

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's Review)	
of Chapter 4901:1-10, Ohio Administrative)	Case No. 12-2050-EL-ORD
Code, Regarding Electric Companies.)	

COMMENTS OF INTERSTATE GAS SUPPLY, INC.

I. INTRODUCTION

Pursuant to the Entry issued on November 7, 2012 (“November 7 Entry”) in the above captioned proceeding, Interstate Gas Supply, Inc. (“IGS Energy” or “IGS”) respectfully submits these comments to the Ohio Administrative Code (“OAC”) Chapter 4901:1-10 rules.

In the November 7 Entry, the Commission requested comments to the Commission Staff’s (“Staff”) proposed modifications to the OAC 4901:1-10 rules regarding electric companies. Staff’s proposed modifications affect a number of activities related to electric companies including net metering, environmental disclosures and customer data. Conspicuously missing from Staff’s proposed modifications, however, is any mention of a purchase of receivables (“POR”) program for Ohio electric utilities. This is despite the fact that in the most recent FirstEnergy and AEP ESP proceedings, the Commission ordered that the OAC 4901:1-10 rules review was the appropriate proceeding to address the implementation of POR programs for Ohio electric utilities.¹

¹ Case No 12-1230-EL-SSO *FirstEnergy ESP Opinion and Order at 42 (July 18, 2012)*; Case No. 11-0346-EL-SSO, *AEP ESP Opinion and Order a 41-42 (August 8, 2012)*.

As contemplated in the FirstEnergy and AEP ESP proceedings, IGS proposes that OAC 4901:1-10 rules be modified to require that electric utilities offer POR programs. IGS believes that the appropriate place to make such rule change is in 4901:1-10-29(G) and 4901:1-10-29(B) which already require that electric utilities make consolidated billing available to CRES suppliers. As such, and for the reasons more fully explained herein, OAC 4901:1-10-29(G) should be modified accordingly:

(G) Customer billing and purchase of receivables.

(1) Electric utilities shall make consolidated billing available to CRES providers and shall not take any actions to inhibit or prohibit dual billing by CRES providers.

(2) Consolidated billing shall include budget billing as a customer-elected option.

(3) Electric utilities shall make available to CRES providers a purchase of receivables program pursuant to which the electric utilities will purchase the accounts receivables of CRES providers for the electric generation commodity CRES suppliers sell to customers and include on the electric utility's bill:

(a) If the electric utility has an uncollectible expense rider for the electric generation commodity, the electric utility shall recover all costs associated with its purchase of receivables program through its uncollectible expense rider

(b) If the electric utility does not have an uncollectible expense rider for the electric generation commodity, the electric utility shall either adopt an uncollectible expense rider and recover all costs of the purchase of receivables program from such rider or recover the costs of the purchase of receivables program by purchasing CRES provider's receivables at a percentage discount.

4901:1-10-29(B) should also be modified accordingly:

(B) Each electric utility shall adopt a supplier tariff containing standardized requirements to the extent such standardization is feasible. At a minimum, such tariff shall include requirements for imbalances, load profiles, scheduling, billing (between the electric utility and CRES provider), a purchase of receivables program for CRES providers, customer billing (options, collection, and application of customer payments), metering,

retail settlements, scheduling coordinators, losses, customer information, (procedures for disclosing load profile, account information, and payment history), dispute resolution processes (between the electric utility and CRES provider), standard operating rules, performance incentives and standards, creditworthiness and default security, supplier agreement, electronic data interchange protocols, CRES provider enrollment with the electric utility, service termination and disconnection (of end-user customer), certified CRES provider lists, return to standard offer, customer enrollment and switching, supplier training, and supplier proof of certification

In addition to the rules above that would require POR programs to be offered by electric utilities, IGS also proposes a requirement that electric utilities include customer account numbers to CRES providers in the customer lists that are already available to CRES providers. Providing account numbers to CRES suppliers will allow the suppliers to pre-populate data bases with information required for enrollment thus making the enrollment experience more efficient, more accurate, and more customer-friendly. Additionally, these enhancements to the customer enrollment experience would help facilitate the transition to competitive markets consistent with the State's and the Commission's stated policy. Accordingly the following changes should be made to 4901:1-10-29(E):

Pre-enrollment. Electric utilities shall make eligible-customer lists available to certified CRES providers in spreadsheet, word processing, or an electronic non-image-based format, with formula intact, compatible with personal computers. Such lists shall be updated quarterly. The eligible customer list shall, at a minimum, contain customer name, customer account number, service and mailing address, rate schedule (class and sub-class), applicable riders, load profile reference category, meter type, interval meter data indicator, budget bill indicator, meter read date or schedule, and historical consumption data (actual energy usage plus any applicable demand) for each of the most recent twelve months.

II. PURCHASE OF RECEIVABLES

A. Procedural Background

In the FirstEnergy and AEP ESP proceedings, IGS and a number of other parties submitted testimony requesting that the Commission require the implementation of POR programs for FirstEnergy and AEP.² In both those proceedings, the Commission determined that the OAC 4901:1-10 rules review proceeding was the appropriate venue to discuss issues relating to POR. Specifically, in the AEP ESP Order, the Commission directed the parties to discuss the issue of POR in the OAC 4901:1-10 rules review workshop ("Supplier Billing Workshop").³ Further, in the FirstEnergy ESP Order the Commission directed Staff, after the Supplier Billing Workshop, to identify changes to the OAC 4901:1-10 rules that are needed in order to address the issues raised in the workshop.⁴

² See PUCO Case No. 11-0346-EL-SSO; Direct Testimony of Witness Vincent Parisi (May, 4, 2012); Direct testimony of Teresa L. Ringenbach (May, 4, 2012); Direct Testimony Matthew Walz (May, 4, 2012). See also Case No. 12-1230-EL-SSO Direct testimony of Vincent Parisi (May, 21, 2012); Direct Prepared Testimony of Teresa L. Ringenbach (May, 21, 2012).

³ "we encourage interested stakeholders to attend a workshop in conjunction with the five year rule review of Chapter 4901:1-10, O.A.C., as established in Case No. 12-2050 ELORD et al, to be held on August 31, 2012. In our recent order on FirstEnergy's electric security plan (See Case No. 12-1230-EL-SSO), we noted that this workshop would be an appropriate place of stakeholders in the FirstEnergy proceedings to review issues related to POR programs. Similarly, we believe this workshop would also provide stakeholders in this proceeding an opportunity to further discuss the merits of establishing POR programs for other Ohio EDUs that are not currently using them." Case No. 11-0346-EL-SSO, *AEP ESP Opinion and Order* at 41-42 (August 8, 2012).

⁴ "At the conclusion of the workshop, Staff shall identify whether, in order to protect consumers, protect the financial integrity of the Companies, and promote competition in the Companies' service territories, amendments to Chapter 4901:1-10, O.A.C, are necessary, additional waivers of Chapter 4901:1-10, O.A.C, are necessary, modifications to FirstEnergy's tariffs or practices are necessary, or additional measures should be undertaken as recommended by Staff." Case No. 12-1230-EL-SSO *FirstEnergy ESP Opinion and Order* at 42 (July 18, 2012).

On August 31, 2012, consistent with both the AEP and FirstEnergy ESP Orders, the Supplier Billing Workshop was held to discuss POR and other CRES supplier billing issues. At the workshop, the Retail Energy Supply Association (“RESA”) presented to the group on the benefits of POR and, specifically proposed that the OAC 4901:1-10 rules require Ohio electric utilities to offer POR programs to CRES suppliers. A number of parties attended the workshop (including CRES suppliers, Staff and electric utilities) and had the opportunity to ask questions regarding RESA’s POR presentation.

Per the FirstEnergy and AEP ESP Orders the Commission intended that the inequities identified by CRES suppliers in the FirstEnergy and AEP ESP proceedings be addressed in the OAC 4901:1-10 rules review proceeding. It is understandable that the Commission would want to implement utility POR programs through a rules review proceeding. A requirement in the 4901:1-10 rules that electric utilities offer POR would be applicable to all utilities and would ensure that POR programs are implemented uniformly. Further, a rules review proceeding offers a mechanism where a discrete issue such as POR can be addressed in a way that does not implicate broader issues such as those that were agreed to in the context of the package of an ESP Stipulation. Disappointingly, however, and contrary to the most recent AEP and FirstEnergy Orders, Staff’s proposed OAC 4901:1-10 rule modifications fail to address POR.

B. POR Programs Enhance Competition and Benefit Ohio Customers

Utility POR programs have had a long history of success. Throughout the United States, nearly 50 natural gas and electric utilities offer POR programs.⁵ Since the

⁵**The following electric utilities offer POR programs:** ComEd (IL), Amren (IL), Baltimore Gas & Electric (MD), Potomac Edison (MD), PEPCO (MD), Delmarva (MD), Consolidated Edison (NY), Ntl. Grid (NY), Central Hudson (NY), Orange & Rockland (NY), Rochester Gas & Electric (NY), Long Island Power Authority (NY), New York State Electric

early 2000s all of the Ohio natural gas utilities with Choice programs offer POR to competitive suppliers. The Duke Energy Ohio electric utility has had a successful POR program for several years. Also, the number of POR programs continues to grow. For instance, in Maryland and Illinois POR was recently adopted by the major electric utilities. In Massachusetts all major electric utilities will soon offer POR programs. Put simply, POR programs are, and continue to be, adopted throughout the U.S. because POR make sense and is constructive for competitive markets.

POR makes sense because POR programs maximize the efficiency of the utility's collection and billing infrastructure for the benefit of customers, the utility, and CRES suppliers. POR reduces the system's net billing and collection costs, POR reduces customer confusion, POR attracts more competitive suppliers to the market, and ultimately POR results in lower priced and more dynamic electric offers to customers.

In a typical POR program the utility purchases competitive suppliers' accounts receivables, and then uses the utility's existing billing and collections infrastructure to bill and collect on the CRES customers' accounts. Why would the utility purchase CRES supplier's receivables, one might ask? The reasons are many.

- 1. It is an anti-competitive subsidy to have all customers pay for the utility collections infrastructure if that infrastructure is only used to collect on default service accounts.**

& Gas Corp. (NY), Duke Energy OH (OH), PECO (PA), PPL (PA), West Penn Power (PA), Met Ed (PA), Penn Electric (PA), Pennsylvania Power (PA), Duquesne Light (PA), Connecticut Light & Power (CT), United Illuminating (CT)
The following natural gas utilities offer POR programs: NIPSCO (IN), Columbia Gas of KY (KY), Baltimore Gas & Electric (MD), Washington Gas & Light (MD), Consumers Energy Co. (MI) Michigan Consolidated (MI), SEMPCO (MI), Consolidated Edison (NY), National Grid (NY), National Fuel (NY), Rochester Gas & Electric (NY), Orange & Rockland (NY), Central Hudson (NY), Columbia Gas of OH (OH), Dominion East OH (OH), Duke Energy OH (OH), Vectren Energy Delivery of Ohio (OH), Pennsylvania Gas Works (PA), PECO Gas Corp. (PA), Columbia Gas of PA (PA), Dominion Peoples (PA), UGI (PA) National Fuel (PA), Columbia Gas of VA (VA)

A utility's past due collections costs are recovered through utility distribution rates. This includes accounting and IT software, billing costs, and employees that are dedicated to collecting past due accounts. However, in a non-POR market, shopping customers do not get the benefit of these costs. Rather, CRES suppliers must establish their own billing and collections infrastructure, often redundant of the utilities', in order to collect on non-paying accounts. The billing and collection cost to CRES suppliers is not trivial and since not having POR increases CRES supplier costs, these costs are ultimately reflected in CRES suppliers' offers to customers.

Requiring CRES customers to pay for the collections activities and infrastructure used only for default service customers is an anticompetitive subsidy in the retail electric marketplace. R.C. 4928.02(H) provides that it is the policy of the state of Ohio to ensure "effective competition in the provision of retail electric service by avoiding anticompetitive subsidies." In a non-POR market, the default service rate is advantaged because the cost of collection of the default service commodity is paid for by all distribution ratepayers. On the other hand, shopping customers must pay the cost of collecting on past due default service commodity *in addition to* the cost of CRES supplier collections on past due accounts which is reflected in the CRES supplier charges. This subsidy distorts prices by artificially suppressing the default service rate and artificially increasing prices for shopping customers. Subsidies are bad for competition and contrary to R.C. 4928.02(H). Adopting POR would remedy this subsidy by requiring shopping customers and default service customers to pay for collection costs equally.

2. More CRES suppliers are attracted to competitive markets with POR programs.

R.C. 4928.02(C) provides that it is the policy of the state of Ohio to “ensure diversity of electricity supplies and suppliers, by giving consumers effective choices over the selection of those supplies and suppliers.” POR allows suppliers to avoid much of the cost and risk of building collections infrastructure that is duplicative of the utility’s, thus attracting suppliers to the market and increasing the amount and diversity of products in the market, consistent with R.C. 4928.02(C).

The evidence is uncontroverted that once POR is introduced into the market competitive suppliers flock to that market. For instance, in 2010 when the Illinois electric utilities began offering POR, only 10 suppliers had obtained certification to serve residential customers in Illinois.⁶ By June 2012 (just 2 years later) the number of certified residential suppliers increased to 40.⁷ In June 2010 when POR programs were adopted for Maryland electric utilities there were 14 electric suppliers serving residential customers in the Baltimore Gas & Electric territory.⁸ By November 2012 the number of electric suppliers serving BG&E residential customers increased to 44.⁹ Further, all of the Maryland electric utilities saw substantial growth in electric suppliers over that time.¹⁰ As IGS’ witness Vincent Parisi testified in the FirstEnergy ESP proceeding, Duke

⁶ Illinois Office of Retail Market Development 2010 Annual Report, at page 3. This report can be found at: <https://www.icc.illinois.gov/reports/results.aspx?t=20>

⁷ Illinois Office of Retail Market Development 2012 Annual Report, at page 3. This report can be found at: <https://www.icc.illinois.gov/reports/results.aspx?t=20>

⁸ The Maryland migration statistics listing the number of electric suppliers that historically have been in the Maryland markets can be found on the Maryland Public Service Commission website at: http://webapp.psc.state.md.us/Intranet/CaseNum/submit_new.cfm?DirPath=\\Coldfusion\Electric%20Choice%20Reports&CaseN=Electric%20Choice%20Enrollment%20Monthly%20Reports.

⁹ Id.

¹⁰ Id.

Energy Ohio is the only Ohio electric utility with a POR program; and, not coincidentally, it is the electric utility with the most offers on the Commission's apples-to-apples website and it is the utility with the most non-aggregation electric migration in Ohio.¹¹

3. POR reduces customer confusion and simplifies the billing and collections process for customers.

In Ohio, all of the investor owned electric utilities utilize consolidated billing, meaning that electric utilities bill and receive customer payments on behalf of CRES suppliers. However, in non POR utilities, within a certain period of time after a customer's bill becomes past due, the utility turns over the billing and collection responsibilities for the CRES supplier charges to the CRES supplier. This means that once a shopping customer becomes past due, customers are billed by two parties for their electric charges (the utility for distribution and CRES supplier for commodity). This can be extremely confusing for customers accustomed to receiving only one electric bill. Further, customers are not likely to understand why they may still owe on one electricity bill, even after they have paid their other electric bill in full. This confusion adds stress to customers in the already stressful situation of not being current on their utility bills. POR would eliminate this type of customer confusion because under POR programs utilities assume full control of the customer billing and collection process from beginning to end.

4. POR reduces overall system costs with no additional risk or cost to the utility.

¹¹ Direct Testimony of Vincent Parisi at 11-12, *Case No 12-1230-EL-SSO FirstEnergy ESP Opinion and Order at 42* (May 21, 2012).

POR adds little or no cost or additional risk to the electric utility while reducing the overall collection cost to the system. Under a POR program, utilities recover all costs associated with the assumption of a supplier's collection risk through either a discount rate applied to the purchase of receivables, an uncollectible expense rider, or a combination of the two. Under both approaches, however, the utility is always made whole. In addition, utilities are generally authorized by the Commission full recovery of the incremental cost to implement POR programs to ensure the utility recovers all these costs.

Moreover, a POR program reduces the overall cost of service for the utility's customers, regardless of whether they receive commodity or generation service under the utility's SSO rate or from a competitive supplier. Since utilities already have the collections infrastructure and processes in place and have the ability to disconnect in the event of non-payment, the overall cost to the system is reduced by having this responsibility assumed entirely by the utility, rather than having it unnecessarily duplicated by a number of competitive suppliers.

In fact, POR actually reduces some costs that must be incurred by the utility and customers because it eliminates the complexities of distinguishing between CRES uncollectible accounts and default service uncollectible accounts. The systems requirements to allocate and account for those separate account balances held between the utility and the supplier will be diminished as well. This is an administrative cost that is eliminated and also reduces complexity for the end-user.

C. Payment Priority System

Some may argue that a payment priority system that credits CRES supplier charges before utility supplier charges is sufficient to remedy the inherent inequities that arise from the utilities collections process in a competitive market with a default service rate. In fact, currently in the three non-POR Ohio electric utilities (DP&L, AEP and FirstEnergy) customer payments are applied to CRES provider past due charges first, utility past due charges second, CRES provider current charges third and utility current charges fourth (“Payment Priority System”). This system, which resulted from a settlement in the Green Mountain Energy FirstEnergy complaint case, was intended to help put CRES suppliers on a level playing field in a collections process that favors default rate customers.¹² This system, however, has proven inefficacious in correcting the inequities and subsidies in the utility collections process.

For one, the Payment Priority System does not remedy the anti-competitive subsidies flowing from CRES customers to the default rate. CRES supplier customers must still pay for collection systems and infrastructure that is used to collect only on default service past due accounts. The current Payment Priority System also does not ensure payment on CRES supplier charges so CRES suppliers still must develop the collections infrastructure and systems that are duplicative of those of the utility.

Also, the issues with customer confusion still exist because even with the Payment Priority System customers are subject to collections from both the CRES provider and the utility when the customer becomes past due. This is exacerbated by the fact that currently there is not sufficient information coming from the utility about past due accounts. Absent a POR, the utility should provide CRES providers on a daily basis full customer account information regarding payment and usage. This information is

¹² Case No. 02-1944-EL-CSS, Opinion and Order (August 6, 2003).

needed so that CRES providers can communicate to customers that call in whether their accounts have been paid and how much they owe on their accounts. This information is currently not being provided, and is exemplary of a broken system.

Finally, the Payment Priority System does not alleviate the need to develop special systems and processes to bifurcate customer accounts when they become past due, adding unnecessary complexity and cost to the utility and customers.

Simply put, the Payment Priority System was nothing more than a symptomatic treatment of a systemic problem. In fact, the Payment Priority System does little to address the inherent equities in the utility collections process when there is a competitive market and a default rate. What is needed is for all utilities to offer POR, and such a solution should be provided by amending the OAC 4901:1-10 rules to require all utilities to offer POR programs.

III. CUSTOMER ACCOUNT NUMBERS

OAC 4901:1-10-29(E) requires that utilities make available to CRES providers customer list of customers that are eligible to receive competitive service. The Commission should amend this rule to require that customer account numbers be included in these lists.¹³

The absence of customer account numbers in the customer lists available to CRES providers continues to be a barrier to enroll customers and encourages inaccuracies and inefficiencies in the enrollment process. Without customer account numbers, CRES providers must get the account number from the customer before enrollment can be effectuated. This means, because most customers do not memorize their utility

¹³ Although IGS understands that this is an electric utility rule making, IGS also ask the Commission at the earliest opportunity to amend the gas utility rules to make available customer account numbers to CRNG suppliers. See IGS' comments in the CRNG rule making Case No. 12-925-GA-ORD.

account numbers, that for all practical purposes CRES providers cannot enroll customers unless the prospective customer has his or her utility bill readily available.

Requiring customers essentially to have their utility bill on hand for enrollment dramatically limits the means by which a customer can enroll with a CRES provider. Most enrollments must occur at the house (whether that be by telephone, mail, wet signature contract or internet enrollment) where the customer usually keeps the utility bill. This artificial enrollment constraint does not exist in other markets and hinders the development of the competitive electric markets. For instance, it is not practical for a CRES provider to open a store or enroll customers outside the home, because almost no customer would have access to their utility account number outside of their home.

Further, no added protection is provided to customers by withholding account numbers from CRES providers. There would still be prohibitions in place against unauthorized use of the account number, including prohibitions against slamming and other consumer protection statutes and rules. In fact, granting CRES providers access to account numbers may serve to reduce reliance on home solicitations by CRES suppliers, because CRES suppliers would have other effective channels through which to enroll customers.

Finally, in Pennsylvania account numbers are available to competitive natural gas and electric suppliers, and to IGS' knowledge there have been no problems with increased slamming or other abuses of the use of customer account numbers once account numbers were provided to suppliers. For these reasons the Commission should further promote the development of competitive markets by amending 4901:1-

10-29(E) to require that customer account numbers be made available to CRES providers.

IV. CONCLUSION

Accordingly, consistent with the FirstEnergy and AEP ESP Orders, the Commission should modify OAC 4901:1-10 to require POR programs for all Ohio electric utilities offering Choice programs and also to require that accounts numbers be provided on the customer lists that are available to CRES providers.

Respectfully submitted

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Summary: Comments electronically filed by Mr. Matthew White on behalf of IGS Energy