

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's
Review of Chapter 4901:1-19 of the
Ohio Administrative Code.

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Case No. 17-1945-GA-ORD

REPLY COMMENTS OF OHIO GAS COMPANY

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Pursuant to the Public Utilities Commission of Ohio's ("Commission") June 13, 2018 Entry, Ohio Gas Company ("Ohio Gas" or "Company") submits these reply comments to the proposed rule changes to Chapter 4901:1-19, Ohio Administrative Code ("O.A.C."), and the initial comments addressing those rules. More specifically, Ohio Gas responds to the Ohio Partners for Affordable Energy's ("OPAЕ") Initial Comments that offer rule changes which could be read to require all natural gas utilities to secure natural gas commodity service for Percentage of Income Payment Plan ("PIPP") customers through an auction process. As discussed in additional detail below, Ohio Gas should not be required to implement an auction to serve its PIPP customers.

I. BACKGROUND

Ohio Gas provides natural gas distribution service across six counties in northwest Ohio to approximately 49,000 customers, of which approximately 300-400 are served under the PIPP program.

Ohio Gas does not provide natural gas commodity service to any of its customers. Almost all of Ohio Gas's customers are served under community aggregation programs,

and these programs include all of the Company's PIPP customers. Customers in the community aggregation programs receive transportation service from the Company on an aggregated basis. These community aggregation programs are authorized by municipal ordinances under each municipality's Home Rule authority.¹

A small number of individual customers take transportation service from Ohio Gas outside of the community aggregation programs and arrange for their own supply of natural gas.

II. ARGUMENT

A. Ohio Gas should not be required to implement an auction or Request for Proposal ("RFP") to serve PIPP customers

OPAE argues that the Commission should require natural gas companies to implement an auction to serve default customers, including PIPP customers.² Although OPAE focuses its arguments on the results of the East Ohio Gas Company dba Dominion East Ohio's ("Dominion") exit-the-merchant-function plan, and OPAE's perceived inadequacy of that plan, it seeks to extrapolate a proposed remedy to that plan to all natural gas utilities. More specifically, OPAE asserts that Dominion's auction-based Standard Choice Offer ("SCO") has at times produced lower prices for customers than the alternative under Dominion's plan, which OPAE claims denies customers the opportunity to receive the market-based pricing supported by Ohio law.³ In support of this claim, OPAE also cites to the Commission's proposed rule change that would require

¹ Ohio Const. art. XVIII, § 4.

² OPAE Initial Comments, *in passim*; see also *id.* at 2 (arguing, incorrectly, that Rule 4901:1-19-09, O.A.C., already requires an auction for PIPP customers).

³ *Id.* at 5-7.

natural gas companies with approved exit-the-merchant-function plans to secure natural gas commodity service through an auction or RFP.⁴ Because it believes that “market-based pricing can only be achieved through the establishment of the auction-based standard offer as the default service for all customers,” OPAE urges the Commission to modify its rules in Chapter 4901:1-19, O.A.C., to require natural gas utilities to procure natural gas commodity service for default customers, including PIPP customers, through an auction.⁵ OPAE’s position is without merit.

Initially, OPAE concedes that it has already sought Commission relief for the very problem it identifies. As noted above, OPAE’s analysis in its initial comments is tied to a comparison of Dominion’s SCO prices to alternative price options (monthly variable rate or “MVR”) established under the exit-the-merchant-function plan. Because OPAE believes that the Dominion MVR prices are unreasonable, OPAE notes that it has already requested relief from the Commission in Dominion’s exit-the-merchant-function plan case.⁶ OPAE offers nothing to support extending a requirement to secure natural gas commodity service for PIPP customers to other natural gas utilities.

Moreover, extending a requirement to secure natural gas commodity service for PIPP customers to Ohio Gas, or other small gas distribution companies, would be unreasonable under either OPAE’s attempt to rewrite the proposed rules or under the proposed draft changes to Rule 4901:1-19-09, O.A.C. Ohio Gas, for example, has approximately 49,000 customers, none of which receives commodity service from Ohio

⁴ OPAE Initial Comments at 2 (*citing* Proposed Rule 4901:1-19-09, O.A.C.).

⁵ *Id.* at 5-7.

⁶ *Id.* at 5.

Gas, and only 300 to 400 of these customers participate in PIPP. Preparing for and implementing an auction for a very small number of customers is unlikely to produce benefits greater than the costs of implementing such an auction.⁷ Other smaller natural gas utilities are likely to face a similar concern. The proposed rule changes would likely result in a more expensive PIPP cost that would be passed on to other customers through the PIPP and Uncollectible Expense (“UEX”) riders. The proposed rule changes also fail to contemplate what a utility would do if no suppliers participate in the auction, a real possibility for utilities with small customer bases. Accordingly, the proposed rule changes should not be implemented.

If, however, the Commission is inclined to adopt the proposed changes offered by OPAE or contained in draft Rule 4901:1-19-09, O.A.C., small and mid-size natural gas companies should be exempted from the proposed rule changes to prevent customers from incurring unreasonable costs. The Commission has previously exempted Ohio Gas and other small natural gas companies from its rule requiring the implementation of PIPP arrearage crediting.⁸ In the prior rulemaking, the Commission recognized that the cost to these companies to implement billing system upgrades, including the associated employee labor costs to accommodate the then newly-adopted PIPP arrearage crediting

⁷ Although Ohio Gas would not expect its costs to oversee an auction to be on the same level as large utilities in the state, the costs would have to be orders of magnitude less for there to be any prospect of net savings for Ohio Gas’s customers. For example, in its most recent update to its Auction Cost Recovery Rider, Ohio Power Company identified \$98,555 in incremental auction costs for the period of July through September 2018. *In the Matter of the Alternative Energy Rider and Auction Cost Recovery Rider for Ohio Power Company*, Case No. 15-1052-EL-RDR, 3rd Quarter Filing (June 1, 2018). Ohio Gas’s total annual collections under its PIPP Rider have averaged less than \$100,000 per year in recent years.

⁸ *In the Matter of the Commission’s Review of Chapters 4901:1-17 and 4901:1-18, and Rules 4901:1-5-07, 4901:1-10-22, 4901:1-13-11, 4901:1-15-17, 4901:1-21-14, and 4901:1-29-12 of the Ohio Administrative Code*, Case No. 08-723-AU-ORD, Finding and Order at 51 (Dec. 17, 2008) (“*PIPP Rulemaking*”) (granting exemptions of modified PIPP rules for small gas companies); *PIPP Rulemaking*, Entry at 8-9 (Aug. 19, 2009) (granting waiver of PIPP arrearage crediting requirements for Ohio Gas).

requirements for Ohio Gas's PIPP customers, would outweigh the benefits for the few customers eligible to receive the benefits.⁹ Ohio Gas does not currently have any customers receiving commodity service from Ohio Gas. Ohio Gas has very few PIPP customers and, like the vast majority of all of its remaining customers, they are served under community aggregation programs. The possibility that there would be a population of PIPP customers significant enough to permit Ohio Gas to implement an auction in a cost-effective manner to serve these customers is remote at best. The Commission should therefore either not adopt the PIPP auction requirement reflected in the draft proposed changes to Rule 4901:1-19-09, O.A.C., and in OPAE's initial comments, or exempt Ohio Gas and other similarly-situated natural gas utilities from the proposed changes. To this end, if the Commission were to adopt these proposed rule changes, it should exempt small and mid-size natural gas companies of 100,000 customers or less from that requirement.

III. CONCLUSION

Requiring auctions to serve PIPP customers would likely result in net costs to small and mid-size natural gas utilities due to these utilities' small customer bases and extremely small PIPP customer base. Additional unreasonable costs would then be imposed on other customers through PIPP and UEX riders. Accordingly, the Commission should either reject the auction requirement for PIPP customers reflected in OPAE's initial comments and in the draft proposed rule changes in Rule 4901:1-19-09, O.A.C., or

⁹ *PIPP Rulemaking*, Entry at 8 (Aug. 19, 2009). Ohio Gas's PIPP customers have also decreased dramatically from around 900 in 2009 to approximately 300-400 today.

exempt natural gas utilities of less than 100,000 customers from any requirement to secure natural gas commodity service for PIPP customers.

Respectfully submitted,

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CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Reply Comments of Ohio Gas Company* was sent by, or on behalf of, the undersigned counsel for Ohio Gas Company to the following parties of record this 27th day of July 2018, *via* electronic transmission.

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