

THE PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT PREPARED TESTIMONY OF TERESA L. RINGENBACH
ON BEHALF OF THE RETAIL ENERGY SUPPLY ASSOCIATION,
AND THE OHIO GAS MARKETERS GROUP

September 13, 2012

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I. WITNESS BACKGROUND

Q1. Please state your name and business address.

A1. My name is Teresa Ringenbach. My business address is 9605 El Camino Lane, Plain City, Ohio.

Q2. By whom are you employed and in what capacity?

A2. I am the Senior Manager of Government and Regulatory Affairs for the Midwest for Direct Energy, LLC. I am also the Retail Energy Supply Association (“RESA”) representative for natural gas in this proceeding. RESA is a nationwide trade association of retail suppliers of electricity and natural gas.

Q3. Please explain the job responsibilities and duties in your current position.

A3. I am responsible for monitoring, advocating and defending regulatory and legislative activities which affect Direct Energy, LLC’s ability to serve customers in Pennsylvania, Ohio, Illinois, Kentucky and Michigan. My responsibilities cover electric, natural gas, and home services issues for all levels of customers from residential to large industrial. As the RESA’s Ohio natural gas representative, my responsibilities include advocating the RESA guiding principles for open, fair and transparent markets in the retail natural gas markets.

Q4. Please describe your educational background and relevant work experience prior to joining Direct Energy, LLC.

A4. I hold a Bachelor of Business Administration with a concentration in International Business from the University of Toledo. I started in the energy industry in 2001 with

1 Integrys Energy Services, Inc., formerly WPS Energy Services, Inc., as a Customer
2 Service and Marketing Specialist promoting and managing the recently opened Ohio
3 residential and small commercial electric offers. In 2002, I accepted the position of
4 Account Manager – Inside Sales where I sold and managed the Government Aggregation
5 Programs for both gas and electric. In 2005, I accepted the position of Regulatory
6 Specialist. In this position I was responsible for regulatory compliance and state
7 registrations throughout the United States and Canada. In 2006, I accepted the position of
8 Regulatory Affairs Analyst – East covering New England, New York, New Jersey, Ohio
9 and Pennsylvania gas and electric issues. In the spring of 2008, I accepted the Regulatory
10 Affairs Analyst position for the Midwest region covering Ohio, Michigan, Illinois, Indiana,
11 Kentucky, and all of Canada. In this position, I directed the regulatory and legislative
12 efforts affecting Integrys Energy's gas and electric business. In August 2009, I joined
13 Direct Energy, LLC as the Manager of Government and Regulatory Affairs for the
14 Midwest. In June 2011 I was promoted to Senior Manager of Government and Regulatory
15 Affairs for the Midwest. As stated above this position advocates, protects and monitors
16 regulatory and legislative activities affecting the gas, electric and home services business
17 interests of Direct Energy, LLC.

18
19 **Q5. Have you ever testified before a regulatory agency?**

20 **A5.** Yes. I have testified before the Connecticut Department of Public Utility Control, the
21 Pennsylvania Public Utility Commission, the Public Utilities Commission of Ohio, the
22 Illinois Commerce Commission and the Public Service Commission of Kentucky.

1 **Q6. On whose behalf are you testifying today?**

2 **A6.** Today, I am testifying on behalf of Ohio Gas Marketers Group and the Retail Energy
3 Supply Association or jointly "Suppliers". The names of the members of the Ohio Gas
4 Marketers Group appear in the Joint Application. The members of the Retail Energy
5 Supply Association members appear in the RESA intervention. My testimony today
6 represents the consensus of the members of both organizations, but not necessarily the
7 view of any one member on any of the topics covered in my testimony.

8
9 **II. DESCRIPTION OF THE SETTLEMENT**

10 **Q7. Please describe the East Ohio settlement.**

11 **A7.** The settlement is the product of several years of negotiations among parties. It is intended
12 to continue East Ohio's efforts to become a pipes only utility with competition being the
13 driving force for commodity while ensuring all customers have access to default service.
14 The Joint Application and settlement if accepted will replace the method used to procure
15 natural gas for choice eligible non-residential customers who are currently being supplied
16 via the SCO auction starting in April 2013. All choice eligible non-residential customers
17 who do not choose a supplier will continue to receive default service, however the price
18 and number of parties providing the service will be handled through assignment via the
19 Monthly Variable Rate program (MVR) rather than the SCO auction. Today, the MVR
20 assignment method is used for choice eligible customers who have previously shopped.
21 Suppliers that are certified by the Commission as competitive retail natural gas suppliers
22 and who are active in the East Ohio service area may sign up and will receive on a
23 rotational assignment basis choice eligible customers who are returning from a supplier
24 contract or an opt-in aggregation and either did not renew their contract or sign up with

another supplier. Today , these returning customers default to an MVR price but may request the SCO. Under the exit of non-residential customers those customers will no longer be able to request the SCO price as their load will not be part of the SCO auction. Suppliers who sign up for the default natural gas service have the ability to set their price, but with certain restrictions including that the price must be a monthly variable price, that customers may leave at anytime without termination penalties, that the price must be posted on the PUCO apples to apples chart, and that the retail price cannot be higher than any other monthly variable price the supplier offers on the apples to apples chart. Further, the Suppliers have agreed as part of the Stipulation that we will not petition for an exit of the merchant function by East Ohio for residential customers with an effective date prior to April 2015. This will allow for at least two years of experience with non-residential choice eligible customers being served under the MVR process before it would be applied to any residential customers. Specifically, it will permit East Ohio and the Ohio Consumers' Counsel to monitor customer reaction to the MVR process before moving on to an exit of the merchant function for residential customers.

Q8. Can you discuss the history of East Ohio's exit phases?

A8. In 2004, East Ohio Gas brought together stakeholders to introduce the idea of its becoming a utility that handled pipes and balancing and leaving commodity pricing to the competitive market. The result was what I will refer to as Phase 1 -- a wholesale auction of the commodity. While the wholesale auction brought many suppliers to serve in the East Ohio service area, it hid from the retail customers who their true supplier was and failed to demonstrate how easy it was to shop for natural gas. In addition, SSO suppliers had no responsibility to the end use customers. In 2008 we moved from Phase 1 to Phase 2 the

1 retail auctions. The intent was to apply the same sales and use taxes on all natural gas sales,
2 inform customers as to their true supplier, and require all winning auction suppliers to be a
3 licensed competitive retail natural gas supply (“CRNGS”) provider in the state. The
4 winning suppliers were permitted to have their name on the bill, which is an advantage
5 when attempting to convert customers to an organic product offering. That brought us to
6 what I call Phase 2.5. Under this phase, choice eligible customers who have shopped if
7 they have no supplier are assigned a supplier via the MVR program. This is the current
8 Phase we are in today. Phase 3 will be the completion of an exit for non-residential
9 customers by removing them from the retail auctions and require competitive suppliers to
10 completely fulfill the default service commodity role.

11 12 **III. BENEFITS OF A COMPETITIVE MARKET FOR NATURAL GAS**

13 **Q9. In your opinion what are the benefits of using a competitive market to supply retail**
14 **customers with natural gas.**

15 **A9.** In a competitive market the suppliers will constantly be searching for more efficient ways
16 of supplying natural gas as on a daily basis; they will be competing against each other for
17 the retail customers. Further, that competition will not just be on price. Suppliers will be
18 developing new products and services to distinguish their natural gas service. In states like
19 Texas (electricity) and Georgia (natural gas) where there has been a full exit of the
20 merchant function by the utilities there are more varied products available involving smart
21 metering, conservation, and approved forms of payment. Finally, one cannot conduct
22 retail marketing from a far. Retail suppliers will have offices and personnel in Ohio. Not
23 only will that create jobs and tax revenues, but successful corporations and the people they

1 hire will participate in charitable and community activities. Ohio will have the same
2 experience when it completes the transition to full open market.

3 Since the Stipulation is only converting one small increment of the natural gas
4 demand to be satisfied by the market, I expect that the benefits of the Stipulation will only
5 increase by a small increment. The added benefits though should be observable.
6 Importantly, this step by the Commission will further demonstrate to competitive suppliers
7 that the Commission understands the importance of an exit of the merchant function and
8 will send the proper signals that Ohio is a place where capital and other investments can
9 and should be made.

10
11 **Q10. What should be studied as part of the non-residential exit proposed by the Joint**
12 **Application?**

13 **A10.** Five items should be studied. First, to follow up on my earlier testimony, that a full
14 competitive market will provide more and varied products. So one item that East Ohio and
15 the Commission Staff should look at is whether suppliers during this period brought new
16 and varied products in the market. And, if new and varied products are not introduced, are
17 there barriers to development that inhibited development of new products and services and
18 whether such barriers can be remedied. Second, more and varied products require
19 investment. So the Staff and East Ohio should observe whether the Suppliers are gearing
20 up their workforce and Ohio located assets. Third, East Ohio and the Commission Staff
21 should see whether the switch to MVR causes an increase in the number of complaints to
22 the Commission's call center that are legitimately connected to the MVR, such as concerns
23 related to price gouging or customer confusion, and whether those concerns appear to be

warranted. Fourth, whether the Suppliers directly or indirectly have caused an additional investment in community.

IV. OFTEN REPEATED CONCERNS ABOUT THE JOINT APPLICATION

Q11. What are the concerns you have heard about the Joint Application and is there any merit to the concerns?

A11. The concerns I have heard are that: 1) Suppliers will charge excessive prices; 2) the status quo is working fine so it should not be changed; and 3) the Commission has no control over terms and conditions from the MVR suppliers.

Q12. Will suppliers be able to charge excessive prices under the default structure?

A12. No. In any market competition brings competitive pressures and suppliers have the ability to undercut their competition or offer products with greater value to attract customers. In addition, Staff will have the ability to check prices against publicly available data including BTU conversion factors and capacity costs along with NYMEX. RESA would also recommend that individual suppliers be able to request customer lists that show who the MVR suppliers customers are served by. This will allow for more focused and targeted offers. In addition, it means if an MVR supplier is charging not excessive but above market rates their customers will become a target by the other suppliers.

Q13. Some stakeholders believe that the auctions have brought lower prices and thus would like to keep the status quo. How would you respond to those stakeholders?

A13. Auctions have not brought low prices; it has been the competitive suppliers who have participated in those auctions who have brought lower prices. Competitive suppliers will

1 also fill the ranks of the MVR suppliers. It should also be noted that the period of the
2 auctions was also one in the there was a record increase in the proven reserves of natural
3 gas deliverable to Ohio and a record decline in the New York Mercantile futures price for
4 natural gas. Finally, the cost of the auction is not borne solely by those who benefit from it;
5 all customers indirectly pay for the SCO auctions. The focus should be on removing the
6 barriers to a full competitive market and the Joint Stipulation is a step in that direction.
7

8 **Q14. What authority does the PUCO have over the prices that suppliers charge in an**
9 **MVR?**

10 **A14.** While the Commission would not have direct authority over MVR prices by suppliers,
11 there are still several tools available to protect customers. The current consumer protection
12 rules will continue to apply to customers served under an MVR, excluding the affirmative
13 consent rules since customers are assigned under tariff. In addition, because all MVR
14 prices are posted on the PUCO website, the Commission will be able to detect if prices are
15 completely out of line with New York Mercantile Exchange closing prices. Most
16 important, there are multiple options for a customer to leave MVR service at any time. If
17 the customer is not satisfied with the price they are charged they always have the option of
18 switching to a different supplier.
19

20 **V. CLOSING STATEMENTS**

21 **Q15. How do OGMG and RESA define an effective natural gas market?**

22 **A15.** The definition of an effective natural gas market is one where there are many suppliers
23 offering different products and where no product, either default service or Choice, are
24 subsidized by customers who do not take that product. In addition, it is a market where

1 companies have no fear of their business being shut down through uncertain regulatory
2 policies or abrupt changes in policy. The General Assembly correctly set the state energy
3 policy as a timely transition to market based retail natural gas supplies. A true competitive
4 market will be an effective natural market.

5 The Joint Application will not bring East Ohio to a fully competitive market for
6 natural gas, but it is one more step in that direction. We are now eight years into this
7 process. The Joint Application is not a leap of faith, it is the next step in a gradual and
8 methodical transition. Thus the Ohio Gas Marketers Group and RESA support the Joint
9 Application.

10
11 **Q16. Does this conclude your testimony?**

12 **A16. 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.



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