

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Columbia	:	
Gas of Ohio, Inc., for Approval of a General	:	Case No. 08-1344-GA-EXM
Exemption of Certain Natural Gas	:	
Commodity Sales Services or Ancillary	:	Case No. 12-2637-GA-EXM
Services.		

STAFF REPORT
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

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**BEFORE
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In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services.	:	Case Nos. 08-1344-GA-EXM 12-2637-GA-EXM
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Background

In its September 7, 2011 Second Opinion and Order in Case No. 08-1344-GA-EXM (“Order”), the Commission directed Columbia Gas of Ohio, Inc. (“Columbia”) and the marketers to work with Staff to develop information on SCO customer migration from the Standard Choice Offer (“SCO”) Program to the Choice program, including the number of customers that chose fixed-price contracts, and also directed marketers to provide Staff with a detailed explanation of their products and services that provide added value to those participating in the Choice program. Finally, the Commission directed Staff to compile a report and docket the report in the appropriate case docket by September 1, 2013.¹

Methodology

In accordance with the above directive, Staff arranged with Columbia to compile certain data for the twelve months following the initiation of the SCO. This data included the number of

¹ 08-1344-GA-EXM In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services, (September 7, 2012) Second Opinion and Order at 13.

SCO customers switching to Choice suppliers, the number of those selecting a fixed-rate offer, the number selecting a competitive rate offered by its own SCO supplier, and the number of customers enrolled in the Choice program². Staff also utilized information that Columbia was already tracking, such as customer enrollment in both the SCO and Choice programs. In addition to data obtained from Columbia, Staff also obtained information from the marketers regarding the products and services they offered, including whether the offers were fixed or variable, whether competitive offers provided by combination SCO/Choice providers were offered only to their own SCO customers, and which months Choice providers made their various offers. After obtaining the data from Columbia and the Marketers, Staff then analyzed that data to compile the following report.

Migration Results

Perhaps the most meaningful measure of customer migration from the SCO program to the Choice program is to track Choice enrollment as a percentage of Choice-eligible³ customers. Over the 12-month period following initiation of the SCO program, Choice enrollment increased from 37 percent of Choice-eligible customers at the beginning of the period to 38 percent at the end of the period, resulting in only a one percent change. This trend is illustrated in Chart 1 below.

² Customers enrolled in the Choice program may receive commodity service from either a Choice provider or a governmental aggregator.

³ Choice-eligible customers are those customers who: (1) use less than 6,000 mcf per year, or are a Human Needs Customer regardless of annual consumption; and (2) are not enrolled in the Percentage of Income Payment Plan; and (3) are not a Transportation Service customer; and (3) are not more than 60 days in arrears in payment of their Columbia bills, or not more 30 days in arrears in payment of their Columbia bills if enrolled in a payment plan.

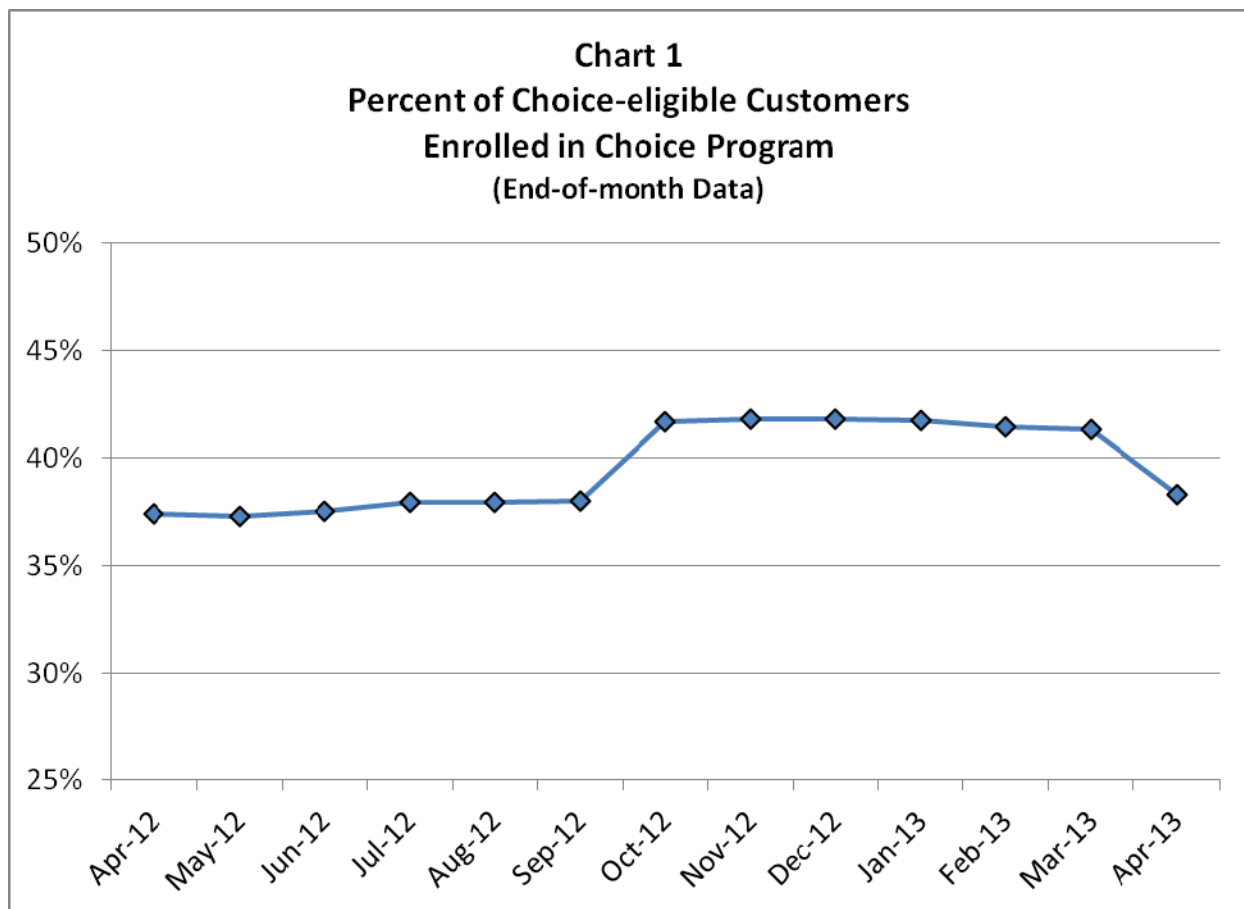


Chart 1 also indicates a seasonal trend whereby Choice enrollment is highest during the winter months. The enrollment percentages differ, however, when comparing residential vs. non-residential customers. Table 1 below presents such a comparison.

Table 1 Percent of Choice-eligible Customers Enrolled in Choice Program Residential vs. Non-residential Customers			
	April 30, 2012	April 30, 2013	Percent Change
Residential	36 %	37 %	1 %
Non-residential	48 %	49 %	1 %

Table 1 indicates that at both the beginning and end of the 12-month period, enrollment percentages were 12 percent higher for non-residential customers than for residential customers,

while the percent increase differed only slightly across these customer classes. Staff notes that the April 2013 percentages have remained at these levels through July.

Also in its Order, the Commission directed Staff to obtain the number of customers that chose fixed-price contracts offered by Choice providers. This information is discussed below along with the total number of customers switching to the Choice program and the number of customers switching from the SCO to a Choice rate offered by the same (SCO) supplier.

During the 12-month period from May 2012 through April 2013, nearly 120 thousand Columbia customers switched from the SCO to the Choice program. About 46,000 or 38 percent of those customers selected a fixed rate contract, and just over 4,300 or four percent, (of the 120 thousand), selected a Choice offer made by the customer's SCO provider. Staff believes these results indicate: (1) that Choice providers were moderately successful in attracting SCO customers; (2) that a substantial portion of those customers were attracted to fixed-rate offers, which are not available in the SCO program; and (3) that SCO providers were only somewhat successful in attracting customers they are serving as SCO customers to their Choice offers.

Chart 2 below trends the monthly number of SCO customers switching to the Choice program.

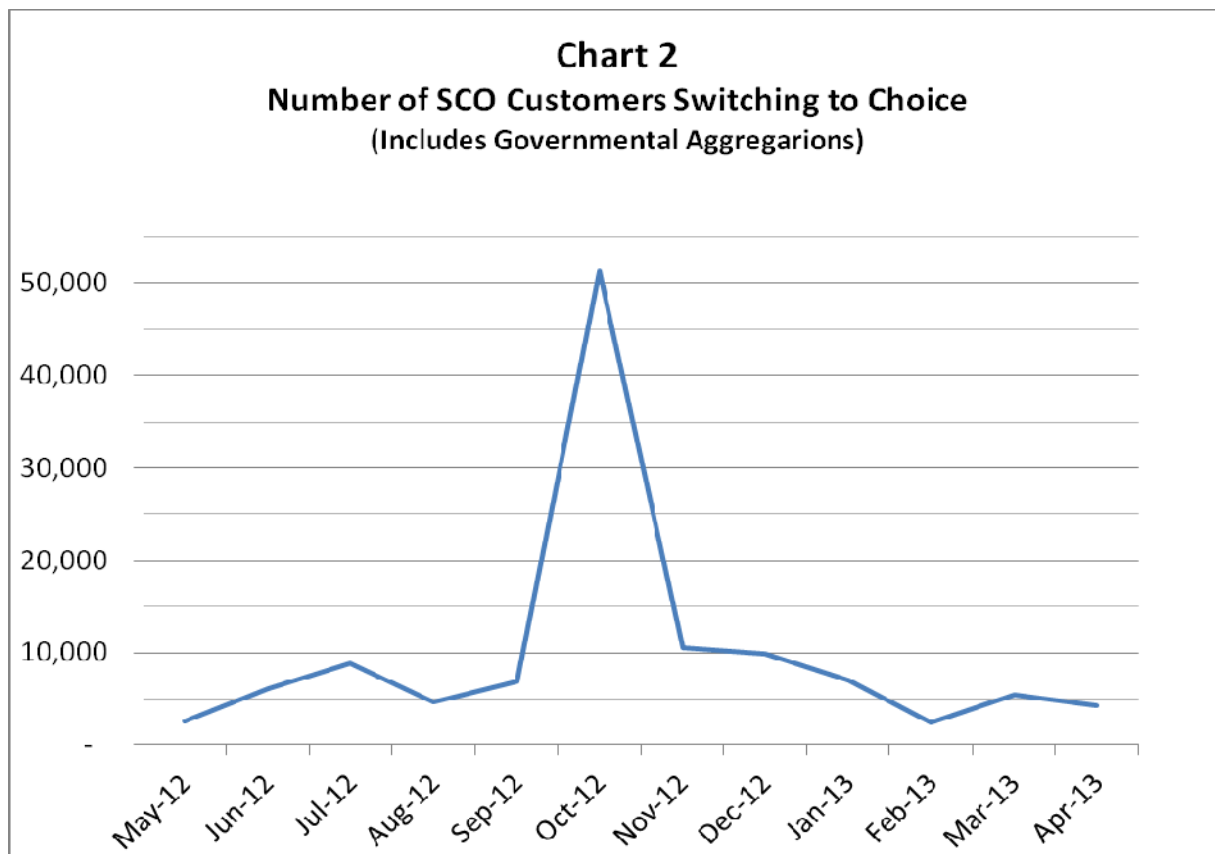


Chart 2 reflects a large increase in switching activity in October. Staff's analysis revealed that Governmental Aggregation enrollments contributed to the October increase in switching to Choice. The October surge also reflects an increase in Choice enrollment associated with expected higher gas bills during the winter heating season. Otherwise, switching volume ranged from about 2,600 in May of 2012 to over 9,800 in the month of December of 2012. Staff's analysis of switching data does not include those customers who switched away from the Choice program.

Chart 3 below trends the monthly number of SCO customers switching to fixed-rate Choice contracts.

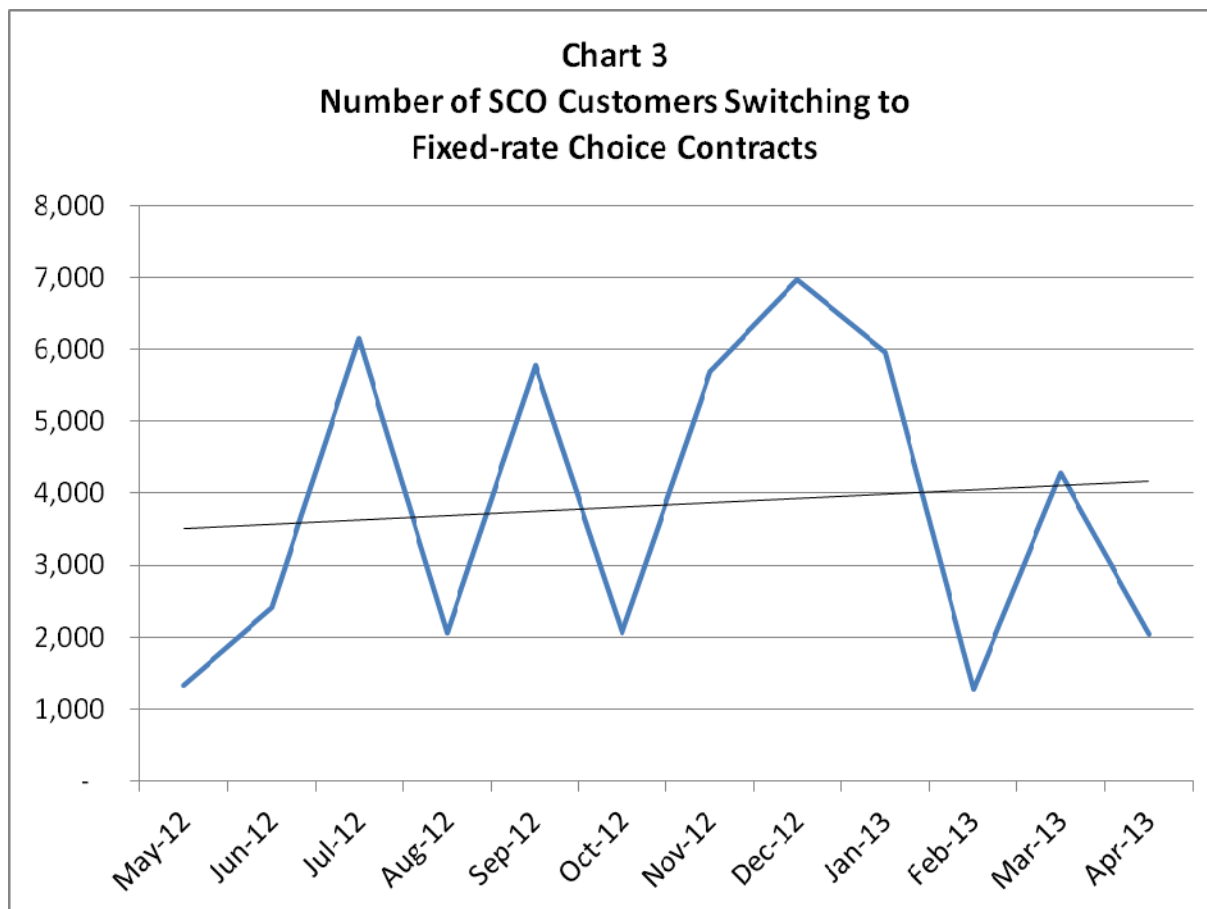


Chart 3 above shows that the monthly volume of customers switching to fixed-rate contracts fluctuated widely from a low of around 1,300 in May to a high of nearly 7,000 in December. The trend line, however, indicates an overall slight upward trend.

Chart 4 below trends the number of Customers switching from the SCO to a Choice rate offered by the same (SCO) supplier.

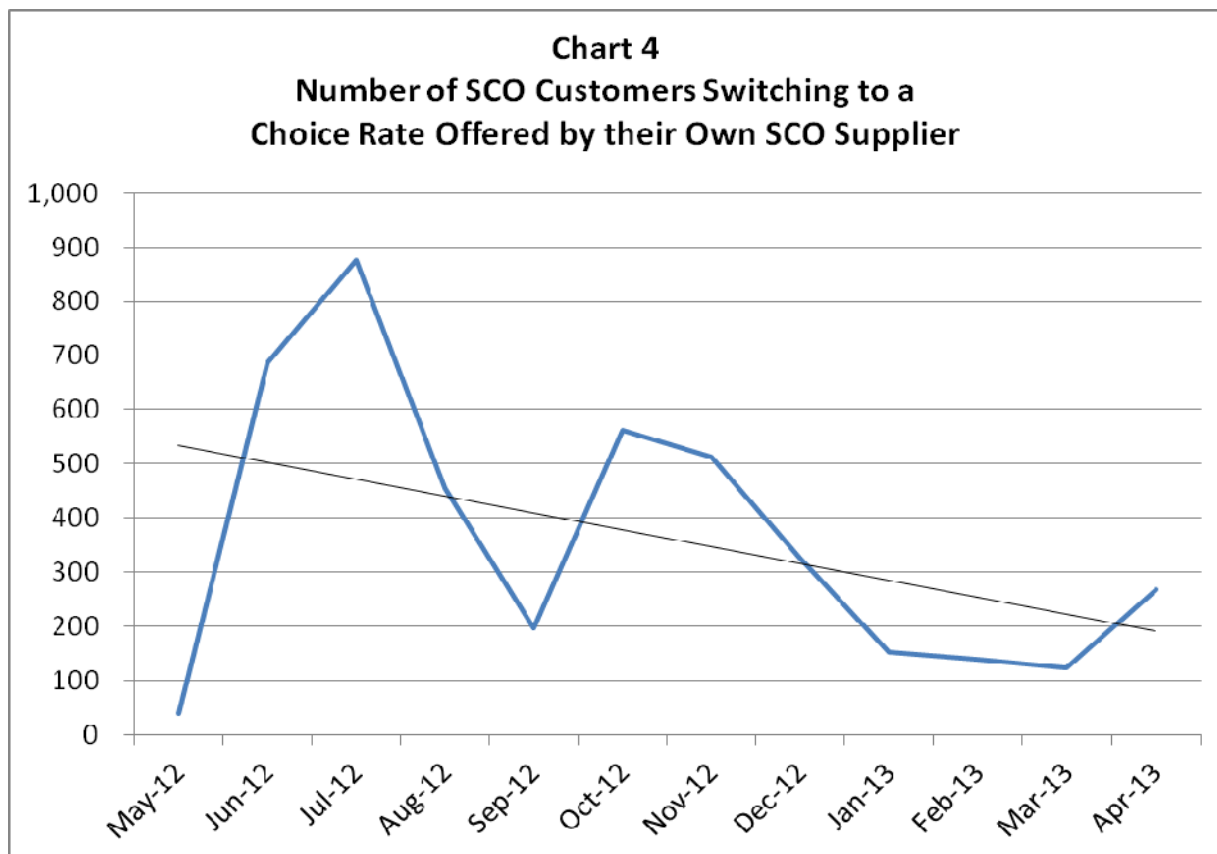


Chart 4 indicates that early in the period, (during June and July), a large volume of SCO customers switched to Choice offers made by their own SCO provider. This initial surge, however, was followed by a general decline. The large increase during June and July may be the result of “Welcome Letters” sent out by SCO suppliers just after the initiation of the SCO.

Choice Products and/or Service Offerings

Finally in its Order, the Commission directed the marketers to provide Staff information on products and services offered to customers providing added value to Choice program participation. This section will include the number of such offers, whether they involve fixed or variable rates, (or a combination of the two), and the variety of characteristics they exhibit.

As mentioned in the Methodology section above, Staff asked the suppliers to provide a detailed description of each type of product and/or service its company offered to Columbia

customers at any time during the 12-month period May 2012 through April 2013. Staff's analysis of the suppliers' responses reveals that a total of 232 choice offers, (excluding governmental aggregation offers), were made available during that period. Of these, 154 were fixed-rate offers, 75 were variable-rate offers, and three were hybrid offers, which involved some combination of fixed and variable rates. Table 2 summarizes these results and presents the associated percentages.

Table 2 Number of Choice-Supplier Offers Made Available During First 12 Months Following Initiation of Columbia SCO (Excludes Governmental Aggregation Offers)		
Type of Offer	Number of Offers	Percentage of Total
Fixed Rate	154	66.4 %
Variable Rate	75	32.3 %
Hybrid Rate	3	1.3 %
Total	232	100.0 %

Table 2 indicates that the greatest percentage of offers involved fixed rates. This may imply that Choice suppliers believed that a fixed-rate offer would be an effective way to attract SCO customers away from the SCO, which is restricted to a variable rate. Such a belief may have turned out to be incorrect given the fact, as discussed on page 3 above, that only 38 percent SCO customers switching to Choice during the period elected a fixed-rate offer.

Chart 5 trends the number of Choice offers available during each of the 12 months following initiation of Columbia's SCO program.

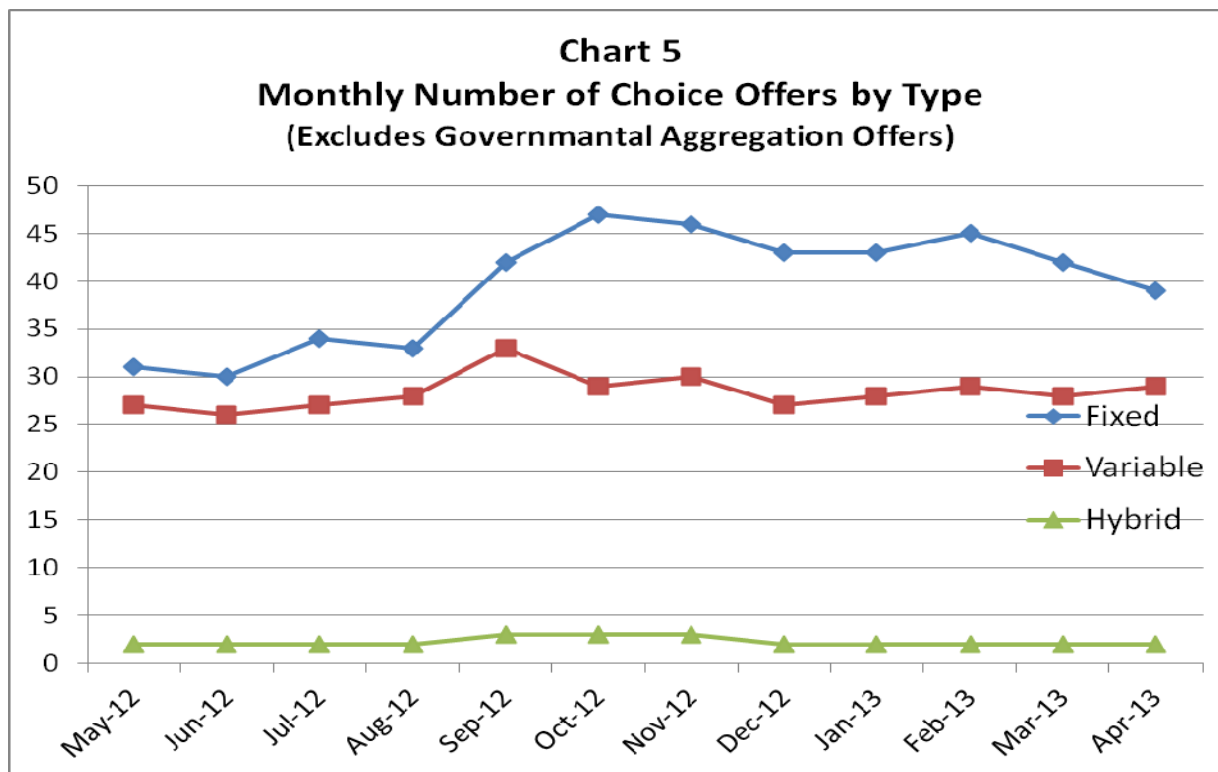


Chart 5 indicates that both fixed and variable offers exhibited a general upward trend during the period, while the low volume of hybrid offers remained steady. The chart also shows that the number of fixed-rate offers exceeded the number of variable-rate offers throughout the twelve-month period.

Staff also notes that 29 of the offers were made available only to SCO customers. Some of these involved SCO providers offering their Choice rate to their SCO customers. Others involved Choice suppliers targeting SCO customers who had previously opted -out of a governmental aggregation that supplier was serving.

In addition to categorizing the Choice offers by type, Staff also examined their content to determine any other differentiating characteristics. These characteristics, as they apply to fixed, variable, and hybrid offers, are described below.

The fixed-rate offers guarantee a set rate for a set period of time, either until a specified future date or for a set period, such as 6, 12, or 24 months. The offered rate is usually higher for the longer-term contracts, and early-cancellation fees tended to be higher as well. Some of the fixed-rate offers involved a waiver of the early-cancellation fee in exchange for a higher rate, and one offer involved a combination of electric and gas service. Another fixed-rate offer included a commitment to match any lower offers made by other Choice providers.

The variable-rate offers involve a rate that varies either monthly or quarterly, based on market conditions, or based on some market index such as the New York Mercantile Exchange (NYMEX) month-end closing price plus an adder. Some of the variable-rate offers included a cap, which the rate would not exceed, and a few of the offers matched the SCO variable rate. Other variable-rate offers set a term during which the contract would be effective, while others had no set term. Some variable-rate offers included a short-term introductory rate priced below the SCO rate, while others included a special financial incentive (such as free airline mileage or a Visa card). Choice providers are not allowed to charge an early exit fee on their variable-rate offers.

The hybrid offers involved a combination of fixed and variable rates. Some of the hybrid offers started out with a fixed rate that lasted for a short period of time (e.g., three months) after which the rate would become variable, and some of these included a cap on the variable rate. Other hybrid offers included a fixed rate within a range of usage quantities, but if usage fell outside this range, it would be billed at a variable rate. One of the offers was labeled as a variable-rate offer, but gave the customer the option to switch to a fixed-rate during the term of the contract.

Although the product and/or service offerings provided by the suppliers contained differentiating characteristics, they all involved commodity price options. Staff was not provided with any product or service offerings that went beyond commodity service to include other benefits, such as an energy efficiency audit or a programmable thermostat.

Summary of Conclusions

Based on the above information, Staff concludes the following.

1. That during the first twelve months following the inception of the SCO program, there was a small (1 %) increase in the percentage of Choice-eligible customers enrolled in the Choice program. Staff notes that the April 2013 enrollment percentages have remained about the same through July.
2. Enrollment percentages are highest during the winter months. This may indicate a seasonal trend.
3. That the percentage of non-residential customers enrolled in Choice was higher than that for residential customers.
4. A minority(38%) of customers switching to Choice providers selected fixed-rate offers, which are not available in the SCO program.
5. That the SCO providers were only somewhat successful in attracting their own SCO customers to their Choice offers.
6. That the majority of offers involved a fixed rate.
7. That the offers made available exhibited a variety of characteristics involving gas commodity price options.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Staff Report** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage pre-paid, or hand-delivered, upon the following Parties of Record, this 3rd day of September, 2013.

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