

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

<b>In the Matter of the Commission's</b>	)	
<b>Review of the Natural Gas Retail Market</b>	)	<b>Case No. 13-1307-GA-COI</b>
<b>Development.</b>	)	

**Reply Comments of the  
Ohio Gas Marketers Group  
and  
Retail Energy Supply Association**

Date: July 30, 2013

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## Introduction

Initial comments were jointly filed by the Ohio Gas Marketers Association (“OGMG”)<sup>1</sup> and Retail Energy Supply Association (“RESA”)<sup>2</sup> in this docket on July 9, 2013, responding to five questions posed by the Public Utilities Commission of Ohio (“Commission”), regarding the impact of the Standard Choice Offer (“SCO”) in the natural gas competitive market.

Additionally, initial comments were filed by a number of parties, including Ohio Consumers’ Counsel (“OCC”), Ohio Partners for Affordable Energy (“OPAE”), The East Ohio Gas Company, d/b/a Dominion East Ohio (“DEO”), Vectren Energy Delivery of Ohio (“VEDO”), Columbia Gas of Ohio Inc. (“COH”), Hess Corporation (“Hess”), Citizens Coalition, Northeast Ohio Public Energy Council (“NOPEC”), Ohio Oil and Gas Association (“OOGA”), AARP, the Low-Income Advocates (“LIA”),<sup>3</sup> and Buckeye Energy Brokers Inc. (“Buckeye”).

OGMG/RESA will focus its reply comments on only certain averments contained in the initial comments, focusing on specific themes and issues before the Commission in this proceeding.

Silence regarding any item not specifically addressed should not be construed as

OGMG/RESA’s agreement regarding that item or otherwise be misconstrued to reflect

OGMG/RESA’s thoughts or opinions regarding the importance of the item.

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<sup>1</sup> For purposes of this proceeding, OGMG includes: Commerce Energy, Constellation NewEnergy, Inc., Interstate Gas Supply, Inc., Just Energy, and Southstar Energy LLC. The comments provided herein by OGM represent the consensus of the suppliers, but do not necessarily reflect the opinions of each individual member as to each issue.

<sup>2</sup> RESA’s members include: AEP Energy, Inc., Champion Energy Services, LLC, ConEdison *Solutions*, Constellation NewEnergy, Inc., Direct Energy Services, LLC, GDF SUEZ Energy resources NA, Inc., Hess Corporation, Homefield Energy, IDT Energy, Inc., Integrys Energy Services, Inc., Just Energy, Liberty Power, MC Squared Energy Services, LLC, Mint Energy, LLC, NextEra Energy Services, Nobel Americas Energy Solutions LLC, NRG, Inc., PPL Energy Plus, LLC, Stream Energy, TransCanada Power Marketing Ltd., and TriEagle Energy, L.P. the comments expressed in this filing represent the positions of RESA as an organization, but may not represent the views of any particular member of RESA.

<sup>3</sup> LIA is a collective reference to the comments filed jointly by Ohio Partners for Affordable Energy, The Ohio Poverty Law Center, Edgemont Neighborhood Coalition, Pro Seniors Inc., Southeastern Ohio Legal Services, Legal Aid Society of Columbus, Legal Aid Society of Cleveland, Communities United for Action, and The Citizens Coalition.

## **There is Agreement Among the Commenters Regarding the Nature of the SCO**

In reviewing the initial comments, there is unanimity among the commentators on the following two attributes of the SCO:

1. The SCO is positioned as a competitive product in the market and is used as the “price to compare” or “benchmark” against which competitive products for residential customers are measured; and,
2. The SCO structure enables SCO suppliers to avoid significant cost components of market participation that retail suppliers cannot avoid.

On the first point, the SCO as the benchmark in the competitive market, some of the comments included:

- AARP: “The SCO” \* \* \* provides a benchmark for natural gas prices, allowing customers to compare various competitive offers \* \* \*.” AARP Initial Comments at 5.
- Columbia: “The SCO is the most transparent pricing mechanism currently available and provides a market clearing price against which suppliers must compete.” Columbia Initial Comments at 4.
- Citizens Coalition: “The SCO establishes a benchmark that helps the residential customer sort through all the various offerings of the gas marketers and other providers.” Citizens Coalition Initial Comments at 8.
- OCC: “Also, the standard offer serves residential customers well as a publicly available price that allows a basis for comparing various supply offerings.” OCC Initial Comments at 18 and 19.
- LIA: “It provides regulatory bodies, in this case the PUCO and the Attorney General, with a benchmark to gauge if prices are just and reasonable” LIA Initial Comments at 9.
- Hess: “It is difficult for retail suppliers to compete against the SCO price on a straight costs basis because the SCO program allows suppliers to bid on huge pool of customers at one time \* \* \*.” Hess Initial Comments at 3.

It is clear from these comments that the SCO is positioned as a competitive product in the retail natural gas market and, in fact, is positioned as the “price to compare” or “benchmark” against which all other products in the market are judged. While certain commenters may disagree with OGMG/RESA’s Initial Comments regarding the inappropriateness of this characterization of the SCO, commentators appear to agree that the SCO is used as the

competitive benchmark and therein lies the issue. As OGMG/RESA explained in their Initial Comments, the SCO is not a competitive product and should not be used as the competitive benchmark in its current form. Currently, the SCO is a subsidized product and should only be used as a competitive benchmark when the subsidies in the SCO are neutralized.

On the second point, that the SCO structure allows the SCO suppliers to avoid significant components of market participation that retail suppliers cannot also avoid, there is also agreement. As Hess aptly stated: “Hess recognizes that there may be costs incurred by the utilities to administer the SCO that are not currently incorporated into the SCO price.” Hess Initial Comments at 4.

In citing to the competitive retail natural gas service (“CRNGS”) rules that protect consumers in the Choice program, COH underscores another significant distinction between the SCO structure and the Choice structure when it states, “[r]ules provide adequate customer protections.” COH Initial Comments at 1. Under Ohio law, the Commission was required to establish a certification process for CRNGS suppliers, which includes retail suppliers, Governmental Aggregators, and by Commission direction SCO suppliers. Ohio law also requires the Commission to establish rules for how CRNGS suppliers interact with residential and small commercial customers. Those rules are captured in Chapters 4901:1-27 and 4901:1-29, Administrative Code. However, the consumer protection rules that must be followed by all other CRNGS suppliers are largely waived for SCO suppliers. So, in addition to depending on the utility to supply (free of charge) all the consumer interaction necessary to establish a customer relationship, the structure of the SCO allows SCO suppliers to avoid compliance with all of the consumer protections that are part of that interaction.

In the Choice world, it is the CRNGS supplier that communicates with the retail customer. The CRNGS supplier is tasked with informing the retail customer of their choices. It is the CRNGS supplier who must enroll the customer, and when the term of the agreement is over, the CRNGS supplier must supply the renewal notice(s) so that customer can make a decision about its future service. The process for SCO suppliers is vastly different. It is the utility that enrolls the SCO customer, supplies the information, and call center. Finally, it is the utility that will automatically re-enroll the customer in the SCO program when the term is up. These customer services are paid for by all customers shopping and non-shopping customers alike; and, that is inequitable.

In their comments, the LIA intimates that retail customers have choices and that they choose the SCO. Initial Comments of LIA at 7-8. That is not fully accurate, retail customers have choices, but generally they default into SCO service. That point was aptly demonstrated by recent testimony of DEO Managing Director of Commercial Operations Jeff Murphy. In Case No. 12-1842-GA-EXM, Mr. Murphy testified that, for commercial customers who had been purchasing their natural gas on the open market and then failed to secure a gas supply, DEO's policy is that those commercial customers could choose the SCO or default to a CRNGS supplier offering a monthly variable rate. The result was that very few commercial customers affirmatively selected the SCO:

If we were looking at a base of approximately 14,000 nonresidential SCO customers, many months the number of SCO customers that are making that election [to be an SCO customer] are under 1 percent.

Case No. 12-1842-GA-EXM, Hearing Tr. at 39.

Another important point here is that, aside from the subsidy, the renewal process for residential SCO customers does not require the customer to be informed of the choices or the

opportunity to make choices on gas supply. Thus, the SCO for residential customers perpetuates a dependence on a default service structure. That is not in the best interest of the customer and impairs the development of a full, robust competitive market.

### **The Point of Disagreement Regarding the SCO Structure**

Regardless of the appropriateness of using the SCO in such a manner, parties agree that the SCO is positioned as the “price to compare” and that the structure of the SCO allows SCO suppliers to avoid significant components of market participation that cannot be avoided by CRNGS suppliers. Then, the ultimate issue is: how do these facts affect the competitive market? DEO summarizes the ultimate determination to be made and, in so doing, implicitly highlights the point on which opinions diverge in the following:

By definition, pricing in a fully competitive retail natural gas (“CRNG”) market is driven by the forces of supply and demand, without government intervention unduly influencing market outcomes. The existence of a required, default-price offer may affect such outcomes because it represents an option that CRNG suppliers would not necessarily offer on their own. And if that is so, a CRNG market could not be deemed to be *fully* competitive as long as the default-price offer is required, regardless of how that price may be set.

Ultimately, the Commission’s duty is to determine what type of market is needed to comply with the state energy policy set forth in R.C. 4929.02. If it determines that the competitive market described in that policy is one that is devoid of government intervention in price-setting, it behooves the Commission to assess whether the Standard Choice Offer (“SCO”) default price exerts an undue influence on market outcomes.

DEO Initial Comments at 1-2.

Competitors in a truly competitive retail market compete and succeed on the basis of innovation, capital investment that creates efficiencies, brand awareness, diversity of supply and product, and other means by which their products and services are better positioned in the eyes of the consumer. If a single competitor or service in that market is afforded the significant advantage of being able to avoid most of the components (and associated costs) of engaging in

that same market for those same customers, the market will not function properly and consumers will not see the benefits that an efficient retail market can provide.

The point of contention in the comments is whether the SCO structure provides a level playing field for SCO suppliers and CRNGS suppliers, or whether the SCO structure creates an unlevel playing field that distorts the market. OGMG/RESA contend that the current structure, which positions the SCO as the “price to compare” and allows the SCO suppliers to avoid some of the costs otherwise required to compete in a retail market, constitutes a subsidization of the SCO. In addition, this subsidy is inconsistent with Section 4929.02(A)(8), Revised Code.

The inequitable advantage enjoyed by the SCO not only subverts the efficiency of the competitive market, but also represents a barrier to entry that will further degrade competitive dynamics. The SCO is an artificial price when used to compare to other monthly variable rates. Customers should expect to only pay for the commodity under consideration, but in the current structure, customers are forced to pay costs for the supply of the SCO regardless of whether they are receiving SCO service. In addition to the SCO costs being masked, the use of the SCO as a “price to compare” is misleading. To compare an SCO offer to a flat bill or a fixed-price offering or any other offer as the price to beat misleads the customer into believing that the SCO price does not change. In fact, the SCO price changes monthly. If the SCO remains an option in the market, it needs to be treated like a variable-product offer and not the benchmark against which all other offers must be compared. The SCO should simply be another variable offering in the market. Otherwise, when the SCO is lower in one winter month than a specific fixed rate and then the SCO is higher than that same fixed rate the rest of the winter, there is a disservice to customers and the educational development of this market.



COH states “[i]t has developed its Choice, GA, and SCO programs with the intent of maintaining a level playing field for all participants.” Columbia Initial Comments at 3.

Although COH’s intention may have been to create a level playing field, it is clear that there are differences between Choice and SCO service that are distorting the market:

- The SCO suppliers avoid costs which are inescapable for the CRNGS suppliers who must engage the consumer.
- The utility bundles tens-of-thousands of customers and all associated information and sends that information to the SCO supplier, while CRNGS suppliers must gather the information needed for customer enrollment from each consumer individually.
- The SCO suppliers avoid having to create or complete a single verification of customer intent to enroll on the SCO product, while CRNGS suppliers must memorialize customer intent (by law opt-out aggregation is excluded).
- The SCO suppliers can avoid having to attach a single record to a customer’s account, while CRNGS suppliers must attach verifications, contracts, welcome letters, renewal letters, and other interactions to each customer record.
- The SCO suppliers avoid the creation, maintenance, and transmission of a contract to a customer, while CRNGS suppliers must do so for each customer enrolled.
- The SCO suppliers avoid having to send a single welcome letter to a customer following enrollment, while CRNGS suppliers must do so for each customer enrolled.
- The SCO suppliers are given customer information (including account number and usage information) without a fee, while CRNGS suppliers must pay for eligible customer lists.

If Ohio seeks to have a dynamic, truly competitive retail market where customers and suppliers interact and where a myriad of products are offered each month from a vast, diverse swath of suppliers, it must recognize the distinctions between SCO service and CRNGS service and must restructure the SCO such that a level playing field is created for SCO suppliers and CRNGS suppliers.

VEDO provided a list of the items that an SCO supplier must address when considering its bid in the annual SCO auction. VEDO’s list of items includes:

- Interstate pipeline demand and variable costs;
- VEDO system balancing responsibilities;
- Unaccounted for gas volumes;
- Actual variations from the average BTU values used in price and daily delivery volume determinations;
- Volume variations resulting from proration of SCO prices among calendar months; and
- Other costs and risk(s) relating to the provision of SCO service.<sup>4</sup>

Vectren Initial Comments at 4.

Many of the OGMG/RESA members have been or are currently SCO suppliers and agree that this list is fairly comprehensive as to the items that an SCO supplier has to consider. Choice suppliers *must also consider all of the items on the Vectren list* when designing Choice products. However, for a Choice supplier, there are a number of additional items beyond the Vectren list that must be considered and those do not exist for an SCO supplier. Such items include, but are not limited to, the following:

- Designing the products (price, value proposition, term);
- Obtaining customer lists;
- Designing effective customer information materials;
- Producing and distributing information materials;
- Developing enrollment collateral for each method of enrollment (internet, telephone, direct), including but not limited to verifications, contracts, welcome letters, rejection letters;
- Ensuring all of the products, lists, campaigns, solicitation materials, and fulfillment materials are compliant with Ohio laws, Federal laws, and Commission rules;
- Initiating, managing, and executing marketing campaigns;
- Developing information systems which are compatible with utility systems to assure accurate data exchange;
- Gathering and loading all enrollment information into systems capable of linking individual information to individual accounts;
- Preparing and sending compliant customer-specific notifications; and
- Developing, maintaining, and funding call center and IT resources sufficient to respond to individual customer inquiries.

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<sup>4</sup> This does not include costs related to the welcome letter in VEDO's territory because, for that territory only, the auction supplier sends the welcome letter to customers.

A comparison of these two lists reveals that engagement in the retail competitive market requires retail competitors to consider, create, and fund significantly greater activities than what is required of the SCO supplier. Characterizing the SCO product as the “price to compare” while at the same time allowing SCO suppliers to avoid many of the costs of supplying a competitive product creates significant inequities. Layer on top of that the fact that, unlike a CRNGS supplier, choice customers often do not recognize that by doing nothing they have been switched to another supplier. Customers believe they are remaining loyal to their local utility without an understanding that the local utility is no longer providing the commodity. SCO suppliers should invest in the market and should, along with CRNGS suppliers, have their logos prominent on the bill to encourage customer understanding that, if they do not make a choice, one is made for them. Billing should be designed to conspicuously disclose by whom a customer is served, whether it be SCO or Choice. Taken altogether, it becomes very evident that the avoidances are subsidies to or of the default SCO service.

Since there is agreement that the SCO is positioned as the price to compare in the retail competitive natural gas market and that, by design, the SCO permits the SCO suppliers to avoid all costs normally associated with competitive activity, a task left for the Commission is to determine whether this anomaly is a market defect or whether it is an acceptable aberration. As a corollary, the Commission should determine whether a continuation of this anomaly is unacceptably detrimental to the efficiencies of a market that all stakeholders acknowledge as competitive at its core. For OGMG/RESA, the answer is clear – SCO default service in its current form must be found to inappropriately avoid costs, creating subsidies to the SCO suppliers, and when used as a price to compare/benchmark is misleading to customers, which is inconsistent with Section 4929.02(A)(8), Revised Code.

## **Other Items**

Several of the commenters focus on Georgia, the merchant function exit, and price comparisons, none of which is before the Commission in this COI. Although OGMG/RESA will not address each issue raised, a few points of clarification are needed.

### **A. The Competitive Market in Georgia**

OCC, LIA and AARP all opine negatively on the Georgia competitive market, arguing that Georgia customers have incurred higher gas costs than customers in certain other states. The source of information upon which at least OCC's and AARP's opinions are based appears to be the OCC witness testimony in a PUCO case, Case No. 12-1842-GA-EXM and information from the Energy Information Administration ("EIA"). AARP Initial Comments at 6, FN 1; OCC Initial Comments at 20, FN 20. Differences in each state reflect geographic differences in weather (HDDs), system throughput, local area production, interstate transportation costs, etc. For example, a customer in Michigan or Ohio, in most cases, would intuitively have a lower average burner tip price due to the utility's and the supplier's ability to recover their fixed costs over much greater volumetric throughput when compared to the utility's or the marketer's ability to recover its fixed costs over considerably less throughput in Georgia or Florida.

The EIA simply does not have the ability to analyze and compile average price data on an apples-to-apples basis because of the complexity and dynamic nature of Georgia's competitive marketplace and the numerous fixed and variable price offers available. Also, EIA does not have the ability to discern which specific offer a particular customer has chosen, whether the customer may have received a discount from the marketer's published fixed or variable offer, whether the customer had chosen a fixed or a variable offer, whether and how often a customer may have switched price plans or marketers, etc.

Other reasons not to rely upon EIA data include the following:

- The EIA figures are not limited to the Georgia deregulated market and presumably include service provided by dozens of municipal providers and Liberty Utilities, an LDC in Columbus, Georgia.
- The data does not appear to adjust for the difference in interstate capacity charges.
- The data does not reflect or adjust for the manner in which fixed utility charges are recovered in Georgia on an annualized basis. Georgia's warm weather in the summer makes natural gas prices appear to be disproportionately higher due to low usage. However, the opposite occurs in winter, as fixed charges are not based on volumetric throughput, which means fixed utility charges are a much smaller portion of the consumer's bill in Georgia as compared, for example, to neighboring Southeastern states. Therefore, the recovery of fixed distribution costs during periods of low volumes mathematically makes EIA's delivered price per therm seem high.
- Georgia consumers in June 2012, per data compiled on the Georgia Commission's website, could have chosen a marketer and locked in their natural gas prices at an all-in delivered price of \$1.03 to \$1.17 per therm for 12 months – far below the EIA's reported national average of \$1.43.

It is easy to look at numbers and speculate at conclusions. It is difficult to set up like comparisons for testing. As to the practice of just looking at numbers and speculating on the cause, Mark Twain's often quoted phrase goes, "there are lies, damn lies, and statistics" seems an apt reply. To say that marketing caused prices to be higher, proper method requires all other variables and factors be held constant and the single factor of marketing tested. Otherwise, it is very difficult, if not impossible, to determine whether the item being tested is truly the cause for a differential, or whether it is caused by other variables – or interaction among variables.

When utilities and suppliers forecast load for a given day, dozens of variables are considered. If the only factor that changed from one day to the next, for instance, is wind speed then differences in usage could be accurately predicted over time very precisely. Insert more variables into the equation and the impact of a single variable is less quantifiable. OCC, AARP and LIA ask the Commission to draw the conclusion that Georgia's competition model for AGL

has led to higher prices. OCC, AARP and LIA base their finding on a “state” price for natural gas. The problem is that there is no “Georgia” natural gas price. Other factors are in play beyond the existence of a fully competitive market and therefore, other variables in the equation that must be considered, including differences in usage levels, available pipelines, inefficient means to measure customers’ actual prices, and failure to limit the comparisons even to a single utility or area.

Drawing conclusions from a chart without attempting to understand how the numbers were derived or without understanding what other factors might be in play is meaningless and lacks all probative value. Georgia’s AGL service territory has been restructured for over a decade and is functioning well. AGL consumers have a variety of offers from a diverse supplier group. If economic profits were available in the AGL service territory, new entrants would be frequent until such profits were driven from the market. The fact that the AGL supplier count has remained fairly steady over the past decade and even lower than other Choice states, e.g. Ohio and New York, is a good indication that excessive margins do not exist.

#### **B. The Merchant Function Exit**

Most of the commenters opined on the fact that SCO service is required by Ohio law and that the Commission does not have the authority to eliminate the SCO. OCC, AARP, LIA, and others advocate for the continuation of SCO service, and the OCC specifically states that the Commission should “above all else” preserve the standard offer. OGMG/RESA restated its position that in a fully functioning market, default service is an anomaly. OGMG/RESA’s Initial Comments do not contend that a full and immediate exit is the only solution to market barriers, rather the comments only noted that default service ought not exist in a fully competitive market. OGMG/RESA have put forward our position in several cases and continue to believe the market

is the best default service. That said, it is our understanding based on the Commission's questions for this COI that it would like to know how the current SCO is a barrier to allow the market to function better. OGMG/RESA have laid out the current uneven structure of SCO versus Choice, and how it not only forces Choice customers to pay for commodity service they deliberately chose not to receive, but also discourages a true understanding of the options in the market. OGMG/RESA urge the Commission to reconsider the structure of SCO to create a level playing field between SCO and Choice suppliers.

The Commission's stated mission is to "assure all residential and business consumers access to adequate, safe and reliable utility services at fair prices, while facilitating an environment that provides competitive choices," not to "preserve the standard service offer above all else." OGMG/RESA contend that the current construct of the SCO as the default product is a barrier to competitive choices.

### **C. Price Comparisons**

The OCC once again raises its claim that customer choice on the Columbia system cost retail customers \$885 million. The source of that number is a chart made by a Columbia employee, which was produced as part of a general document request. The chart itself was never the subject of direct testimony by the author, nor was the author subjected to cross-examination. Thus, the methodology, source of the figures used, and purpose of the report have never been fully established. The chart relied upon by OCC and others was presented as part of comments by the OCC in the last Columbia Exit Case, Case No. 12-2637-GA-EXM. To date, OGMG/RESA are unaware of any analysis regarding the origins of the number; the formula for creating the number; and testing of the assumptions made in creating the comparison.

Advocates who have a vested interest in the exiting default paradigm continue to cite the \$885 million number. On several occasions, OGMG/RESA have put forward information that disputes this number. OGMG/RESA again contend that the \$885 million number provides no insight for purpose of proving or disproving whether the CRNGS market is functioning properly for several reasons. First, it has been universally acknowledged that the number includes a significant tax inequity between the statutorily required tax rate imposed on the gas cost recovery (“GCR”) sales and then later the SSO, and the tax rate imposed on Choice sales, which was not corrected until Columbia transitioned to the SCO in April 2012. The precise amount of the differential is unknown, but it was approximately 2% differential in tax rate favoring the default service GCR and SSO for 15 years. Therefore, it is likely that the tax inequity amount is in the hundreds of millions of dollars. The second factor to be taken into consideration involves the reconciliation of gas in storage. When Columbia transitioned from the GCR mechanism to the SSO format, it conducted an accounting reconciliation for the gas in storage, by transferring decades-old, historically valued natural gas to GCR customers, significantly reducing the GCR price by hundreds of millions of dollars for this period. When these two factors alone are taken into consideration, it is highly unlikely that any relevance can be drawn from the \$885 million number as it relates to the competitiveness of the market compared with default service.

Further, Columbia did not move to the SSO auction format until 2010 and did not move to the SCO auction format until 2012. So for the vast majority of the time over which the \$885 million figure in the chart relates to when the GCR, which preceded the auction paradigm was in place. In sum, the \$885 million savings number is based on an internal and unverified study that only contains little if any SCO data. As such the chart should not be given any consideration.



In addition, it is appropriate to note that earlier utility-versus-supplier price comparisons conducted by Columbia showed that, from 1997 through 2006, the Choice customers did better than the GCR customers by over \$20 million. This covers nine of the 15 years that Columbia's Choice program has been an option for residential customers. It is noted that those price comparisons are absent from any of the comments made by the detractors in this proceeding.

To the extent that any validly compared price differential may exist, that differential seems to have arisen in the final stages of the GCR service and at the onset of the SCO service. That timing only serves to illustrate the existence of subsidization, as argued earlier, and the need for remedial action.

## **Conclusion**

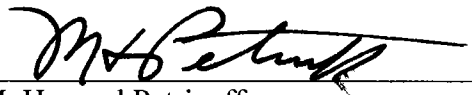
Both COH and VEDO indicate that the suppliers are best situated to determine whether there is a level playing field for CRNGS and SCO providers. As OGMG/RESA detail in their Initial Comments and in these Reply Comments, retail competition involves engagement by both seller and buyer. Buyers' and sellers' interests are aligned when there is a need to engage with each other to complete transactions. This engagement drives innovation and efficiency, and ultimately the consumers benefit to their highest and best levels.

The Commission should recognize that the current structure of SCO service is distorting the market and warrants changes that create a level playing field between SCO and CRNGS suppliers. Since many of the OGMG/RESA member companies provide both retail service and SCO service, OGMG/RESA is *uniquely* situated to identify the benefits and shortcomings that SCO structure affords. It is the belief of the OGMG/RESA members that the SCO, though an important step in the transition to full market competition, now must be amended so that it no longer receives subsidies and is placed on the same footing as other products. To properly assure

all residential and business consumers access to adequate, safe and reliable utility services at fair prices, while facilitating an environment that provides competitive choices, the Commission should foster competition by establishing and enforcing a fair, competitive framework, including the elimination of the existing subsidies for SCO service.

For all of the foregoing reasons, as well as those stated in OGMG/RESA's Initial Comments, the Commission should consider and implement the OGMG/RESA-recommended changes to the Ohio natural gas market.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "M. Howard Petricoff", written over a horizontal line.

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## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Brief was served this 30<sup>th</sup> day of July 2013, via email when designated, or by regular U.S. mail, on the parties listed below.



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Summary: Comments Reply Comments electronically filed by M HOWARD PETRICOFF on behalf of Ohio Gas Marketers Group and Retail Energy Supply Association