

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Commission's Review of)
Chapter 4901:1-13 of the Ohio Administrative) Case No. 09-326-GA-ORD
Code)

REPLY COMMENTS OF THE OHIO GAS MARKETERS GROUP

I. INTRODUCTION

Now comes the Ohio Gas Marketers Group ("OGMG"), an ad hoc coalition of seven competitive retail natural gas suppliers ("CRNGS"), and in accordance with the Commission's Entry of April 22, 2009 in the above styled docket offer the following reply comments. The members of the Ohio Gas Marketing Group offering these comments are: Direct Energy Services, LLC; Hess Corporation; Interstate Gas Supply, Inc.; SouthStar Energy Services LLC; and Vectren Retail LLC d/b/a Vectren Source. Each of the members of OGMG is certificated by the Commission to conduct retail natural gas sales, and each of the members is active in the Ohio gas market.

II. OCC'S REQUEST TO AMEND RULE 4901:1-13-11 IS OUTSIDE THE SCOPE OF THIS PROCEEDING

The OGMG reply comments address a set of amendments to Chapter 4901:1-13 of the Ohio Administrative Code (commonly called the Minimum Gas Service Standards or "MGSS" rules). The MGSS rules are up for their five year annual review¹. One of the MGSS rules that was the subject of initial comments was Rule 4901:1-13-11 provides in part:

¹ See Commission Entry April 22, 2009 Case No. 09-326-GA-ORD

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(A) This rule applies to gas or natural gas company bills that do not include any CRNGS supplier charges. Requirements for natural gas consolidated billing appear in rule 4901:1-29-12 of the Administrative Code.

(B) Bills issued by or for the gas or natural gas company shall be accurate and rendered at regular intervals and contain clear and understandable form and language.

(Emphasis Added)

Rule 4901:1-13-11 then lists several information and bill format items that must be included in the standard service invoice. The Staff of the Commission suggest that the acronym CRNGS in subsection (A) above be deleted and replaced with the terms “retail natural gas supplier or governmental aggregator”. The Staff also suggests other changes to subsections 4901:1-13-11 (B)(10)(11) designed to capture the fact that standard service offer made by some natural gas companies utilizes an auction under Section 4929.04, Revised Code rather than the Gas Cost Recovery mechanism under Section 4905.302 Revised Code.

The OGMG believes the Commission Staff’s suggested amendments add specificity to the existing rule as to how utilities who have sought alternatives to the Gas Cost Recovery mechanism price the commodity portion of their standard service offer and how the gross receipt tax is applied. Since the changes requested by the Staff clearly address the invoice for the standard service offer and not the invoice for those customers receiving CRNGS or governmental aggregation services, the Staff amendments are well within the scope of this proceeding. The OGMG also feel the Staff amendments provide clarity to the existing rule and should be adopted.

In sharp contrast to the suggested changes by the Staff, the Office of the Ohio Consumers’ Counsel (“OCC”) offers amendments to Rule 4901:1-13-11 designed to change the

invoice for CRNGS and governmental aggregation customers. On page 31 of the Initial Comments, the OCC requests the following be added to Rule 4901:1-13-11(B)²:

If the company [natural gas company] has a natural gas choice program, a rate to compare shall be displayed that provides the rate the company charged for natural gas commodity during the billing month. On a monthly basis, a chart shall be provided on choice customer bills that show the supplier charges for natural gas commodity service for the previous twelve months compared with an assessment of what charges would have been with the natural gas company. (Emphasis added)

As noted above, Rule 4901:1-13-11 (A) makes clear that Rule 4901:1-13-11 only applies to standard service bills and that the information and invoicing rules for customers taking natural gas commodity from CRNGS or governmental aggregation are covered in Rule 4901:1-29-12. Since the proceeding at bar only addresses the information and formatting for Rules in Chapter 13, and the minimum standard service rules for CRNGS and governmental aggregation is covered in Chapter 29, the OCC requests to add information to “choice customer” bills is clearly outside the scope of this proceeding and as such should be summarily denied.

III. The Chart Requested By the OCCLA for Choice Customers Bills Is not In The Public Interest

Even if the proceeding at bar addressed the information and billing format for customers taking service from CRNGS or governmental aggregators, the request does not appear to be in the public interest. First, the change to Rule 4901:1-13-11 which the OCC seeks would likely cause confusion. The purpose of the monthly invoice is to inform the customer of what they owe and provide enough information so that the customer can verify the charge. Thus, all invoices contains the price per unit (Ccf or Mcf) being charged as well as the name of the supplier. The OCC request is to add in addition to the price per Ccf or Mcf of gas used a second set of prices

² The OCC suggests this addition be made subsection 4901:1-13-11(B)(26)

for the standard service offer. Having two sets of prices on the invoice is likely to cause confusion as to which price the customer's bill is or should be based.

Second, the price per Mcf or Ccf charge for the natural gas commodity of The East Ohio Gas Company, Columbia Gas of Ohio, Vectren Energy Delivery System and Duke Energy are based on monthly variable commodity prices. That price changes every month depending on the future cost of gas to be delivered. Natural gas prices are very volatile, and sensitive to seasonal price effects. It is not uncommon for the monthly price to vary 50% to 100% from the low month in a year to the high month. Putting historic variable prices on the bill is likely to lead the customer to believe that the past variable prices are going to be the future variable prices. Yet, it is the future price that is important if a customer is contemplating whether he/she is going to be better off under the standard service offer or with a CRNGS going forward. Further, in contrast to the monthly variable price used for standard service, the majority of customers purchasing natural gas from CRNGS or governmental aggregators do so on fixed price basis. That price is the same each month of the contract. Comparing a fixed price product with a variable priced product is an "apples to oranges" comparison.

Third, even if customers understood that one set of prices on the invoice was what they had paid historically for their contract and the other set of prices was what they would have paid for an historic period under the standard service, in order to determine which would have been the better offer historically, customers would need to multiply the price per Ccf or Mcf times the actual volume. Since most residential customers consume the majority of their natural gas during the four heating months, it is important to weight the price by use on a variable priced product. In other words, the May to November price for natural gas for a customer who space heats may be \$1.00 less than that of the fixed price contract, but if the variable price during the

heating months is \$.50 more and the customer uses twice as much gas during the heating season, the fixed price contract would be a better value.

The OCC, in its filing, claims the reason to put the historic standard service offer pricing on the invoice of the customer purchasing is for customer education. The chart that the OCC is advocating is more likely to lead to misinformation because the customer needs to know that the historic prices are not a guarantee or even a good indicator of what future gas prices are going to be. Further, the standard service pricing and that of most customers buying in the market are on different pricing terms. Finally, monthly prices for natural gas commodity of a variable price such as the standard service offer are meaningless even as an historic price unless weighted for use.

Currently, the Commission educates customers who are interested in shopping for natural gas by providing the apples-to-apples charts with extensive instructions on its website. The apples-to-apples comparison is just that as the Commission's website segregates monthly variable prices for seasonal and annual offers. Further, the apples-to-apples chart is for future delivery, not historic pricing. The Commission requires natural gas companies to provide an apples-to-apples notice on customer bills (Rule 4901:1-13-11(B)). The OCC also educates customers on choice programs, providing apples-to-apples information on its website as well.

Rather than adopt OCC's proposal, the Commission should continue to direct consumers to its apples-to-apples comparison. Currently, Rule 4901:1-13-11(B)(25) requires that each bill contain "[a] prominently displayed 'apples to apples' notice, if the company has a choice program." This requirement remains under the proposed rules. The Commission can also adopt OCC's recommendation that Rule 4901:1-13-11(B)(26) be changed to include the statement that "[r]esidential consumers shall be directed to the OCC\LA website for the *Comparing Your*

Energy Choices analysis.”³ As OCC stated in its brief, it “specifically develops information updates, on its website pertaining to competitive choices referred to as *Comparing Your Energy Choices for Residential Natural Gas Consumers*. This information was created specifically to meet the needs of residential consumers and includes comparison of supply rates, contract terms, and other criteria that is of interest by residential consumers considering their competitive options.”⁴ Directing customers to an apples-to-apples comparison is appropriate, but providing an apples-to-oranges comparison on a customer’s bill is not appropriate or in the best interest of Ohio consumers. The Commission should avoid creating misinformation and refuse to adopt OCC’s recommendation to display gas company rates on choice program customer bills.

IV. CONCLUSION

For the foregoing reasons, the OGMG respectfully requests that the Commission not adopt OCC’s request to add a subpart to Rule 4909:1-13-11(B).

Respectfully submitted,



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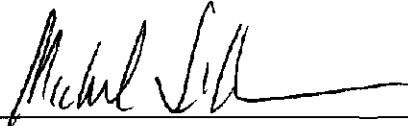
Counsel for the Ohio Gas Marketers Group

³ See Joint Initial Comments by the Office of the Ohio Consumers’ Counsel and the Ohio State Legal Services Association, filed May 22, 2009 at p. 29.

⁴ See the Joint Initial Comments by the Office of the Ohio Consumers’ Counsel and the Ohio State Legal Services Association, filed May 22, 2009 at p. 29.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and accurate copy of the foregoing document was served by regular U.S. mail, postage prepaid, or by email, where applicable, this 8th day of June, 2009, on the parties listed below.



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