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BEFORE

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THE PUBLIC UTILITIES COMMISSION OF OHIO

PUCO

STAFF EVALUATION OF OHIO'S ) CASE NOS: 98-593-GA-COI  
NATURAL GAS CUSTOMER CHOICE ) 98-594-GA-COI  
PROGRAMS 98-595-GA-COI  
98-549-GA-ATA  
96-1113-GA-ATA  
96-1019-GA-ATA  
95-656-GA-AIR

REPLY COMMENTS OF  
THE CINCINNATI GAS & ELECTRIC COMPANY

The Cincinnati Gas & Electric Company ("CG&E") provides the following brief Reply Comments in response to comments filed by Stand Energy Corporation ("SEC") and Enron Energy Marketing ("Enron"). CG&E requests that the Commission consider its Reply Comments as it shapes Ohio's gas customer choice programs.

**Issue 1:** SEC commented that "CG&E currently only remits a check to the marketer for the amount collected for each customer on the Choice Program ... By allowing CG&E to only remit cash received [from] *sic* the customer to the marketer, CG&E is "double dipping" on uncollectibles ... CG&E should not be allowed a window of opportunity for excess earnings."

**COMMENT:** Under CG&E's gas customer choice tariff, a participating gas marketer may choose to have CG&E bill its customers as a part of the CG&E bill, or it may bill its customers itself through a separate bill. If the marketer requests CG&E to include its commodity charges on CG&E's bill, the customer payment received by CG&E is applied first to the utility gas transportation charges, in

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accordance with PUCO regulatory requirements, and then to the marketer's gas commodity charges, in order to protect against service disconnection in the event the total amount due is not remitted.

CG&E believes its gas customer choice program offers two viable billing options under which SEC may choose to operate, as well as a viable way to react to customer non-payments. First, marketers can choose to do their own billing and use whatever collection authority that they have available to them under Ohio law, or second, pursuant to tariff, if a customer fails to pay within 30 days the customer can be returned to CG&E. Thus, in contrast to SEC's claim that CG&E is being improperly compensated through its rates for an uncollectible risk placed on marketers, CG&E does assume that risk. The marketer has no obligation to serve; the marketer's uncollectible risk is limited to one missed payment, at which time the customer may be returned to the utility.

CG&E should not be placed in the position of guarantor for payment of non-regulated commodity gas charges. SEC seems to believe that customer defaults in a competitive business should be borne ultimately by CG&E and its ratepayers. In contrast, CG&E believes SEC is in the best position to determine and control the likelihood that its customers will pay their bills by actively, carefully, and thoroughly reviewing the credit history of each potential customer before agreeing to supply commodity gas to him or her. In other words, if SEC wants to participate in a competitive market, let it truly compete; a marketer should not be able to rely on the utility to protect it against contracting with unreliable customers, bad debt, or other legitimate competitive business

expenses. To aid marketers in the customer creditworthiness area, CG&E currently is reviewing and will likely propose that, with customer consent, it will make customers' payment history for the past two years available to marketers.

Additionally, in order to improve marketer cashflow under CG&E's program, CG&E has been discussing with the collaborative the possibility of remitting to the marketers the customer payments for commodity charges twice each month. CG&E currently is evaluating this possibility and plans to take steps to implement it shortly.

Finally, SEC's comments regarding "double dipping" are short sighted and incorrect. While it may be true that there has not been a specific adjustment to CG&E's rates to reflect reduced bad debt expenses related to amounts collected for marketers' gas cost, neither has there been a demonstration that CG&E's bad debt expense actually has been reduced. Significantly, the uncollectibles related to the 11,000 choice program participants, as compared to the more than 360,000 CG&E gas customers, likely would not justify an adjustment to rates. Further, on the expense side of the choice program ledger, there is no specific recognition of all of the incremental internal labor costs that CG&E incurs in administering its choice program, including administering supplier rate adjustments, collections and remittance to marketers of amounts that are collected by CG&E on their behalf, accounting services for the program, and other program costs. In any case, the uncollectibles and additional costs will be dealt with and adjusted in a future rate proceeding. Nevertheless, given the experimental nature of all choice programs at this point in time, it seems

reasonable to assume that these expenses and uncollectibles are a "wash" until a better understanding of the issues is determined, and changes can be made in the context of a rate filing in which all program related costs and revenues can be evaluated.

**Issue 2:** SEC also commented that: "CG&E receives a 2% late payment fee which is not currently being remitted to the marketer for their share of the late payment. Again, CG&E is "double dipping."

**COMMENT:** CG&E applies a 1.5% late payment charge in accordance with its Commission-approved tariff. Contrary to SEC's claim, CG&E does not charge a late payment fee for arrearages on non-regulated gas commodity charges (or their associated sales taxes). Accordingly, there is no late payment fee collected on commodity charges to forward to SEC.

**Issue 3:** Enron, at page 5, commented without specificity, that CG&E's program "contain[s] serious flaws" including "significant billing and bookkeeping problems," and the "need to streamline ... sign up, balancing, and administrative procedures."

**COMMENT:** CG&E is puzzled by Enron's comments. Though Enron actively participated in CG&E's collaborative, it has chosen not to participate in the residential choice program. Thus, it is short on actual experience with the specifics of CG&E's gas customer choice program. Moreover, while Enron complained of "serious flaws" in CG&E's gas choice program, it did not take the time or make the effort to specify or discuss a single "serious flaw" to which it refers. Thus, Enron's comments appear to be self serving, and should not be taken seriously. Instead, if one is to believe the feedback that CG&E has

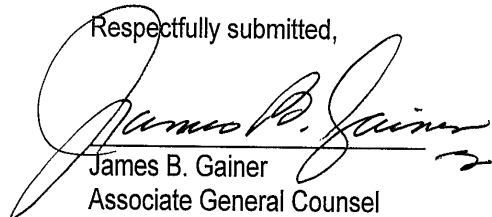
repeatedly received from the marketers actually participating in its program, marketers are "economic beings" who tend to commit their resources (advertising and promotional dollars, etc.) in those markets where they stand to make the most money. Several marketers have participated in CG&E's program, but only limited promotional effort, particularly on the residential side, has come from all but one marketer. Throughout the time since CG&E's program was first put in place, the recurring theme from marketers has been the difficulty that they face in trying to bring gas to market at a rate less than CG&E's GCR, and not serious program flaws as Enron contends.

Significantly, not one of the marketer's participating in CG&E's gas customer choice program filed comments complaining of any flaws, much less serious flaws, in CG&E's gas customer choice billing, bookkeeping, sign up, balancing, or administrative procedures, with the exception of SEC's mistaken allegations which were addressed above. Consequently, Enron's comments pertaining to CG&E's gas customer choice program should receive little consideration.

**Conclusion:** Each of the very few comments which alleged problems with CG&E's gas customer choice program can be easily addressed and dismissed. CG&E remains committed to the gas customer choice program. Accordingly, as stated in its comments, CG&E respectfully requests the Commission to refrain from regulating customer choice, at least at this early period in choice history,

and to allow the pilot programs to proceed, and the collaborative process to address and resolve the issues pertaining to customer choice as they arise.

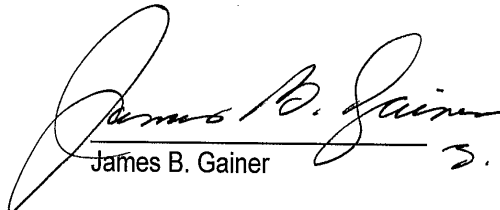
Respectfully submitted,



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#### CERTIFICATE OF SERVICE

This certifies that a copy of the foregoing Reply Comments was served by regular U.S. mail on all parties listed on the attached service list this 9<sup>th</sup> day of June, 1998.



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