

Ohio

FILE

Public Utilities
Commission

RECEIVED-DOCKETING DIV

Ted Strickland, Governor
Alan R. Schriber, Chairman

Commissioners ⁵

Valerie A. Lemmie
Paul A. Centolella
Cheryl Roberto
Steven D. Lesser

2010 OCT -1 PM 1:08

PUCO 07-1285 - GA-EXM

October 1, 2010

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43215

RE: *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services.*

Enclosed please find a Staff Report regarding the impact of the Standard Choice Offer on Vectren's Customer Choice program.

Respectfully submitted,

Steve Puican

Steve Puican
Co-Chief, Rates & Tariffs/Energy & Water Division
Public Utilities Commission of Ohio

Enclosure

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician Date Processed 10/1/2010

**A Report by the Staff of the
Public Utilities Commission of Ohio**

**Review of the Impact of the Standard Choice Offer
On Vectren Energy Delivery of Ohio's
Customer Choice Program**

Case No. 07-1285-GA-EXM

October 1, 2010

On April 30, 2008, the Commission issued an Opinion and Order approving the terms of a February 4, 2008, stipulation entered into by the various parties to this proceeding. By separate Finding and Orders issued July 23, 2008, and November 4, 2009, the Commission approved two amendments to the February 4, 2008, stipulation. The stipulation, as amended, provided that Vectren Energy Delivery of Ohio (Vectren) would hold an auction to secure natural gas supplies, initially through a Standard Service Offer (SSO) structure, and subsequently through a Standard Choice Offer (SCO) structure. The initial SSO was in effect for the period October 1, 2008, through March 30, 2010. On January 13, 2010, the Commission issued an Entry approving the results of Vectren's initial SCO auction. The approval was for a twelve-month period beginning April 1, 2010. In that same Entry, the Commission also stated its desire to subsequently judge the impact of the SCO on Choice program participation. The Commission directed Staff to work with Vectren to develop information on SCO customer migration from the SCO to a direct contractual relationship with a Choice provider. Staff was directed to file a report summarizing its findings by October 1, 2010. This Staff Report is in compliance with that directive.

On January 12, 2010 Vectren conducted its initial SCO auction. Those Non-Choice customers that were Choice-eligible at the time of the auction were apportioned into six tranches consisting of approximately 35,400 customers per tranche. The auction participants were limited to bidding on a maximum of two tranches. There were four winning bidders for the six available tranches - two bidders with two tranches each and two with one tranche each. The customers assigned to each winning bidder have a direct retail relationship with that supplier as any other Choice customer would. The SCO customers would however be served at the SCO retail rate as long as they remained on the SCO. The purpose of this report is to attempt to discern whether the SCO supplier's direct retail relationship with their SCO customers provides them with an advantage in soliciting those customers into other Choice products offered by the SCO provider and, in particular, into fixed price contracts.¹

Staff solicited information from Vectren and the four SCO providers to evaluate the movement of SCO customers. It should be noted that one of the four SCO providers does not currently serve nor solicit Choice customers.

	<u>Number</u>	<u>Percent</u>
(1) Total SCO Customers Assigned:	195,503	--
(2) SCO Customers Moved to Choice:	14,706	7.5%
(3) With Their SCO Provider:	3,339	22.7%
(4) Fixed Price Contract:	3,031	90.8%
(5) Non-SCO Choice on Fixed Price:	14,651	14.4%

Where (2) is the total number of customers that left the SCO by enrolling in Choice; (3) is the subset of (2) that enrolled in Choice with their existing SCO provider; (4) is the subset of (3) that entered into a fixed price contract; and (5) is the number and percentage of all non-SCO Choice customers in the Vectren service territory that are on fixed price contracts.

¹ For purposes of this report a fixed price contract is defined as one with a term of six months or longer.

As the data shows, 7.5 percent of SCO customers moved to Choice and of those, 22.7 percent stayed with their existing SCO provider. At this time only five marketers are actively soliciting Choice customers in Vectren's service territory so the 22.7 percent figure does not appear unduly large. As mentioned previously however, one of the four SCO providers does not otherwise enroll Choice customers. This means that, of the 14,706 customers that left the SCO for Choice, the portion that were served by that SCO provider had no opportunity to fall into the category of having enrolled with their SCO provider. This fact adds a bias to the results so an additional calculation was done removing those 4,460 customers from the analysis. That reduced the total number of customers that moved to choice to 10,246 and changed the percentage of those customers that enrolled with their SCO provider to 32.6 percent. Although somewhat higher than the 22.7 percent figure previously calculated, Staff does not believe these data indicate that SCO customers are being enticed to switch to an alternative Choice offer from their SCO provider at an unusually high rate.

Although the aggregate data show nothing unusual, at the individual SCO provider level, the data are somewhat more interesting.

Marketer:	A	B	C
(1) Percent that moved to Choice:	6.5%	6.4%	9.2%
(2) Percent that stayed with SCO provider:	3.3%	51.9%	36.1%
(3) Percent that enrolled in fixed price offer:	71.8%	84.3%	94.6%

Where (1) is the percentage of each provider's SCO customers that moved to Choice; (2) is the subset of (1) that moved to a Choice offer with their original SCO provider; and (3) is the subset of (2) that enrolled in a fixed price contract.

Once again, eliminating the SCO provider that does not offer Choice, the remaining three providers show a large disparity in the percentage of those customers that left the SCO for Choice that enrolled with their SCO provider, ranging from 3.3 to 51.9 percent. This degree of discrepancy may indicate different solicitation practices. Although Staff is unaware of any specific issues in this regard for any of these Companies, we believe this is an appropriate forum to restate the rules regarding soliciting to customers. The federal "do not call" registry allows an exception for consumers with which the soliciting party has a current commercial relationship. The PUCO rules however do not provide for such an exception for customers that have opted out of being listed on the customer list compiled by the LDCs.

Finally, Staff looked at the percentage of those customers moving to an alternative Choice offering from their SCO provider that chose a fixed price option. The data shows that 90.8 percent of those customers enrolled in a fixed price option. This percentage seems extremely high given that, system wide, only 14.4 percent of all non-SCO choice customers are on fixed price contracts. However the Staff believes this result is not unexpected. It is reasonable to assume that one of the primary motivations for becoming an SCO supplier is the ability to market other Choice products to their SCO customers. SCO customers are, for the most part,

customers that have decided not to select an alternative supplier. When solicited by their SCO supplier, it is less likely they would be motivated to trade one variable rate for another variable rate. They may well be motivated however to lock in a fixed rate. Regardless of the explanation, although the total number of SCO customers that have moved to a fixed price contract as opposed to a variable rate is relative large, it is nonetheless only 1.5% of SCO customers overall. Given the small number, Staff does not believe the data supports a hypothesis that SCO customers are being unduly influenced to switch to fixed price contracts. Staff is not recommending any specific action by the Commission at this time.