

VECTREN ENERGY DELIVERY OF OHIO, INC.
2021 SCO AUCTION PROCESS AND
RULES - PRELIMINARY
Last Updated 09/30/2020

I. Auction Process

VEDO's Standard Choice Offer (SCO) Auction, for the provision of SCO Service for the 12 months beginning April 1st, 2021, will be conducted on January 25th, 2021 and will be administered by an auction manager hired by VEDO. The auction will be conducted via the Internet. Only registered and pre-qualified suppliers will participate in the bidding. PUCO Staff and Ohio Consumers' Counsel (OCC) will observe the auction along with VEDO personnel.

VEDO's aggregate sales (SCO) and Default Sales Service customer load will be initially divided into nine (9) tranches of similar size and composition. Select sealed bid end of auctions scenarios could result in additional tranches being awarded, which would cause the tranche size and composition to be recalculated accordingly. The right to supply gas to meet the full requirements of each tranche will be auctioned using a multiple round descending clock approach. Winning bidders will be providers of gas supply to SCO customers and will be assigned individual SCO customer premises. Winning bidders will also be providers of the gas load requirements of Default Sales Service (DSS) customers, including PIPP, Choice-ineligible, and customers whose Choice contracts are terminated post-SCO start and who are Choice ineligible. No bidder will be awarded more than one-third of the total load in the initial (January 25th) SCO Auction.

The auction manager will announce the "Going Price" Retail Price Adjustment per Mcf for each round of the auction. Each bidder will specify the number of full tranches it is willing to supply at the Retail Price Adjustment for each round. For the auction's initial round, the Retail Price Adjustment has been determined by VEDO in consultation with PUCO Staff.

At the conclusion of each round, the auction manager will determine if the number of tranches bid in that round exceeds the number needed to serve the market (i.e. if bids for more than nine (9) tranches have been received). If so, the auction manager will announce a new Retail Price Adjustment for the next round of bidding. As is the case with the Retail Price Adjustment for the initial round of bidding, the reduction (decrement) in the Retail Price Adjustment between rounds in which the number of tranches bid exceeds nine (9) has been determined by VEDO in consultation with PUCO Staff. The decrement may be changed during the auction in response to the level of over or under supplied bids submitted in a round.

The auction process will continue with an incrementally lower Retail Price Adjustment for each subsequent round until either the total number of tranches bid equals the number needed to serve VEDO customer requirements or until the total number of

tranches bid is less than the number needed to serve VEDO customer requirements, at which point a sealed bid round will be implemented (as described in Section II.h).

Following the conclusion of the auction, PUCO Staff will make a recommendation to the PUCO regarding the auction results, and will request an expedited decision. Upon approval of the auction results, VEDO will award tranches to winning bidders.

II. Auction Rules

The following rules will govern the auction process. If circumstances not contemplated herein arise during the auction, VEDO will consult with PUCO Staff present at the auction and render a decision as to whether and how to proceed.

By submitting a bid during the auction, participating supplier acknowledges receipt of the SCO Auction Process and Rules, SCO Supplier Agreement, Tranche Load Profile Data, Pre-Qualification Notice, and Non-Disclosure Agreement.

- a. **Initial Round Contingency:** The Retail Price Adjustment for the initial round will be \$1.50 per Mcf. If the initial round's Retail Price Adjustment does not attract bids on a sufficient number of tranches to supply VEDO's entire SCO and DSS load requirements, the auction will be suspended for a minimum of 30 minutes. After consultation with PUCO Staff, VEDO may either (a) restart the auction on the same day after modifying the auction rules so as to attract additional bids, (b) suspend the auction with the possibility of rescheduling it at a later date with modifications to the auction process and rules, or (c) terminate the auction. Potential modifications to the auction rules include, but are not limited to, allowing suppliers to increase the number of tranches on which they can bid (subject to creditworthiness requirements determined during the pre-qualification process) and/or resuming the initial round at a higher Retail Price Adjustment.
- b. **Round Phases:** Each round will consist of a **Bidding Phase** and a **Reporting Phase**. The **Bidding Phase** of each round begins when the auction manager announces the Retail Price Adjustment for that round. Bidders then have 10 minutes to submit bids in the form of the number of full tranches they are willing to supply at the announced Retail Price Adjustment. To ensure the accuracy of its submittal for the round, each bidder will privately receive an automated confirmation of its intended final bid as received by the auction manager. Bidders are advised to carefully review the automated confirmation prior to final submission of their bid for the round. Bidders may challenge the accuracy of their respective bid only during the Bidding Phase by contacting the auction manager prior to the end of the round. If a challenge of accuracy is

received and confirmed by the auction manager, a challenging bidder will be provided revised information for confirmation.

At the conclusion of the Bidding Phase, the auction manager will announce that the **Reporting Phase** has commenced. During the **Reporting Phase** (10 minutes in duration for Round 1, and 5 minutes thereafter), the auction manager will tabulate the results of the bidding and share those results on a confidential basis with VEDO, PUCO Staff and OCC representatives present at the auction. At the end of each **Reporting Phase**, if the number of tranches bid equals 14 or more, the auction manager will announce to participating bidders the total number of tranches bid in the round. If the number of tranches bid equals 13 or less, the total number of bids received will not be announced.

c. **Identification of Bidders:**

Pre-auction: The identities of pre-qualified suppliers will not be publicly disclosed prior to the auction.

The identity of each supplier who fully qualifies and indicates their intent to participate in the auction will be communicated to all other suppliers who have pre-qualified and have indicated they will participate. This limited disclosure will serve as a reminder that bilateral or multi-lateral agreements for joint bidding (e.g. a sleeving arrangement pursuant to which a bidder is acting in pre-arranged concert with another bidder to circumvent the three tranche limit or limitation on the number of tranches on which a bidder is pre-qualified to bid) is prohibited, and will give suppliers to whom that prohibition applies an opportunity to self-disqualify from participating in the auction as required. **All pre-qualified suppliers shall hold the identities of their fellow participating suppliers in strictest confidence.**

Prior to the auction, VEDO will provide to appropriate PUCO Staff and OCC representatives the list of pre-qualified suppliers.

Post Auction: At the conclusion of the auction, only the number of bidders participating will be made public. The identities of the winning bidders will remain confidential during a “blackout” period of fifteen (15) days following PUCO approval of the auction results, at which time the PUCO will disclose the identities of the winning bidders and the corresponding tranches awarded. The “blackout” period will give winning bidders an opportunity to acquire additional capacity, if needed. The identities of unsuccessful bidders will not be disclosed.

- d. **Binding Bids:** Any bid submitted is a binding obligation to accept responsibility to supply that number of tranches at the Retail Price Adjustment applicable to that round of bidding. The number of tranches any bidder may bid upon may not exceed the maximum number for which that bidder has been pre-qualified. Bidders may revise their bid within a round as long as the Bidding Phase of that round has not ended. The last bid submitted by any bidder during the Bidding Phase of any round will be considered that bidder's final bid for that round. Bidders may not revise their final bid.

Bidders may not increase the number of tranches they bid from one round to the next. In other words, bidders may only bid the same or a lesser number of tranches in any subsequent bidding round. Any bidder wishing to drop out of the bidding process must submit a bid to supply zero (0) tranches during the Bidding Phase of a round to communicate that decision to the auction manager. No further action beyond submitting a "zero bid" is required of a bidder who wishes to withdraw from the auction process. Like other bids, zero bids will be confirmed by the auction manager.

If a bidder does not submit a bid during the Bidding Phase of any round, that lack of bid submission will be treated the same as a zero bid, except during an end of auction sealed bid round, and will result in that bidder being removed from the auction process. Such bidder will be notified by the auction manager accordingly during the Reporting Phase of that round.

Once a bidder drops out of, or is removed from, the bidding process, that bidder may not re-enter the auction, except under conditions explained in paragraph II. (h). Bidders who have dropped out of or have been removed from the auction will have no further access to any information regarding the auction until the auction has closed.

- e. **Over-bidding:** If a bidder submits a bid in any round for a greater number of tranches than that bidder is eligible to bid on, the auction manager will cancel that bid and then immediately notify the bidder to re-submit at an eligible level. This type of adjustment will be made if a bidder (a) attempts to bid on more tranches than they are pre-qualified to bid on, or (b) attempts to increase the number of tranches bid from a previous round. A bidder whose bid has been cancelled by the auction manager may further submit bids until the Bidding Phase of that round has closed, subject to the terms of these auction rules.
- f. **Round Extensions:** The Bidding Phase of any round may be extended for ten (10) minutes at the request of any participating bidder, but the

extension must be requested at least 60 seconds prior to the end of the Bidding Phase. A single round's Bidding Phase may be extended only once, and an individual bidder may request only up to two (2) round extensions during the auction. The auction manager will track each bidder's number of requests and inform bidders when their two (2) opportunities have been used. The auction manager will not announce which bidder requested the extension(s).

VEDO, at its discretion and in consultation with PUCO Staff, may elect to extend the Bidding Phase or Reporting Phase of any round in an unlimited number of ten-minute increments.

As is the case in a normal round of bidding, bidders may revise their bid during an extended Bidding Phase of any round until that round's Bidding Phase has ended. The last bid submitted by any bidder during an extended Bidding Phase will be considered that bidder's final actual bid for that round.

- g. **Price Decrements:** The standard price decrement used to reduce the Retail Price Adjustment from one round to the next will be \$0.10. The decrement may be changed during the auction in response to the level of over- or under-supplied bids submitted in a round. If the number of tranches bid exceeds 22 in any round, the decrement may be doubled for the succeeding round. Similarly, if the number of tranches bid is 13 or less, the decrement may be reduced to one-half the standard decrement for the succeeding round.
- h. **End of Auction Procedures:** The auction will close in one of two ways; either 1) when the total number of tranches bid equals exactly the number needed to serve VEDO customer requirements or 2) when the total number of tranches bid is less than the number needed to serve VEDO customer requirements, at which point a sealed bid round will be implemented. Each unique End of Auction scenario is detailed below and illustrative examples of each End of Auction scenario are included within Section III. of this document.

 - i. **End of Auction Scenario 1 - Total Number of Tranches Bid Equals Exactly Total Number of Available Tranches:** At the end of the Reporting Phase of the round in which the number of tranches bid equals the number of tranches offered. At that time, VEDO will announce to all bidders, including those who have been removed or have dropped out in previous rounds, the number of winning bidders and the number of tranches awarded (pending PUCO approval) to each bidder. **Auction participants will keep these**

results confidential. The identities of winning bidders will also remain confidential at this time; for example, results will be announced only as:

Supplier A – 3 tranches

Supplier B – 3 tranches

Supplier C – 2 tranche

Supplier D – 1 tranche

ii. End of Auction Scenario 2 - Total Number of Tranches Bid is Less Than Total Number of Available Tranches – Sealed Bid Round:

If the auction proceeds to the point where an over-supplied round is followed by an under-supplied round, each bidder that submitted a bid in the last over-supplied round must submit a sealed bid. The following rules apply:

- Each supplier that submitted a bid in the last over-supplied round is required to participate in the sealed bid round.
- The sealed bid must indicate (1) the number of tranches the supplier is willing to supply and (2) the lowest price at which the supplier is willing to supply that number of tranches. The price must be denominated to the penny, i.e., no tenths of a cent can be submitted. The supplier may submit in the sealed bid round the same number of tranches, and at the same price, as were submitted in the last over supplied round.
- If a supplier does not submit a sealed bid, a bid will be submitted on behalf of the supplier for the same number of tranches that the supplier bid in the last over-supplied round at the Going Price for that round.
- A supplier cannot submit a sealed bid for a number of tranches that exceeds the number bid in the last over-supplied round, nor can a supplier submit a sealed bid at a price that exceeds the Going Price of the last over-supplied round.
- A supplier that submitted fewer (or no) tranches in the under-supplied round can still submit a sealed bid for up to the number of tranches that it bid for the last over-supplied round.
- If there are less than nine (9) tranches bid into the sealed bid round, the Retail Price Adjustment will default back to that of the last over-supplied round. Tranches will be allocated to suppliers based on the number of tranches they bid in the last over-supplied round. All suppliers awarded a share of the SCO load will

be paid (upon PUCO approval) the price applicable to the last over-supplied round regardless of their sealed bid round prices. The final Retail Price Adjustment will be either (a) the lowest price at which 100% of the SCO load may be served as determined in the sealed bid round or (b) the price applicable to the last over-supplied round. All suppliers that submitted a sealed bid at or below the Retail Price Adjustment will be paid the Retail Price Adjustment regardless of the price indicated in their sealed bid.

- If there are more than 9 tranches bid in the sealed bid round, the Retail Price Adjustment will be determined as the highest price sufficient to serve the entire SCO load. In that case, tranche size will be recalculated in order to award (allocate) tranches to supplier's submitting sealed bids at or below that price on a pro rata basis.

i. The Sealed Bid End of Auction scenario is further detailed with illustrative examples contained within this document.

j. Staff, at its discretion, will make a recommendation to the PUCO for consideration of the Retail Price Adjustment for the closing round as the retail price adjustment applicable to VEDO's SCO Service for the period April 1, 2021 – March 31, 2022.

k. Bids received for tranches submitted to the PUCO for approval will be valid through 5:00 p.m. EST two days following the auction.

III. End of Auction Examples

End of Auction Scenario 1 - Total Number of Tranches Bid Equals Exactly Total Number of Available Tranches

Example 1: Total Number of Tranches Bid Equals Exactly Total Number of Available Tranches

- a. The number of tranches required equals 9. The last bidding round resulted in cumulative supply of 9 tranches being bid at the Going Price of \$2.00, triggering End of Auction Scenario 1.

The number of tranches bid by each supplier is as follows:

- Supplier A – 2 tranches
- Supplier B – 3 tranches
- Supplier C – 2 tranches
- Supplier D – 2 tranches
- Supplier E – 0 tranches

Given that the number of tranches bid equals exactly the number of tranches required, each supplier is awarded exactly the number of tranches they bid at the Going Price for that round. The following awards would apply:

- Supplier A – 2 tranches for a price of \$2.00
- Supplier B – 3 tranches for a price of \$2.00
- Supplier C – 2 tranches for a price of \$2.00
- Supplier D – 2 tranches for a price of \$2.00
- Supplier E – 0 tranches

End of Auction Scenario 2 - Total Number of Tranches Bid is Less Than Total Number of Available Tranches – Sealed Bid Round

Sealed bid Example 1: Total Number of Tranches Bid Drops Below Total Number of Available Tranches, Sealed Bid Round Triggered, Exact Number of Available Tranches Bid at/below Clearing Price

- a. The number of tranches required equals 9. The last over-supplied round generates 12 tranches bid at a Going Price of \$2.00.

The number of tranches bid by each supplier in the last over-supplied round is as follows

- Supplier A - 3 tranches
- Supplier B – 3 tranches
- Supplier C – 2 tranches
- Supplier D – 2 tranches

Supplier E – 2 tranches

b. In the following round with a Going Price of \$1.95, only 8 tranches are bid by the following suppliers:

- Supplier A – 3 tranches
- Supplier B – 2 tranches
- Supplier C – 2 tranches
- Supplier D – 1 tranche
- Supplier E – 0 tranches

Given that the total number of tranches bid is now below the total number of available tranches, the sealed bid round is triggered. Each supplier that participated in the last over-supplied round must participate in the sealed bid round. Participating suppliers may bid up to the total number of tranches they bid in the last over-supplied round at a price that is less than or equal to the Going Price of the last over-supplied round (\$2.00 in this example).

c. The sealed bids submitted by the suppliers - in ascending order by price – are as follows:

- Supplier A – 3 tranches for a price of \$1.87
- Supplier C – 2 tranches for a price of \$1.89 (5 tranches bid at or below \$1.89)
- Supplier B – 2 tranches for a price of \$1.92 (7 tranches bid at or below \$1.92)
- Supplier D – 2 tranches for a price of \$1.97 (9 tranches bid at or below \$1.97)
- Supplier E – 2 tranches for a price of \$2.00

The sealed bid process results in a Retail Price Adjustment of \$1.97 with exactly the number of required tranches, 9, being bid at or below the clearing price. Suppliers A, C, B and D are awarded the number of tranches that they each bid in the sealed bid process at the clearing price of \$1.97 regardless of their bid amount (e.g. Supplier A is awarded 3 tranches at the Retail Price Adjustment of \$1.97 and not at their bid amount of \$1.87).

Sealed Bid Example #1						
9 Tranches						
Company	Over-Supplied Round Bid of \$2.00	Under-Supplied Round Bid of \$1.95	Sealed Bid Price	Sealed Bid Qty	Award Qty	Award Price
Bidder A	3	3	\$1.87	3	3	\$1.97

Bidder B	3	2	\$1.92	2	2	\$1.97
Bidder C	2	2	\$1.89	2	2	\$1.97
Bidder D	2	1	\$1.97	2	2	\$1.97
Bidder E	2	0	\$2.00	2	0	
TOTAL	12	8			9	

Sealed Bid Example #2: The sealed bid process does not generate enough bids at a clearing price below that of the last over-supplied round.

a. The number of tranches required equals 9. The last over-supplied round generates **10** tranches bid at a Going Price of \$1.90.

The number of tranches bid in the last over supplied round are:

- Supplier A – 3 tranches
- Supplier B – 2 tranches
- Supplier C – 2 tranches
- Supplier D – 2 tranches
- Supplier E – 1 tranche

b. In the following round with a Going Price of \$1.85, only **7** tranches are bid by the following suppliers:

- Supplier A – 3 tranches
- Supplier B – 2 tranches
- Supplier C – 1 tranche
- Supplier D – 1 tranche
- Supplier E bids 0 tranches

c. The sealed bids submitted by the suppliers - in ascending order by price – are as follows:

- Supplier A – 3 tranches for a price of \$1.82
- Supplier B – 2 tranche for a price of \$1.83 (5 tranches bid at or below \$1.83)
- Supplier C – 1 tranches for a price of \$1.84 (6 tranches bid at or below \$1.84)
- Supplier D – 1 tranches for a price of \$1.86 (7 tranches bid at or below \$1.86)
- Supplier E – 1 tranche for a price of \$1.89 (8 tranches bid at or below \$1.89)

Because the sealed bid process did not result in enough tranches being bid at a price less than the Going Price of the last over-supplied round, the clearing price will revert back to the Retail Price Adjustment of the last over-supplied round, or \$1.90. Tranches will be apportioned to the suppliers on the basis of the number of tranches that each

bid in the final over-supplied round. All suppliers will be paid the Retail Price Adjustment of the last over-supplied round regardless of the price indicated in their sealed bid.

Thus, Supplier A will be awarded 3 of the 10 tranches (30%) bid at the \$1.90 Retail Price Adjustment; Supplier B will be awarded 2 of the 10 tranches (20%) bid at that price; and so forth if the results of the auction are approved by the PUCO.

Sealed Bid Example #2						
9 Tranches						
Company	Over-Supplied Round Bid of \$1.90	Under-Supplied Round Bid of \$1.87	Sealed Bid Price	Sealed Bid Qty	Award Qty	Award Price
Bidder A	3	3	\$1.82	3	3	\$1.90
Bidder B	2	2	\$1.83	2	2	\$1.90
Bidder C	2	1	\$1.84	1	2	\$1.90
Bidder D	2	1	\$1.86	1	2	\$1.90
Bidder E	1	0	\$1.89	1	1	\$1.90
TOTAL	10	7		8	10	

Sealed Bid Example #3: Total Number of Tranches Bid Drops Below Total Number of Available Tranches, Sealed Bid Round Triggered, Number of Available Tranches Bid at/below Clearing Price Exceed Number of Available Tranches

a. The number of tranches required equals 9. The last over-supplied round generates 11 tranches bid at a Retail Price Adjustment of \$2.20.

The number of tranches bid in that round by each supplier in the last over-supplied round is as follows:

- Supplier A – 3 tranches
- Supplier B – 3 tranches
- Supplier C – 2 tranches
- Supplier D – 2 tranches
- Supplier E – 1 tranches

b. In the following round with a Retail Price Adjustment of \$2.15, only 8 tranches are bid by the following suppliers:

- Supplier A – 3 tranches
- Supplier B – 2 tranches

Supplier C – 2 tranches
 Supplier D – 1 tranche
 Supplier E – 0 tranches

Given that the total number of tranches bid is now below the total number of available tranches, the sealed bid round is triggered. Each supplier that participated in the last over-supplied round must participate in the sealed bid round. Participating suppliers may bid up to the total number of tranches they bid in the last over-supplied round at a price that is less than or equal to the Retail Price Adjustment of the last over-supplied round (\$2.20 in this example).

c. The sealed bids submitted by the suppliers - in ascending order by price – are as follows:

- Supplier A – 3 tranches for a price of \$2.12
- Supplier C – 2 tranches for a price of \$2.12 (5 tranches bid at or below \$2.12)
- Supplier B – 3 tranches for a price of \$2.16 (8 tranches bid at or below \$2.16)
- Supplier D – 2 tranches for a price of \$2.17(10 tranches bid at or below \$2.17)
- Supplier E – 1 tranche for a price of \$2.20

The sealed bid process results in a Retail Price Adjustment of \$2.17 with 10 tranches being bid at or below the clearing price. All tranches at or below the clearing price will be awarded and the total size and composition of each tranche will be recalculated by dividing VEDO’s aggregate sales (SCO) and DSS customer load by the total number of awarded tranches (10 in this example).

Suppliers A, C, B and D are awarded the number of tranches that they each bid in the sealed bid process and will be paid at the clearing price of \$2.17 regardless of their bid amount (e.g. Supplier A is awarded 3 tranches at the Retail Price Adjustment of \$2.17 and not at their bid amount of \$2.12).

Sealed Bid Example #3						
9 Tranches						

Company	Over-Supplied Round Bid of \$2.20	Under-Supplied Round Bid of \$2.15	Sealed Bid Price	Sealed Bid Qty	Award Qty	Award Price
Bidder A	3	3	\$2.12	3	3	\$2.17
Bidder B	3	2	\$2.12	3	3	\$2.17
Bidder C	2	2	\$2.16	2	2	\$2.17
Bidder D	2	1	\$2.17	2	2	\$2.17
Bidder E	1	0	\$2.20	1	0	
TOTAL	11	8			10	

Additional Sealed Bid Examples:

Company	Sealed Bid Price	Sealed Bid Qty	Award Qty	Award Price
Bidder A	\$0.35	2	2	\$0.41
Bidder B	\$0.39	3	3	\$0.41
Bidder C	\$0.40	3	3	\$0.41
Bidder D	\$0.41	2	2	\$0.41
Bidder E	\$0.45	2	0	
Bidder F	\$0.45	1	0	

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Company	Sealed Bid Price	Sealed Bid Qty	Award Qty	Award Price
Bidder A	\$0.35	3	3	\$0.37
Bidder B	\$0.35	3	3	\$0.37
Bidder C	\$0.37	3	3	\$0.37
Bidder D	\$0.38	2	0	
Bidder E	\$0.39	2	0	
Bidder F	\$0.40	1	0	

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Company	Sealed Bid Price	Sealed Bid Qty	Award Qty	Award Price
Bidder A	\$0.35	2	2	\$0.40
Bidder B	\$0.37	3	3	\$0.40
Bidder C	\$0.38	3	3	\$0.40
Bidder D	\$0.40	3	3	\$0.40
Bidder E	\$0.45	2	0	
Bidder F	\$0.45	1	0	

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Bid Review and Approval: The auction manager will provide to VEDO, PUCO Staff, and OCC, on a confidential basis, all bidding information as each round’s Bidding Phase concludes. At the conclusion of the auction, only the number of bidders participating in the auction and the resulting Retail Price Adjustment will be made public.

Staff, at its discretion, will promptly file a recommendation to the PUCO for consideration of the Retail Price Adjustment for the closing round as the Retail Price Adjustment applicable to VEDO’s SCO Service for the period April 1, 2021 – March 31, 2022. The only bids included in this filing will be the final bids for which VEDO is seeking approval. **Bidders will treat the auction results as confidential.**

The PUCO will have the right to reject the auction results. All bidders will be notified when the PUCO rules on the auction results.