

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc. for Approval)	Case No. 18-0049-GA-ALT
of an Alternative Rate Plan)	
In the Matter of the Application of Vectren)	Case No. 18-0298-GA-AIR
Energy Delivery of Ohio, Inc. for Approval)	
of an Increase in Gas Rates)	
In the Matter of the Application of Vectren)	Case No. 18-0299-GA-ALT
Energy Delivery of Ohio, Inc. for Approval)	
of an Alternative Rate Plan)	

**OBJECTIONS TO STAFF REPORT OF INVESTIGATION AND SUMMARY OF
MAJOR ISSUES OF INTERSTATE GAS SUPPLY, INC.**

Joseph Olikier (0086088)
Counsel of Record
Email: joliker@igsenergy.com
Michael Nugent (0090408)
Email: Mnugent@igsenergy.com
IGS Energy
6100 Emerald Parkway
Dublin, Ohio 43016
Telephone: (614) 659-5000
Facsimile: (614) 659-5073

Attorneys for IGS Energy

October 31, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION	3
II. OBJECTIONS TO THE STAFF REPORT	4
A. THE STAFF REPORT FAILS TO RECOMMEND THAT VECTREN TAKE ADDITIONAL STEPS TO EXIT THE MERCHANT FUNCTION.....	4
B. THE STAFF REPORT FAILS TO RECOMMEND THAT VECTREN UNBUNDLE FROM DISTRIBUTION RATES COSTS RELATED TO THE PROVISION OF THE STANDARD CHOICE OFFER (“SCO”)	4
C. PROPOSES CHARGES AND FEES.....	7
1.UNAUTHORIZED GAS USAGE CHARGE.....	7
D. NEW TERMS AND CONDITIONS OF SERVICE.....	9
1.IMBALANCE TRADING.....	11
2.SYSTEM BENEFICIAL DELIVERIES.....	13
3.MAXIMUM DAILY REQUIREMENTS.....	13
4.CAPACITY RELEASE SOLELY TO SCO SUPPLIERS.....	14
5.CHOICE SUPPLIER BILLING.....	14
E. CUSTOMER DATA.....	15
F. RATES.....	15
III. SUMMARY OF MAJOR ISSUES.....	16

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Rate Plan)	Case No. 18-0049-GA-ALT
)	
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates)	Case No. 18-0298-GA-AIR
)	
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Rate Plan)	Case No. 18-0299-GA-ALT
)	

**OBJECTIONS TO STAFF REPORT OF INVESTIGATION AND SUMMARY OF
MAJOR ISSUES OF INTERSTATE GAS SUPPLY, INC.**

I. INTRODUCTION

On March 30, 2018, Vectren Energy Delivery of Ohio filed an application to increase in distribution rates, for tariff approval, and an alternative rate plan (collectively, "Application"). The Staff Report of Investigation ("Staff Report") was filed with the Public Utilities Commission of Ohio ("Commission") on October 1, 2018 and October 2, 2018 setting forth the Commission Staff's ("Staff") findings regarding the Application.

Pursuant to Section 4909.19, Revised Code, Rule 4901-1-28, Ohio Administrative Code ("O.A.C"), and the Attorney Examiner's Entry dated October 3, 2018, Interstate Gas Supply, Inc. ("IGS") hereby files its Objections to the Staff Report and Summary of Major Issues in the above-captioned matters. IGS reserves the right to contest through cross-examination, testimony, or exhibits any newly raised issues, issues raised by any other

party, or any position set forth in the Staff Report that changes prior to the close of the record.

II. OBJECTIONS TO THE STAFF REPORT

IGS objects to the following specific recommendations in the Staff Report:

A. The Staff Report fails to recommend that Vectren take additional steps to Exit the Merchant Function

Vectren proposed tariff language that would allow it to recover costs associated with an exit of the merchant function (Sheet No. 41 of Schedule E-2.1). The Staff Report, however, failed to address this tariff language. Moreover, the Staff Report failed to recommend terms and conditions under which an exit of the merchant function for residential and non-residential customers would take place and for which costs can be recovered. The Staff Report addressed several cost-related changes within Vectren's tariff (Page 23-24). It, however, did not address the proposed change to Vectren's tariff that would allow it to recover costs associated with an exit of the merchant function through the Exit Transition Cost Rider. IGS objects to this omission from the Staff Report.

B. The Staff Report fails to recommend that Vectren unbundle from distribution rates costs related to the provision of the standard choice offer ("SCO")

IGS objects to the Staff Report's failure to recommend that Vectren allocate to the SCO or SCO providers certain costs proposed for recovery in distribution rates. Vectren currently collects and proposes to collect in distribution rates significant costs that are necessary to support and provide the SCO. Failure to allocate these costs violates good ratemaking principles, Ohio law, and State Policy against anticompetitive subsidies and in favor of unbundled and comparable rates.

While SCO suppliers take on the obligation to serve these customers—allegedly at retail rates, these suppliers are not required to provide any of the services necessary to make this product available. Instead, VEDO proposes to recover through distribution rates the administrative and processing costs associated with the SCO.

Many of the costs necessary to support the SCO are proposed for recovery in Vectren's allowance for operation and maintenance expense. These costs are identified and supported in the C-Schedules attached to the Application. The Staff Report provides an analysis of the costs contained on these schedules. But, absent from Staff Report is any recommendation to appropriately allocate to the SCO or SCO providers the costs that are necessary to support that service. The operation and maintenance expense categories that the Staff Report failed to analyze and allocate to the default service include:

- (1) Call center infrastructure and employees to maintain appropriate customer service for SCO customers¹;
- (2) Outside and inside legal, regulatory, and compliance personnel to comply with the regulatory rule requirements for the SSO;
- (3) IT employees, infrastructure, and software;
- (4) Office space for employees;
- (5) Administrative and human resources staff to support the employees;

- (6) Office supplies;
- (7) Accounting and auditing services;
- (8) Printing and postage to communicate with customers;
- (9) The regulatory assessments for the PUCO and the Ohio Consumers' Counsel ("OCC") that are based on SCO revenue, but are recovered through distribution rates.
- (10) Costs associated with the administration of PIPP customers
- (11) Cash Working Capital

These categories of cost are mainly identified in the following FERC Accounts (903-905; 908-910; 912; 920-935; 408).

Moreover, the Staff Report further failed to analyze and allocate to the default service costs embedded in rate base that are necessary to support default service. Such costs include rate base expenses related to categories of costs identified above, as well Vectren's headquarters in Ohio.

Failure to allocate these costs violates good ratemaking principles, Ohio law, and State Policy against anticompetitive subsidies and in favor of unbundled and comparable rates. Accordingly, the Staff Report failed to recommend appropriate modifications to the cost of service study and the Staff Report failed appropriately functionalize costs to non-competitive distribution service.

C. Proposes Charges and Fees

The Application proposed several new fees, charges, and penalties in Schedule E-2.1. But the redlined tariff, pre-filed testimony, and the Staff Report fail to explain the bases for these provisions:

- Storage Non-Compliance Fee (Sheet 21, P. 2; Sheet 23, P.2)
- Choice Participation Fee – UCC Lien (Sheet 21, P. 3)
- Choice Participation Deposit – EDI Testing (Sheet 21, P. 3)
- Unauthorized Gas Usage Charge (Sheet 30, P. 2)
- Nomination Error Charge (Sheet 51, P. 1)
- City Gate Allocation Non-Compliance Charge (Sheet 51, P. 2)
- Peaking Demand Charge (Sheet 52, P. 10)

Therefore, IGS objects to these fees and charges. Because the Unauthorized Gas Usage Charge is particularly egregious, IGS objects further below.

1. Unauthorized Gas Usage Charge.

Under this change, Vectren shall apply several Unauthorized Usage Charges when a Customers' usage in a month exceeds the quantity allowed pursuant to "the Curtailment Procedures and any instructions provided by the Company thereunder . . ." ² under three different circumstances:

- Treble Penalty: Rate 345 and Rate 360 Customers are subject to a penalty at a rate equal to three times the Columbia Daily Index Price, plus applicable variable costs for any volumes greater than the Customer's Plant Protection Level;

² Sheet 30, P. 2.

- Pool Operator Penalty: With respect to a Pool Operator (like IGS) under Rate 380 that delivers less gas to Vectren's system than the Pool Customers' collective Plant Protection Level, the Pool Operator *shall be subject to a penalty of \$35.00 per Dth for the under delivered volumes in addition to the applicable OFO Non-Compliance charges.*
- All Other Customers Penalty: All other customers—which would include residential customers—shall be subject to a penalty of \$3 per Billing Ccf.

As discussed below, there is simply no support for these penalties in the Application, testimony, or the Staff Report. Moreover, there is no basis to support approval of these penalties.

Initially, the Application proposes to add language permitting Vectren to impose penalties for “any instructions provided by the Company” in addition to in the event of Curtailment Procedures. This change is vague and ambiguous and does not articulate whether the penalty may be assessed for failure to follow an operational flow order (“OFO”) in addition to failure to follow Curtailment Procedures. There are already penalties imposed against competitive natural gas suppliers (“Suppliers”) for failure to follow an OFO; therefore, it would be duplicative and putative to penalize a Supplier twice.

The specific new penalty provisions are also unjust and unreasonable.

The Treble penalty has no relationship to a cost that Vectren may incur; therefore, it should not be authorized.

The Pool Operator Penalty is unjust and unreasonable for several reasons. First, this penalty appears to be located in an incorrect part of the tariff. It relates to under

deliveries relative to a reference level of usage, whereas the Unauthorized Gas Usage Charge relates to usage levels in excess of a quantity established by Curtailment Procedures or “any other instructions.” Moreover, even if this provision was not a round peg in a square hole, Pool Operators/Suppliers do not know a customer’s Plant Protection Level. Because a Supplier has no way of knowing their collective Plant Protection Level, it would be fundamentally unfair to penalize a Supplier for failure to deliver an unknown quantity. Finally, to the extent that Pool Operators/Suppliers under deliver relative to an OFO, they will be penalized under a different section of Vectren’s tariff. If Vectren’s current OFO process is not working, IGS would suggest that the Commission modify the OFO section of the tariff rather than penalizing a Supplier under two separate sections.

Finally, it would be unjust and unreasonable to charge all other customers a penalty of \$3 per Billing Ccf, given that smaller customer meters are not read on a daily basis. Thus, there is no way to verify whether a customer in fact used gas in excess of the allowed quantity during the time of any curtailment. Therefore, this provision is unjust and unreasonable.

D. New Terms and Conditions of Service

The Application contains several proposed changes to the terms of service. But the redlined tariff, pre-filed testimony, and the Staff Report fail to not explain the bases for these modifications:

- Creditworthiness Requirements of Pool Operators³

³ Sheet 20, P. 3.

- Eligible Customer Account List – removal of ability to request list more frequently than on a quarterly basis⁴
- Choice Supplier Participation Qualifications⁵
- SCO Supplier Participation Qualifications⁶
- SCO and Choice Volume Reconciliations⁷
- Imbalance Trading – removal of the prohibition against trading to establish an imbalance in the opposite direction of the original imbalance.⁸
- System beneficial deliveries – allows Vectren wide and vague authority to require changes to pool operator deliveries.⁹
- Large Transportation Service (Section 1.3) – Maximum Daily Requirement modification.¹⁰
- Large Transportation Service (Section 10.1) and Choice Supplier Pooling Service Force Majeure – interruptions from producers and pipelines do not qualify as force majeure.¹¹
- Choice Supplier Pooling Billing Options – option can only be changed with three months' advance notice, and once every three years. Vectren must approve supplier's dual bill format at before issuing.¹²
- Choice Supplier Pooling – Vectren allowed to release capacity contracts solely to SCO suppliers.¹³

⁴ Sheet 21, P. 1.

⁵ Sheet 21, P. 3-4.

⁶ Sheet 23, P. 3.

⁷ Sheet 23, P. 2; Sheet 52, P. 11 ; Sheet 56, P. 8.

⁸ Sheet 51, P. 6.

⁹ Sheet 51, P. 6.

¹⁰ Sheet 50, P. 1.

¹¹ Sheet 50, P. 3; Sheet 52, P. 13; Sheet 56, P. 9.

¹² Sheet 52, P. 3; Sheet 52, P. 4.

¹³ Sheet 52, P. 6; Sheet 56, P. 1.

Because these proposed changes lack explanation, discussion, or justification in testimony, the Application, or the Staff Report, IGS objects to the Staff Report's failure to recommend their rejection. Moreover, IGS provides further discussion of the unreasonableness of certain of those provisions below.

1. Imbalance Trading

The Application proposed to change the Imbalance Trading terms and conditions applicable to Large Transportation Service Pool Operators (Sheet 51, P. 6.). Specifically, the redlined tariff contained two changes: (1) deleting language prohibiting a Transporter from trading to establish an imbalance in the opposite direction of the original imbalance, (2) requiring imbalance trades to be completed within two business days rather than three days. *Id.* While these changes are not described in testimony or the Staff Report, that does not provide an accurate picture of the entire story.

Starting in September 2018, Vectren unilaterally modified its Imbalance Trading protocols in a manner that conflicts with not only its current tariff but also its proposed redline tariff. Therefore, IGS must further object to Vectren's currently in place Imbalance Trading procedures. In order to place this objection in the appropriate context, it is necessary to first describe the Imbalance Trading protocols that existed prior to September 2018.

Imbalance trading is a process through which Pool Operators can trade with each other to ensure gas deliveries remain within a specified tolerance level relative to actual pool usage. At the end of each month, Suppliers are allowed to trade with each other on a daily basis to help avoid penalties and to bring themselves within the 15% daily

tolerance. Historically this trading period has been a three 3 day window that opens roughly 10-15 days after the month ends. It is important to keep in mind that this process takes place *after the system has been balanced by Choice Suppliers and SCO Suppliers using their TCO storage assets.*

To illustrate this process, if one Pool Operator A is 10% short on a day and another Pool Operator B was 20% short on that same day, Pool Operator A could sell Pool Operator B gas to reach the 15% limit.

In September, Vectren made some changes to the way imbalance trading is treated. First, they lowered it from 3 days to 2 days. More importantly, Vectren prohibited Imbalance Trading as described above. Under the new protocols, if Pool Operator A is 10% short, it can no longer sell gas to anyone even though the tariff allows them a 15% tolerance on any given day. In other words, Vectren is only permitting Imbalance Trading if it brings the Pool Operator's balance closer to zero. Based upon IGS' experience during September, it has become nearly impossible to trade imbalances under the new paradigm.

Vectren's unilateral and unauthorized modification is objectionable for two reasons. First, the purpose of Imbalance Trading is to reallocate gas delivered during the prior month. It simply does not relate to the physical delivery of gas—it has no impact on the ability to balance the system. Second, the system is balanced daily by the Choice and SCO Suppliers, not Vectren. Vectren has not argued or provided evidence that the practice in place prior to September placed the system at any risk. It is arbitrary and unreasonable to establish protocols that will make it harder to trade imbalances and

therefore lead to additional penalties on Suppliers. Accordingly, IGS objects to the Staff Report's failure to address Vectren's proposed changes and current practices.

2. System Beneficial Deliveries

The Application proposes to permit Vectren to require a Pool Operator to “(1) vary its daily delivery from the nominated delivery quantities; 2) deliver to a different pipeline and/or city gate; and/or 3) make other changes to gas deliveries to ensure system integrity or mitigate the risk of pipeline penalties being assessed.”¹⁴ There is simply no justification for this requirement in the Staff Report or Application. Vectren has not attempted to provide any explanation as to why it should be granted unfettered discretion to require Suppliers to modify the quantity and manner in which they deliver gas to the system—potentially in a uneconomic fashion. Moreover, this provision appears to permit Vectren to arbitrarily modify the delivery requirements of one Supplier rather than on a prorata basis across all Pool Operators.

3. Maximum Daily Requirements

The proposed redlined tariff proposes to modify the manner in which a customer may establish their Maximum Daily Requirement (“MDR”). Currently, a customer has a maximum daily volume, which, if exceeded, Vectren shall “serve the demand above the Customer's MDDO [Maximum Daily Delivery Obligation] only on a best efforts basis.” But Vectren will accommodate a request to increase a MDDO “when the Company has sufficient capacity to serve Customer's increased MDDO.”¹⁵ The redlined tariff proposes

¹⁴ Sheet 51, P. 6.

¹⁵ Sheet 50, P. 1.

to establish a limit on the amount of gas that a customer may receive unless otherwise agreed to in advance in writing. The proposed redlined tariff would not require Vectren to agree to increase a customer's MDR even if Vectren has sufficient capacity to serve the customer. The proposed change is not reasonable, given that it does not require Vectren to accommodate a requested increase MDR to the extent that Vectren has sufficient capacity.

4. Capacity Release Solely to SCO suppliers

The Application proposes to permit Vectren to release capacity solely to SCO supplier.¹⁶ This provision is vague and ambiguous and not justified in testimony or the Staff Report. Therefore, IGS objects to the Staff Report's failure to address or reject this provision.

5. Choice Supplier Billing

The Application proposes to require a Choice Supplier to elect one of two billing options (1) rate ready, or (2) dual billing. A Supplier cannot change their billing option more than once every thirty-six months.¹⁷ Moreover, if a Supplier utilizes dual billing, Vectren "shall approve Choice Supplier's bill format prior to the issuance of any bill to Customer."¹⁸ These proposed changes are unjust and unreasonable and not supported by testimony or the Staff Report.

¹⁶ Sheet 52, P. 6; Sheet 56, P. 1.

¹⁷ Sheet 52, P. 3.

¹⁸ Sheet 52, P. 4.

Initially, a Supplier should not be limited to modifying its billing method once every three years. This is simply too long; it has not been justified. Second, a Supplier should not be required to pick between Rate Ready and Dual Billing—there should be a third option, which provides for a mixture of the two. For example, a Supplier should be permitted to submit a rate code with a zero charge for the commodity of natural gas for a subset of its customers. This would enable a Supplier to submit a dual bill for a portion of its pool, while utilizing rate ready billing for the remainder.

E. Customer Data

The Application contains several proposed tariff changes related to customer enrollment lists and several provisions that relate to a customers' Maximum Daily Requirements (MDR). But neither the Application nor the Staff Report provides any recommendation that Suppliers have access to a customers' MDR or peak usage information in an easily obtainable format. This information may provide important insight into customer usage—similar to a peak load capacity obligation on the electric side. Therefore, IGS objects to the Staff Report's failure to recommend that Vectren provide to Suppliers more granular customer usage information, including information related to a customers' MDR. The provision of this information may facilitate the delivery of more customer-specific pricing and properly align customer products and services with principles of cost causation.

F. Rates

The Application proposed to increase the Residential Sales/Transportation Service (Rate 310, 311, 315) fixed charge from \$18.37 to \$35.31. The Staff Report recommended an increase to \$30.95. IGS objects to the Staff Report's recommended fix charge.

As noted in a separate part of the Application, demand side management/energy efficiency is important to customers in the Vectren service territory. The proposed increase in the fixed charge will decrease the economic benefit of implementing energy efficiency measures. Consequently, the proposed change will discourage customers from implementing energy efficiency measures. Rather than increasing the customer charge, the Staff Report should have recommended an annual revenue decoupling adjustment.

III. SUMMARY OF MAJOR ISSUES

In summary, the major issues in this case will be:

1. The appropriate necessary steps to exit the merchant function.
2. The appropriate amount of costs to unbundle from distribution rates and allocate to SCO providers, as well as the appropriate credit to shopping customers.
3. Vectren's unjustified and unreasonable proposed charges and fees.
4. Vectren's unjustified and unreasonable proposed changes to its tariffs, terms, and conditions.
5. The provision of customer information to CRNG providers.
6. The unjust and unreasonable fixed customer charge

Respectfully submitted,

/s/ Joseph Olikier
Joseph Olikier (0086088)
Email: joliker@igsenergy.com
Counsel of Record
Michael Nugent (0090408)
Email: Mnugent@igsenergy.com
IGS Energy
6100 Emerald Parkway

Dublin, Ohio 43016
Telephone: (614) 659-5000
Facsimile: (614) 659-5073

Attorneys for IGS Energy

CERTIFICATE OF SERVICE

I certify that this *Objections to the Staff Report of Investigation and Summary of Major Issues of Interstate Gas Supply, Inc.* was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 31st day of October 2018. The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

Amy.Spiller@duke-energy.com jeanne.kingery@duke-energy.com Elizabeth.Watts@duke-energy.com rocco.d'ascenzo@duke-energy.com Steven.beeler@ohioattorneygeneral.gov Robert.eubanks@ohioattorneygeneral.gov Ajay.kumar@occ.ohio.gov Jodi.bair@occ.ohio.gov whitt@whitt-sturtevant.com campbell@whitt-sturtevant.com rust@whitt-sturtevant.com glover@whitt-sturtevant.com mjsettineri@vorys.com Thomas.jernigan.3@us.af.mil Andrew.unsicker@us.af.mil	Christopher.healey@occ.ohio.gov mkurtz@BKLawfirm.com kboehm@BKLawfirm.com jkylercohn@BKLawfirm.com fdarr@mwncmh.com mpritchard@mwncmh.com cmooney@ohiopartners.org mfleisher@elpc.org William.michael@occ.ohio.gov Bryce.mckenney@occ.ohio.gov slesser@calfee.com talexander@calfee.com mkeaney@calfee.com glpetrucci@vorys.com werner.margard@ohioattorneygeneral.gov
---	--

/s/ Joseph Olikier

Joseph Olikier

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/31/2018 4:19:11 PM

in

Case No(s). 18-0049-GA-ALT, 18-0298-GA-AIR, 18-0299-GA-ALT

Summary: Objection Objections to Staff Report of Investigation and Summary of Major Issues of Interstate Gas Supply, Inc. electronically filed by Regan Donoughe on behalf of Interstate Gas Supply, Inc.