

In the Matter of the Motion to Modify the )  
Exemption Granted to The East Ohio Gas ) Case No. 18-1419-GA-EXM  
Company d/b/a Dominion Energy Ohio. )

**COMMENTS OF**  
**THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO**

## I. INTRODUCTION

In accordance with the Commission’s August 16, 2019 and October 3, 2019 Entries, The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO) files its comments regarding the motions to modify DEO’s exemption filed by the Office of the Ohio Consumers’ Counsel (OCC) and the Ohio Partners for Affordable Energy (OPAE) (collectively, the Motions).

## II. COMMENTS

**A. DEO continues to believe that the parties should work towards a mutually agreed upon resolution of the Motions.**

DEO's general position has not changed from when it first responded to the Motions back on March 30, 2018:

Although the Company would not support granting the Motions as filed, it does appreciate the motive and concerns behind them. DEO believes that those concerns should first be addressed through collaboration and, only if that fails, by way of litigation. By and large, the Energy Choice program has been developed through cooperation among DEO, Staff, customer groups, and suppliers. To DEO's knowledge, a stakeholder discussion of the issues raised in the Motions has not yet taken place, and the affected parties should be given an opportunity to discuss these issues before embarking on litigation.

(12-1842 DEO Response to Motions to Modify at 2.) Although much time has elapsed since OCC initially filed a motion in Case No. 12-1842-GA-EXM, DEO does not believe that efforts to resolve these issues collaboratively have been exhausted.

DEO continues to believe that a mutually agreed upon resolution of this case would provide the best path forward. Among other reasons, an agreed-upon outcome would eliminate significant legal questions concerning the Commission's authority to modify the MVR mechanism, certainly as it pertains to residential customers. More than eight years have elapsed since that particular element of DEO's Choice program was approved. Under R.C. 4929.08, the Commission may "*only*" modify an order granting an exemption if two conditions are met, one of which is that the "modification is not made more than eight years after the effective date of the order, *unless the affected natural gas company consents.*" *Id.* (A)(2) (emphasis added). At a minimum, there are serious questions about whether this element of DEO's program may be modified, questions that are avoided if DEO consents to the modification.

Beyond that, DEO would only offer a few points.

**B. Although DEO would not necessarily oppose changes to the MVR mechanism, DEO believes that the MVR has overall served its intended purpose.**

First, DEO is concerned that the parties to this proceeding do not lose sight of the original purpose of the MVR. The MVR was created to support customer engagement during the transition to a more fully competitive commodity market by giving customers an incentive to find their own supplier rather than be assigned to one. Notwithstanding legitimate concerns about the MVR prices charged by certain suppliers, evidence suggests that the MVR has been successful in prompting customer engagement—in the residential market, very few customers remain on the MVR. While numbers vary each month, monthly participation in 2019 has ranged

from as low as approximately 2,400 customers to as high as 3,600 customers out of DEO's approximately one million residential customers.

DEO never had the expectation that MVR rates would consistently be competitive with the prices set in the Standard Service Offer and Standard Choice Offer (SSO/SCO) auctions. Indeed, the MVR and SSO/SCO rates are apples and oranges: The SSO/SCO prices set in the auction reflect market conditions and supplier economics (including the use of DEO on-system storage) at a single point in time and cannot reflect market conditions throughout the entire 12 months that a given retail price adjustment is in effect. In addition, auction outcomes generally reflect the expectation that SSO/SCO customers received in the auction process will remain with a supplier for a full 12-month period from April through the following March, whereas MVR prices are offered to new and existing customers at any time and for any duration during that 12-month period.

In short, while there typically is a pricing difference between MVR prices and the SSO/SCO rate, some difference is to be expected. But the relatively few residential customers actually receiving service under the MVR suggests it is serving its purpose as a transitional mechanism.

**C. Although the MVR has largely served its purpose, DEO does believe that it could be improved.**

This is not to say that the MVR is perfect. The parties have always recognized that some “guard rail” needed to be in place to help ensure that MVR prices were fair. To that end, a limitation was approved from the beginning—namely, that the MVR rate could not exceed the lowest variable rate posted by that supplier on the Apples-to-Apples chart. This was based on the assumption that suppliers would be competing aggressively to add more customers to their pool. Experience, however, has shown that some suppliers are not competing to increase their market

share. Some have instead elected instead to post substantially higher MVR rates, with the evident intent of reaping an inflated margin on rotationally assigned customers, for however long they remain with that supplier. This is the issue spelled out in the Motions.

DEO does not support this practice, but it is important to recognize how limited the problem is. If certain suppliers have evaded the originally designed “guard rail” (capping the MVR at the supplier’s lowest variable rate), then the optimal solution may be to fix the guard rail. But given the evidence that the MVR is actually working as a transitional mechanism, DEO does not believe that the entire mechanism should be scrapped without vigorously exploring potential alternatives.

DEO is not a competitive supplier and does not have a direct stake in how MVR prices are set. But DEO recommends that any MVR pricing approach should have the following attributes:

- A reasonable basis that generally reflects natural gas commodity market conditions and competitive prices within its commodity market.
- A methodology that can be readily explained and summarized to customers, to assure them that there is a reasonable basis for the price they pay.
- A process that DEO can readily administer within its existing system and process.

In DEO’s view, these objectives are reasonable and eminently achievable. DEO sees no reason why these objectives cannot be achieved in resolving the Motions.

**D. DEO does not share OCC’s skepticism about the capabilities of the residential market to engage as informed market participants.**

In this regard, DEO recognizes OCC’s comment that “the PUCO should be highly skeptical whether it is feasible to reach and adequately inform 1.1 million Dominion residential consumers . . . on the complexities of buying natural gas” and that “[i]n reality, it is **not** feasible

to educate all those consumers.” (OCC Motion at 6.) DEO does not share OCC’s skepticism, nor the idealistic view OCC takes of markets in general.

If a market cannot be competitive unless *all* participants have obtained the same degree of information, then *no* market is competitive. In reality, all the players in a given market manifest a range of capabilities and knowledge. Contrary to the dim appraisal of the residential market taken in OCC’s Motion, the low levels of residential customer participation in the MVR actually confirm that the vast, vast majority of customers *do* understand that the MVR is not meant as a final destination and have exercised their choice to take service under a different offering.

None of this is to say that DEO is unwilling to cooperate in adjusting the MVR mechanism to eliminate possible abuses or explore additional ways to educate its customers. But DEO does not believe that the facts adduced in the Motions support the wholesale rejection of the construct currently in place.

### **III. CONCLUSION**

DEO appreciates the opportunity to offer these comments and respectfully requests that the Commission take them into consideration as it resolves the Motions.

Dated: October 11, 2019

Respectfully submitted:

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing document was served by electronic mail to the following persons on this 11th day of October, 2019:

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