should also approve FE Ohio's capacity proxy price
5 proposal and its proposed administrative improvements to the auction process subject to my
6 one recommendation regarding foreign bidders.

7
8 Additionally, the Commission should implement Constellation's recommendation to conduct
9 competitive procurements by class, which will appropriately assign the costs of serving the
10 different classes of customers under the SSO, mitigating the risks that come with a slice-of-
11 system approach that includes combining large commercial and industrial customers along
12 with the smallest commercial customers and residential customers.

13
14 **Q. Does this conclude your Direct Testimony?**

15 **A.** Yes.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on this 23th day of October 2023 upon all persons listed below:

Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company	bknipe@firstenergycorp.com cwatchorn@firstenergycorp.com talexander@beneschlaw.com mkeaney@beneschlaw.com khehmeyer@beneschlaw.com
Armada Power, LLC	dromig@nationwideenergypartners.com
Calpine Retail Holdings, LLC	whitt@whitt-sturtevant.com
Citizens Coalition and Utilities For All	meissnerjoseph@yahoo.com
Citizens' Utility Board of Ohio	trent@hubaydougherty.com
Constellation Energy Generation, LLC and Constellation NewEnergy, Inc.	missettineri@vorys.com glpetrucci@vorys.com aasanyal@vorys.com cynthia.brady@constellation.com jesse.rodriguez@constellation.com mark.hayden@constellation.com
Enel North America, Inc.	cpirik@dickinsonwright.com todonnell@dickinsonwright.com kshimp@dickinsonwright.com
Environmental Law & Policy Center	emcconnell@elpc.org
Interstate Gas Supply, LLC	stacie.cathcart@igs.com evan.betterton@igs.com michael.nugent@igs.com
The Kroger Co.	paul@carpenterlipps.com
Nationwide Energy Partners, LLC	brian.gibbs@nationwideenergypartners.com
Northeast Ohio Public Energy Council	dstinson@brickergraydon.com

	gkrassen@nopec.org
Northwest Ohio Aggregation Coalition	trhayslaw@gmail.com leslie.kovacik@toledo.oh.gov
NRG Retail Companies: Direct Energy Business LLC; Direct Energy Services LLC; Reliant Energy Northeast LLC DBA NRG Home and NRG Business; Stream Ohio Gas & Electric LLC; XOOM Energy Ohio LLC	jang@calfee.com mbarbara@calfee.com
Nucor Steel Marion, Inc.	mkl@smxblaw.com jrb@smxblaw.com
Office of the Ohio Consumers' Counsel	john.finnigan@occ.ohio.gov connor.semples@occ.ohio.gov
Ohio Energy Group	mkurtz@BKLawfirm.com jkylercohn@BKLawfirm.com
Ohio Energy Leadership Council	dproano@bakerlaw.com ahaque@bakerlaw.com eproudy@bakerlaw.com pwillison@bakerlaw.com
Ohio Environmental Council	knordstrom@theOEC.org ctavenor@theOEC.org
Ohio Hospital Association	dparram@brickergraydon.com rmains@brickergraydon.com
Ohio Manufacturers' Association Energy Group	bojko@carpenterlipps.com easley@carpenterlipps.com
Ohio Partners for Affordable Energy	rdove@keglerbrown.com nboob@keglerbrown.com
One Energy Enterprises Inc.	little@litohio.com hogan@litohio.com ktreadway@oneenergylc.com jdunn@oneenergylc.com
Retail Energy Supply Association	mpritchard@mcneelaw.com awalke@mcneelaw.com

Staff of the Public Utilities Commission of Ohio thomas.lindgren@ohioago.gov
amy.botschnerobrien@ohioago.gov
rhiannon.plant@ohioago.gov

Utica East Ohio Midstream LLC cowoyt@vorys.com

Utility Workers Union of America Local 126 todd.schafer@outlook.com

Walmart, Inc. cgrundmann@spilmanlaw.com
dwilliamson@spilmanlaw.com
slee@spilmanlaw.com

/s/ Michael J. Settineri
Michael J. Settineri

Constellation Set 02
Answer Prepared By: Robert J. Lee

Case No. 23-0301-EL-SSO

**In the Matter of the Application of Ohio Edison Company, The Cleveland Electric
Illuminating Company, and The Toledo Edison Company for Authority to Provide for a
Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security
Plan**

ANSWERS TO INTERROGATORIES

Constellation Set 02 – Referencing Mr. Lee’s prefiled testimony at page 7 (lines 14-15), what
INT-009 automated process will handle the physical approach?

Response: The FirstEnergy Ohio Utilities will set up a subaccount in PJM for all incremental load. When incremental load is determined for an SSO supplier account, the incremental load will be moved to the established utility subaccount.

Constellation Set 02
Answer Prepared By: Robert J. Lee
As to Objections: N. Trevor Alexander

Case No. 23-0301-EL-SSO
In the Matter of the Application of Ohio Edison Company, The Cleveland Electric
Illuminating Company, and The Toledo Edison Company for Authority to Provide for a
Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security
Plan

ANSWERS TO INTERROGATORIES

Constellation Set 02 – INT-048 What experience does the Applicants' Auction Manager have with auctions that procure electricity based on customer class products (e.g., residential, commercial and industrial)?

- A. How many auctions using customer-class based products has the Auction Manager conducted?
- B. Please describe in detail the Auction Manager's abilities to conduct such auctions.
- C. In what jurisdictions were such auctions held?
- D. Were such auctions competitive?
- E. Were such auctions successful?
- F. Did those auctions result in a market-based SSO price?

Response: Objection. The Request is overbroad and unduly burdensome in requesting a comprehensive response regarding different auction products in other jurisdictions. Objecting further, the Request seeks information that is not relevant and not reasonably calculated to lead to the discovery of admissible evidence. This Request improperly seeks or purports to require the Companies to provide documents and/or information that is publicly available or already in the possession, custody, or control of the requesting party, and thus equally available to the requesting party. This Request is vague and ambiguous in its failure to differentiate between standard service auction products and other types of auctions which may vary by customer class. The Companies object to subpart B of this Request that purports to require a detailed, narrative response. *Penn Central Transp. Co. v. Armco Steel Corp.*, 27 Ohio Misc. 76, 77 (C.P. 1971).

Subject to and without waiving the forgoing objections:

- A. The Auction Manager has conducted over 30 such customer class-based auctions.

B. The Auction Manager has the capabilities to conduct such auctions.

C. Pennsylvania

D-F. Results of all auctions have been approved by the Pennsylvania Public Utility Commission.

Constellation Set 02
Answer Prepared By: Robert J. Lee
As to Objections: N. Trevor Alexander

Case No. 23-0301-EL-SSO
In the Matter of the Application of Ohio Edison Company, The Cleveland Electric
Illuminating Company, and The Toledo Edison Company for Authority to Provide for a
Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security
Plan

ANSWERS TO INTERROGATORIES

Constellation Set 02 – INT-049 Does the Applicants' Auction Manager have the systems in place to conduct an auction that procures electricity based in part or in whole on customer class products (e.g. residential, commercial and industrial) for the Applicants' service territories?

Response: Objection. This Request seeks information that is not relevant and not reasonably calculated to lead to the discovery of admissible evidence. This Request is vague and ambiguous in its failure to define with specificity the type of auction product it relates to, as there are numerous types of auctions which procure energy in part or in whole based on customer class. Subject to and without waiving the forgoing objections, yes.

Constellation Set 02

Case No. 23-0301-EL-SSO

**In the Matter of the Application of the Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. § 4928.143
in the Form of an Electric Security Plan**

RESPONSE TO REQUESTS FOR ADMISSIONS

Constellation Set 02 – RFA-001 Admit that the Applicants’ Auction Manager has conducted SSO or default service auctions involving separate customer-class-based auction products (e.g., default product for the residential customers versus default product for the commercial customers).

Response: Objection. This Request seeks information that is not relevant and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, admit.

Constellation Set 02

Case No. 23-0301-EL-SSO

**In the Matter of the Application of the Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. § 4928.143
in the Form of an Electric Security Plan**

RESPONSE TO REQUESTS FOR ADMISSIONS

Constellation Set 02 – RFA-002 Admit that the Applicants’ Auction Manager has expertise to conduct SSO or default service auctions involving separate customer-class-based auction products (e.g., default product for the residential customers versus default product for the commercial customers).

Response: Objection. This Request seeks information that is not relevant and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, admit.

Constellation Set 02

Case No. 23-0301-EL-SSO

**In the Matter of the Application of the Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. § 4928.143
in the Form of an Electric Security Plan**

RESPONSE TO REQUESTS FOR ADMISSIONS

Constellation Set 02 – RFA-003 Admit that the Applicants’ Auction Manager has the technological systems in place to conduct SSO or default service auctions involving separate customer-class-based auction products (e.g., default product for the residential customers versus default product for the commercial customers).

Response: Objection. This Request seeks information that is not relevant and not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, admit.

Constellation Set 02
Answer Prepared By: Robert J. Lee
As to Objections: N. Trevor Alexander

Case No. 23-0301-EL-SSO
In the Matter of the Application of Ohio Edison Company, The Cleveland Electric
Illuminating Company, and The Toledo Edison Company for Authority to Provide for a
Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security
Plan

ANSWERS TO INTERROGATORIES

Constellation Set 02 – Are there any systems limitations or other limitations that would preclude the
INT-050 Applicants from conducting default service auctions with class-based products?
If so, what are those limitations?

Response: Objection. This Request seeks information that is not relevant and not
reasonably calculated to lead to the discovery of admissible evidence. This
Request is vague and ambiguous in its failure to define with specificity the type
of auction product it relates to as there are numerous types of auctions which
procure energy in part or in whole based on customer class. Subject to and
without waiving the forgoing objections, no.

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on
10/23/2023 4:27:52 PM**

in

Case No(s). 23-0301-EL-SSO

Summary: Testimony - Direct Testimony of Muralikrishna Indukuri electronically filed by Mr. Michael J. Settineri on behalf of Constellation Energy Generation LLC and Constellation NewEnergy Inc..