

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application to Modify,)	
In Accordance with Section 4929.08,)	
Revised Code, The Exemption Granted)	Case No. 12-1842-GA-EXM
To the East Ohio Gas Company d/b/a)	
Dominion East Ohio in Case No.)	
07-1224-GA-EXM)	

DIRECT PREPARED TESTIMONY OF VINCE PARISI

ON BEHALF OF

THE OHIO GAS MARKETERS GROUP AND

THE RETAIL ENERGY SUPPLY ASSOCIATION

September 13, 2012

Q1. Please state your full name and address.

A1. My name is Vincent A. Parisi and my work address is 6100 Emerald Parkway, Dublin Ohio 43016.

Q2. Please provide your background and qualifications.

A2. I am the General Counsel and Regulatory Affairs Officer for Interstate Gas Supply, Inc. (“IGS Energy”). I have been employed by IGS Energy since 2003, initially in the capacity of General Counsel and Credit Officer and over time my position evolved into its current role. In this capacity, I am responsible for several aspects of the business, including all legal, regulatory, and legislative activities. I was formerly responsible for credit/risk activities and have also been in charge of compliance items over time, including review of marketing materials, call center scripting and other messages provided by IGS Energy to the public. My role has me either directly or in a supervisory capacity responsible for all such activities in all areas where IGS Energy operates. Prior to being employed by IGS Energy, I was an associate with Chester Willcox & Saxbe, LLP, and worked with many corporate clients on various issues, including working with IGS Energy. I earned my bachelor’s degree from The Ohio State University in economics in 1997, and completed my law degree graduating magna cum laude from Capital University Law School in 2000. I also received my LLM from Capital University in business and tax in 2001.

Q3. On whose behalf are you testifying today?

1 A3. Today, I am testifying on behalf of Ohio Gas Marketers Group and the Retail Energy
2 Supply Association or jointly "Suppliers". IGS Energy, the company that I work for, and
3 many of the members of the Retail Energy Supply Association are certificated by the
4 Commission as competitive retail natural gas suppliers and are actively supplying natural
5 gas to retail customers in the East Ohio service area. I have personal experience advising
6 my company on competitive retail sales to residential, commercial and industrial
7 customers, as well as supplying gas to default customers as a Standard Service Offer
8 supplier, a Standard Choice Offer Supplier, and as a Monthly Variable Rate program
9 default supplier.

10
11 **Q4. What is the purpose of your testimony?**

12 A4. I am presenting the views of the Suppliers regarding the Application filed by East Ohio
13 in the matter at bar. Specifically, I will address the state mandate embodied in Section
14 4929.02(A) (7), Revised Code to expeditiously transition to use the market to set natural
15 gas price and service terms. I will then present why I think the General Assembly's
16 mandate is particularly well suited for today's natural gas market. Finally, I will describe
17 problems with the present standard service contract arrangement and describe how the
18 motion and stipulation filed in this proceeding will remedy the current issues.

19
20 **Q5. Has the Ohio General Assembly mandated a course of action for this Commission to**
21 **follow as to how natural gas supplies are provided to customers who fail to arrange**
22 **for natural gas supplies?**

23 A5. Yes, Section 4929.02(A) (7) Revised Code states in full:

1 [It is the policy of this state to, throughout this state]... Promote an expeditious transition
2 to the provision of natural gas services and goods in a manner that achieves effective
3 competition and transactions between willing buyers and willing sellers to reduce or
4 eliminate the need for regulation of natural gas services and goods under Chapters 4905.
5 and 4909. of the Revised Code. (Emphasis added)
6

7 As noted by the underlining, the subsection requires a transition from governmental
8 regulated natural gas commodity (goods) and services to market services. As an agency
9 of state government, the Commission must adhere to this state policy.
10

11 **Q6. How would you respond to critics that express the view that choice eligible non**
12 **residential customers may be better served if they indefinitely received regulated**
13 **prices from the utility. Is that a course of action that the Commission can**
14 **authorize?**

15 A6. No, the General Assembly has directed the Commission to “transition” from utility
16 provided gas supplies subject to Commission approved price and service terms to an open
17 market that neither uses governmental set prices under Chapter 4909 Revised Code, nor
18 utility set prices supervised by the Commission under Chapter 4905 Revised Code.
19 Anyone may petition the General Assembly to change state policy; however Ohio’s
20 regulatory policy is set by elected representatives and the Commission cannot as part of
21 this proceeding adopt a policy that is at odds with the Revised Code.
22

23 **Q7. Has East Ohio been transitioning from regulated prices and service terms to market**
24 **based prices and service terms?**

25 A7. Yes, when 4929.02(A) (7), Revised Code passed in 1996 the vast majority of residential
26 and small commercial customers in the East Ohio service territory received their natural

1 gas supplies from East Ohio via the purchase gas adjustment clause authorized by Section
2 4905.302, Revised Code. The purchase gas adjustment clause established natural gas
3 prices by use of a formula which did not reflect the current market price of natural gas,
4 but instead attempted to smooth out the differences between the projected cost of gas, the
5 actual cost of gas, the amount of revenue collected to offset gas costs recovered in rates
6 versus what was needed to offset gas and finally an overall adjustment to bring accounts
7 into overall balance. Beginning in 2005, East Ohio began its transition from
8 governmental set prices¹ and service terms to a system that permitted Choice eligible
9 customers to obtain market based natural gas commodity and services. East Ohio
10 liberalized its rules permitting shopping by all classes of customers. It instituted policies
11 such as the purchase of receivables from competitive suppliers and consolidated billing
12 options that promoted the ability of all customers to shop for natural gas supplies.

13 In 2005, East Ohio in consultation with other stakeholders, including the
14 suppliers, sought to replace the gas cost recovery with a system more in line with the
15 market based prices. In Case No. 05-474-GA-ATA the Commission permitted East Ohio
16 to replace the gas cost recovery with a wholesale auction conducted once a year. I refer to
17 this as a wholesale auction in that East Ohio specified the amount of natural gas needed
18 for the default load and the winning bidders supplied an allocation of the demand. East
19 Ohio then resold those supplies at the bid price. In Case No. 07-1224-EL-EXM the
20 Commission authorized East Ohio in 2008 to utilize a retail auction to obtain a year's
21 supply of natural gas for choice eligible customers who did not shop. Ineligible customers
22 continued to be supplied under the wholesale arrangement. The choice eligible

¹ Rule 4901:1-14.05 of the OAC, Appendix A which features three sets of balancing adjustments (RA, BA and AA).

1 customers were then supplied their natural gas needs via a retail auction in which the
2 winning bidders received the demand needs of individual choice eligible customers
3 which they supplied at the bid winning price. These retail auctions were called Standard
4 Choice Offer (SCO) auctions. The SCO process was later amended once again by order
5 issued in Case No. 07-1224-EL-EXM such that previously migrated customers without
6 continuing retail relationships were assigned to competitive retail natural gas suppliers
7 who had signed up to serve this group of consumers. This is the monthly variable rate or
8 MVR system. Competitive Retail Natural Gas suppliers who sign up for the MVR
9 system must be certificated by the Commission and be active suppliers on the East Ohio
10 system. The MVR supplier is required to charge its lowest posted monthly variable price.
11

12 **Q8. How does the Joint Application change the existing system?**

13 A8. The change is a subtle one. Instead of supplying some choice eligible default commercial
14 customers through the SCO and other choice eligible default commercial customers
15 through the MVR, all such customers (meaning those who have not selected a supplier)
16 will be served under the MVR program. The significance is that this will result in a
17 further transition toward a fully competitive market.
18

19 **Q9. What has changed since the Commission's last order in Case 07-1224-EL-EXM that**
20 **merits amending the current tariffs?**

21 A9. In large measure the most notable change in circumstance since the last Order is the
22 continuing load migration which is the result of the success of the transition efforts thus
23 far. At this point, in terms of load, less than 2% of the throughput into the East Ohio

1 system is being served by the SCO. More than 80% of the choice eligible residential and
2 non-residential customers are being served by competitive retail natural gas suppliers.
3 The residual SCO load has reached a plateau over the last few years. It is my opinion that
4 this leveling reflects the recalcitrance of the remaining small portion of the market that
5 simply does not respond. Further, the customers that receive the auction driven SCO
6 service do so without paying the full cost of the auction. The cost of the auction is
7 socialized and paid by all customers as part of East Ohio's base rates. When such few
8 residual non-migrated customers remain it is fair to ask whether there is a more efficient
9 method of supplying the default natural gas load that is consistent with the statutory
10 directive to move to market based pricing and service. Simply stated, the more efficient
11 method is to apply the MVR. When switching all the default service to the MVR was
12 suggested there was concern raised by some of the stakeholders that residential
13 customers would need more time and that if the non residential customers went first,
14 potential problems that arise from that transfer could be addressed before the more
15 numerous and less sophisticated residential customers are moved. The Suppliers do not
16 agree with those concerns, but as part of the Stipulation the Suppliers were willing to
17 pledge that they would not petition the Commission to transfer residential customers to
18 the MVR prior to June 2015, so that lessons learned by the non residential transfer could
19 be applied.

20
21 **Q10. Are there other benefits in having all choice eligible commercial customers in the**
22 **MVR program as opposed to having choice eligible commercial customers who are**
23 **served by the SCO auction?**

1 A10. Yes, the first benefit is uniformity. It should be easier for Suppliers to provide quotes to
2 commercial customers, and for the Commission's call center to answer questions if all
3 commercial customers were treated alike. We have some choice eligible commercial
4 customers on MVR now and if the Joint Application is approved we will have all choice
5 eligible commercial customers on MVR. A second benefit is that it creates an incentive
6 for existing suppliers to contribute more assets to the East Ohio market and for new
7 suppliers to enter Ohio.

8
9 **Q11. Will the Joint Application require choice eligible commercial customers who have**
10 **never shopped to do anything different than they do today?**

11 A11. No. If a customer does nothing they will continue to receive bundled natural gas service,
12 including commodity gas, balanced to meet their exact demand. The price they pay will
13 be similar, as both the current SCO and the current MVR use New York Mercantile
14 Exchange close of the prompt month commodity pricing. One difference, however, is the
15 basis. Basis is a portion of the retail customer's price that is most affected by whether
16 local gas is used, but the supplier can source gas from the Gulf Coast, Canada, Mid
17 Continent or Ohio. It should be noted that East Ohio has an extensive local gathering
18 system so Ohio supplies are readily available for delivery in the East Ohio system.

19 Most important, there is no difference between the SCO and MVR program in
20 terms of ongoing obligation to buy from the default supplier or exit fees. Under either
21 the MVR or the SCO, a customer upon request can leave the default supply program with
22 the next administratively available meter reading and there is never an exit fee.

1 **Q12. Please summarize your advice to the Commission.**

2 A12. Section 4929.02(A) (7) requires the Commission to promote the transition from regulated
3 prices and service terms to market based prices and service terms. The Joint Application
4 will expand the MVR program which is more market based than the SCO. Further, the
5 MVR has several aforementioned advantages over the SCO. For these reasons the
6 Commission should approve the Joint Application as filed.

7

8 **Q13. Does that complete your testimony?**

9 A13. Yes.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served this 13th day of September, 2012 by electronic mail, upon the persons listed below.



M. Howard Petricoff

Stephen.reilly@puc.state.oh.us

Devin.parram@puc.state.oh.us

serio@occ.state.oh.us

sauer@occ.state.oh.us

barthroyer@aol.com

cmooney2@columbus.rr.com

sam@mwncmh.com

joliker@mwncmh.com

fdarr@mwncmh.com

cgoodman@energymarketers.com

tobrien@bricker.com

whitt@whitt-sturtevant.com

Campbell@whitt-sturtevant.com

Thompson@whitt-sturtevant.com

Joseph.clark@directenergy.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

9/13/2012 4:36:13 PM

in

Case No(s). 12-1842-GA-EXM

Summary: Testimony Direct Prepared Testimony of Vince Parisi electronically filed by M
HOWARD PETRICOFF on behalf of Ohio Gas Marketers Group and Retail Energy Supply
Association