

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

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. :

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**DIRECT TESTIMONY OF MATTHEW WHITE ON BEHALF OF THE RETAIL ENERGY  
SUPPLY ASSOCIATION AND INTERSTATE GAS SUPPLY, INC.**

**(PUBLIC VERISON)**

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November 15, 2019

**I. INTRODUCTION**

**Q. Please state your full name, title and business address.**

A. My name is Matthew White. I am employed by Interstate Gas Supply, Inc. ("IGS") as Executive Vice-President and Chief Legal Officer. My business address is 6100 Emerald Parkway, Dublin, Ohio 43016.

**Q. Please provide your background and qualifications.**

A. In 2002 I graduated from Ohio University. In 2007 I earned a JD/MBA degree from the College of William & Mary. In 2007 I began working at the law firm of Chester, Wilcox & Saxbe as an energy and utilities lawyer. At Chester Wilcox, I participated in numerous regulatory proceedings relating to utility matters including natural gas and electric rate cases and electric power siting cases. I also have worked on power and gas sales transactions. At the beginning of 2011 I was hired into IGS Energy's rotation program where I spent the next 16 months working in various departments throughout the company learning IGS' entire business, including the gas supply, marketing and risk departments. In 2012, I began full-time as an attorney in IGS' regulatory affairs department. In 2014, I was promoted to Manager, Legal and Regulatory Affairs at IGS. In 2015, I was promoted to General Counsel, Legislative and Regulatory Affairs. I am currently Chief Legal Officer for IGS. In my current position I oversee all of IGS legal, regulatory and legislative activities throughout the country, as well as IGS' home warranty and solar businesses. I also currently serve as President of the Retail Energy Supply Association ("RESA") for a two-year term.

22 **Q. Have you participated previously in regulatory cases?**

23 A. Yes. I have submitted written testimony on utility related matters in numerous  
24 regulatory proceedings throughout the country including the states of Ohio,  
25 Pennsylvania, Michigan, Kentucky and Illinois.

26 **Q. On whose behalf are you testifying today?**

27 A. I am testifying on behalf of the Retail Energy Supply Association and Interstate  
28 Gas Supply, Inc ("IGS").

29 **Q. What is the purpose of your testimony?**

30 A. The purpose of my testimony is to explain that retreating from competition and  
31 returning to a more regulated construct like the standard service offer ("SCO")  
32 would be harmful to customers. The Ohio General Assembly enacted a pro-  
33 competitive policy for natural gas. That policy is designed to encourage customers  
34 to make a choice. In doing so the General Assembly recognized it is to the  
35 customer's benefit for willing buyers and willing sellers to engage in the natural gas  
36 market place. I explain that the purpose of the Monthly Variable Rate ("MVR") was  
37 not to simply pass the lowest cost wholesale price on to customers (regardless of  
38 subsidies and regardless of harm to competition); instead, the MVR was designed  
39 to encourage customers to choose their natural gas service. I explain while the  
40 MVR should not be viewed as the final end-state for the market, the MVR is actually  
41 having its intended effect, which is to encourage competition.

42

43     **II.     POLICY OF THE STATE**

44     **Q.     What is the policy of the State of Ohio with respect to natural gas**  
45             **competition?**

46     A.     Among other things, Ohio Revised Code Section 4929.02 states that it is the policy  
47             of the State to “promote an *expeditious transition* to the provision of natural gas  
48             services and goods in a manner that achieves *effective competition* and  
49             *transactions between willing buyers and willing sellers to reduce or eliminate the*  
50             *need for regulation* of natural gas services.” (Emphasis added.)

51             In enacting this statute, the General Assembly reinforced a policy already being  
52             implemented by the Commission on a more limited scale of pursuing gas choice.  
53             Indeed, Ohio was one of the first states to implement gas choice in an effort to  
54             address shortages in the 1970s. That policy was predicated on the understanding  
55             that effective competition requires willing buyers and willing sellers to engage in  
56             the natural gas market and that reducing or eliminating regulation for natural gas  
57             services benefits customers.

58     **Q.     Is the SCO a regulated product?**

59     A.     Yes. The SCO is a regulated product which is provided by the regulated distribution  
60             utility through a process administered by the PUCO. While there are some  
61             elements of competitive pricing in the SCO, it still remains a highly regulated  
62             product and process. The fact that we are still having these proceedings is, in  
63             itself, indicative of how highly regulated the SCO remains.

64 **Q. Is the SCO treated as the favored product in the market?**

65 A. Yes. The SCO is not a market-based product. First, many of the customers  
66 enrolled in the SCO have not affirmatively enrolled in the SCO product. When  
67 Dominion exited the business of providing natural gas commodity to customers,  
68 customers on Dominion's legacy Gas Cost Recovery ("GCR") rate that did not  
69 choose a provider were assigned to the SCO without their consent. Moreover,  
70 currently customers that newly enroll in natural gas service must remain on the  
71 Standard Service Offer (which is the same rate as the SCO rate) for a minimum of  
72 two months before they are even allowed to affirmatively choose a natural gas  
73 product. Additionally, all of the costs to administer the SCO, including customer  
74 service, are recovered through distribution rates, not through the SCO rate itself.  
75 The SCO does not have to comply with all of the consumer protection requirements  
76 applicable to other products in the market, including contracting requirements and  
77 other consumer protection rules. The SCO has no acquisition or customer  
78 enrollment costs, which all other products in the market must incur. In short, the  
79 SCO is a non-competitive product and continues to be favored and subsidized at  
80 the expense of all other products in the market.

81 **Q. Does the fact that an auction is used make the product market based?**

82 A. No. The SCO is essentially driven by a regulatory construct that relieves it of the  
83 burdens and costs that suppliers must address when they enter the Ohio natural  
84 gas market.

85 **Q. Does the SCO harm competition?**

86 A. Yes. When you have a product that is favored in the market, it pushes out other  
87 products, and in general, it makes it more difficult to compete.

88 **Q. Does the SCO harm customers?**

89 A. Yes. The SCO makes Ohio markets less competitive, ultimately harming Ohio  
90 customers. Fewer innovative products are offered into the market because of the  
91 SCO. Fewer dollars are invested in the Ohio because Ohio's gas market is not  
92 truly competitive. There are hidden costs of the SCO that are not reflected in SCO  
93 rates. The SCO continues to be subsidized through utility distribution rates costing  
94 all customers money. There are greater regulatory costs because the SCO  
95 requires Commission Staff and utility time to administer, which is not captured in  
96 the SCO pricing.

97 Probably the most harmful effect of the SCO though is that it conditions customers  
98 not to make a choice. The best way to educate customers is for them to actually  
99 make a choice in the market. By making a choice customers become more aware  
100 of the product and service that they are receiving and are better able to protect  
101 their own interests. The SCO, however, encourages customers to remain passive  
102 which ultimately creates a customer that is in the dark about his or her natural gas  
103 service.

104 **Q. Does the SCO create effective competition?**

105 A. No, while the policy of Ohio is to have effective competition, maintaining the SCO  
106 is actually a hindrance to that goal. In almost no other market for goods and  
107 services does a default service product like the SCO exist because it is almost

universally recognized that when a product is favored or otherwise given anti-competitive advantages, over the long run, the biggest loser is the consumer.

As an example, imagine if in the market for car insurance, the government, by default, enlisted everyone in a default car insurance product unless they affirmatively chose to enroll in another insurance product. If that were the case, there would be far fewer car insurance offerings. Moreover, companies would be less willing to invest and innovate in the insurance market. The same holds true for any other product, be it cellular service, real-estate or food. For all of these products we intuitively understand that creating a default product would harm competition, and customers, and that is why you don't see anything like it exist for other goods and services.

The same principles hold true for the natural gas market. A default service product (like the SCO) hurts competition. Therefore, the SCO was originally designed to be transition away from the default service model and not a mechanism to lock-in an anti-competitive default service product in perpetuity.

**Q. Is the SCO an effective means of moving customers toward choice, i.e., willing buyers and willing sellers to engage in transactions?**

A. No. While the policy of the State is for willing buyers and willing sellers to engage in natural gas transactions, the SCO, otherwise known as "default service," encourages the exact opposite.

This default option remains a problem. As noted already, customers are required to take SCO service when they first enroll in gas service (they do not have a

choice). Additionally, the SCO product does not require a customer contract in order to receive service unlike the other competitive products in the market. All of these facts demonstrate that the SCO is not a transaction of willing buyers and sellers.

Recall that all legacy GCR customers were initially assigned to the SCO, without a willing transaction, and this process was later determined to be a barrier to the development of retail choice.<sup>1</sup> In response to that problem, the MVR was adopted as a transitional step to encourage customers to engage in the market for natural gas.

**Q. What was the purpose of establishing the MVR?**

A. The purpose of the MVR, like the SCO, was to transition customers away from regulated natural gas service to a more fully competitive market as envisioned by the Ohio General Assembly.

**Q. Isn't the MVR also a default service?**

A. While I recognize that the MVR can be considered a form of default service, it is an improvement to the SCO because it is more effectively transitions to the ultimate end state of a fully competitive market. Primarily, the MVR provides the customer a more-market based price signal as to the unsubsidized cost of natural gas. Combined with access to information regarding the options that is available

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<sup>1</sup> See *In re the Application to Modify, in Accordance with R.C. 4929.08, the Exemption Granted to the East Ohio Gas Company d/b/a Dominion Energy Ohio in Case No. 07-1224-GA-EXM*, Case No. 12-1842-GA-EXM, Opinion and Order (Jan. 9, 2013) ("2013 Order") at 8.



from many sources including the Commission, the customer is effectively encouraged to move from default service to a market product. As other witnesses testifying in this case can attest, the MVR is accomplishing the goals set out for it.

**Q. How is the MVR an improvement to the SCO?**

A. Because the SCO is subsidized, and given many of the other anti-competitive advantages that I have previously noted, by its very nature, the SCO encourages customers to remain passive. The MVR on the other hand was designed so that customers would be encouraged to leave the default product and make an affirmative choice.

**Q. Was the purpose of the MVR to create the lowest wholesale pass-through price for default service?**

A. No. As I explained earlier, having default service as a subsidized wholesale pass-through price creates a lot of unintended consequences including harming competition and creating hidden costs that must be recovered elsewhere. Therefore, the MVR was designed not to be the lowest price in the market, but rather to be a price that is provided by the market and encourages customers to make a choice that is not the MVR.

**Q. Was the MVR designed to be the end-state for the natural gas market?**

A. No. Like the SCO, the MVR was designed to be a transition step but not the final end-state. In order to achieve full, and effective, competition the end-state for the

169 natural gas market should be a market where all customers make an affirmative  
170 election for their natural gas service, and there is not a default service.

171 **Q. Did the Commission agree with your assessment that SCO is harming**  
172 **customers in the 2013 Order?**

173 A. Yes. In the 2013 Order authorizing the MVR, the Commission determined that  
174 “continuation of SCO service is adversely affecting DEO and is negatively affecting  
175 all Ohioans by hindering the development of a fully-competitive marketplace.”<sup>2</sup>  
176 Consequently, the Commission eliminated the availability of the SCO for non-  
177 residential customers to fulfill the state’s policy objectives, including developing the  
178 competitive market for natural gas services.

179 **III. OUTCOME OF THE MVR**

180 **Q. Has the MVR transitioned customers to selecting competitive products in the**  
181 **market?**

182 A. Yes, as discussed by RESA witness Crist, the MVR has effectively transitioned  
183 customers into the competitive market in furtherance of state policy to encourage  
184 transactions between willing buyers and willing sellers.<sup>3</sup>

185 **Q. Can you explain how the 2013 Order predicted the MVR will impact**  
186 **competition and investment in Ohio?**

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<sup>2</sup> *Id.* at 8.

<sup>3</sup> Direct Testimony of Jim Crist at 14-15.

187 A. Yes. Among other things, the Commission identified that “allowing DEO to exit the  
188 merchant function for nonresidential customers will encourage innovation, both in  
189 how services are provided and in the variety of available products.”<sup>4</sup> Additionally,  
190 proponents of the MVR noted that with “expansion of the competitive market, will  
191 come greater involvement in local communities by CRNGS providers.”<sup>5</sup>

192 **Q. Do you believe that the MVR has furthered competition?**

193 A. Yes. I can attest that the MVR has encouraged IGS to continue to invest in the  
194 Ohio market. In 2012, IGS employed approximately 400 people but now we employ  
195 over 700 people across this state. While we are headquartered in Dublin, Ohio,  
196 we have subsequently opened several offices the Dominion service territory that  
197 did not exist in 2012.

198 **Q. Have IGS’ product offerings evolved since the establishment of the MVR?**

199 A. Yes, not only has our investment in Ohio increased, our product offerings have  
200 evolved as a result of Ohio’s support of competitive markets. At the time of the  
201 2013 Order, most of our product offerings were related solely to the provision of  
202 retail natural gas. Now, IGS offers many new products customers in Dominion’s  
203 service territory including: carbon-neutral natural gas, which are offered for fixed  
204 terms of 12, 36, and 60 months; distributed generation; compressed natural gas  
205 fueling; smart thermostats; smart water heaters; home warranty plans, which  
206 provide complete or partial coverage for residential HVAC systems as well as utility

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<sup>4</sup> 2013 Order at 15.

<sup>5</sup> *Id.*

lines inside and outside a customer's home; LED lighting; energy monitoring; and several bundled combinations of the above-listed products. It should be noted that now [REDACTED] and [REDACTED] IGS' product offerings have moved well beyond the commodity of natural gas to deliver products that fit customers' specific needs and desires. There is opportunity to continue to evolve these product offerings with the expansion of smart gas meters and access to more granular customer usage.

**Q. Has IGS' enhanced investment in this state contributed to the economy?**

A. Yes, IGS contributes over \$100 million annually to the Ohio economy through payroll, taxes, and local vendor expenditures—not even including our procurement of the commodities of electricity and natural gas.

**Q. Has IGS' made a positive impact on local communities?**

A. Yes, IGS donates more than \$1 million in charitable contributions annually, and our employees volunteer more than 7,000 hours per year. Through our employees and IGS Impact, the company is setting a positive example for change in our communities.

**Q. Will a retreat from natural gas competition in Ohio harm investment in Ohio?**

A. Yes. If Ohio shifts away from competition, returning to a more regulated construct, there will be a number of unintended consequences, one being fewer businesses will want to invest in Ohio's future. Businesses are responsive to

regulatory environment and have choices as to where they deploy their capital across state lines. To the extent a state creates an unfavorable regulatory environment, businesses will cease to invest in the state. This is particularly true when there are frequent changes to the regulatory environment that create uncertainty and difficulty in business planning.

From an IGS prospective, this means IGS will likely begin allocating more of its investment dollars to more competitive natural gas states like Georgia.

**Q. Would eliminating the MVR and returning customers to the SCO be a step backwards for competition?**

A. Yes. Going back to the SCO construct would be a step backwards for competitive markets. It is the policy of the state for natural gas commodity service to be a competitive market. While the MVR construct is not perfect, it was a step forward to the evolution of competitive markets. The ultimate end game should be for all customers to affirmatively select a natural gas product, like they do for all other market-based products. While the MVR does not get us all the way, it is far superior to the SCO default construct.

**Q. How would elimination of the MVR impact the competitive market?**

A. I understand that the OCC and OPAE have identified concerns with the structure of the MVR, but replacing the MVR with the SCO is not the answer. The Commission has already concluded that the SCO “is negatively affecting all

Ohioans by hindering the development of a fully-competitive marketplace.”<sup>6</sup> Given this fact, OCC’s and OPAE’s proposals would be a giant step backward for the competitive market and send a negative signal to suppliers that are (1) operating currently in this state or (2) may be considering investing in this state. Moreover, it would reduce the amount of transactions occurring between willing buyers and willing sellers and increase the amount of regulation of natural gas services. To the extent that the Commission has concerns with the operation of the MVR, a more sensible approach would be to fine tune the program to facilitate the state’s policy goals, while at the same time setting the long-term goal of creating a fully competitive market for natural gas in Ohio.

**Q. Does this conclude your testimony?**

**A.** Yes, but I reserve the right to supplement my testimony.

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<sup>6</sup> *Id.* at 8.

## **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing *Direct Testimony of Matthew White on Behalf of the Retail Energy Supply Association and Interstate Gas Supply, Inc.* was served this 15th day of November 2019 via electronic mail upon the following:

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