BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Five-Year Review of Natural Gas Company Uncollectible Rider	))	**Case No. 08-1229-GA-COI**

JOINT REPLY COMMENTS OF COLUMBIA GAS OF OHIO, INC., THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO, VECTREN ENERGY DELIVERY OF OHIO, INC. AND DUKE ENERGY-OHIO, INC.

Pursuant to the Entries dated November 3, 2010, and January 10, 2011, Columbia Gas of Ohio, Inc. ("Columbia"), The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO"), Vectren Energy Delivery of Ohio, Inc. ("Vectren") and Duke-Energy Ohio ("Duke") (collectively, the "Large LDCs") submit these Joint Reply Comments in response to the Initial Comments of Office of Ohio Consumers' Counsel, The Neighborhood Environmental Coalition, The Empowerment Center of Greater Cleveland, Cleveland Housing Network, The Consumers for Fair Utility Rates, Communities United for Action, and Ohio Poverty Law Center (collectively, the "Consumer Advocates").

I. INTRODUCTION

The Commission engaged NorthStar to review the credit and collection practices of the four largest Ohio LDCs. Based on its thorough review of each company's practices, NorthStar has recommended that each company implement various practices to improve its credit and collection performance. As noted in Initial Comments, the Large LDCs do not take exception to most of NorthStar's recommendations. In fact, rather than wait for a Commission order, the

Large LDCs have already implemented certain recommendations, and are in the process of implementing others.

Rather than contribute to a meaningful discussion of the auditor's findings and recommendations, the Consumer Advocates are attempting to highjack this proceeding by promoting a list of "reforms" that, if implemented, would make it more or less impossible to disconnect customers or write-off bad debt. In the Consumer Advocates' world, everyone should be presumed creditworthy. Customers should be allowed to decide when their bill is due. Late payment fees and deposits would be reduced or eliminated. Customers would be allowed -- if not encouraged -- to rack up huge arrearages with the assurance that they could never be asked to pay more than $50 per month toward the arrearage. Customers would also have the option of dictating repayment terms for accumulated arrearages. And anyone, regardless of income or need, would continue to be eligible for the Winter Reconnect Order ("WRO"). Reports would constantly be generated in order to provide a steady stream of information for the Consumer Advocates' use in second guessing the Large LDCs and the Commission.

There are three overriding problems with the Consumer Advocates' approach.

- First, they largely ignore many of the auditors' recommendations. The auditors performed an objective review of issues as directed by the Commission. The Consumer Advocates dismiss these recommendations *not* because they wouldn't improve credit and collections performance, but because the recommendations do not support the Consumer Advocates' social agenda.
- Second, the Consumer Advocates are using this docket to try to re-litigate issues that they have unsuccessfully pursued in other dockets. They also attempt to interject new issues that have nothing to do with the limited scope of this proceeding. This case is

about the auditors' recommendations to improve credit and collections performance. It is not about whether the credit and collection rules should be re-written in such a way as to guarantee universal access to gas service, regardless of ability to pay.[1]

- Third, the Consumer Advocates somehow believe that because the Commission did not order the Large LDCs to respond to discovery, the Consumer Advocates are justified to make up data. In some instances the data and calculations presented are demonstrably wrong; in other instances they are simply a mystery.

The Consumer Advocates' 19 recommendations may be well intentioned, but are seriously misguided. Each of the recommendations is discussed in detail below. For present purposes, it is sufficient to say that if anything is to be learned from the NorthStar audit, it is that there can only be so much tolerance for customers' accumulation of bad debt. Granted, many customers fall behind on utility bills through no fault of their own -- a lost job, large medical bills and a host of other factors can make it difficult to keep up with regular monthly expenses. It is good business as well as good corporate citizenship to help at-risk customers maintain service. But there must also be consequences for customers who, for whatever reason, accumulate arrearages and fail to pay them. The NorthStar recommendations strike an appropriate balance between the social objectives served by policies that allow at-risk customers to maintain service and the fact that good paying customers are ultimately paying for other customers' bad debt. The Consumer Advocates' good intentions are not the appropriate measure of sound regulatory policy.

[1] It is also worth pointing out that the Office of the Ohio Consumers' Counsel ("OCC") continues to drift from its mission of representing the interests of all residential ratepayers. All of the other members of the Consumer Advocates purport to represent the interests of low-income and at-risk consumers. OCC could have submitted separate comments acknowledging that the costs associated with recommendations offered by the low-income groups would be borne by customers in good standing. Rather than do that, OCC simply piles on with the low-income groups. As a consequence, there is an important group of customers who are not represented in this proceeding: the customers who would pay for the recommendations urged by the Consumer Advocates.

Consumer Advocates' statement that NorthStar "determined that Dominion is not effective at managing its uncollectible accounts" mischaracterizes concerns expressed by NorthStar regarding DEO's credit and collection practices and policies. (Joint Comments at 26.) NorthStar made recommendations and, as stated in DEO's initial comments in this case, DEO is working toward implementation of those recommendations.

Nothing in the NorthStar Report suggests that the Commission needs to tinker with the fundamental structure of the Large LDCs' credit and collection policies or Commission rules governing these policies. By and large the existing policies and rules are sound, and outcomes are good. Most UEX Rider rates have been declining in recent years. This is not to say that credit and collection performance cannot be improved. It can be, and NorthStar has offered recommendations how within existing regulations. The Large LDCs urge the Commission to focus on NorthStar's recommendations, and not re-write their credit and collection rules, as urged by the Consumer Advocates throughout their comments. The Commission does not need to fix what isn't broken.

As discussed below, the Consumer Advocates' recommendations may be well intentioned, but ultimately would result in giving customers a shovel to dig a hole that many of them will never be able to get out of. the Consumer Advocates' recommendations provide no useful solution on how to lower the amount of bad debt ultimately collected by the Large LDCs – the very purpose of this proceeding. The Consumer Advocates' recommendations should be rejected.

II. REPLY COMMENTS

Consumer Advocates offer 19 recommendations, lettered "A" through "S" and summarized at pages 5 through 7 of their Joint Comments. As discussed below, the vast majority of these recommendations should be rejected.[2]

A. "The Commission should adopt benchmarks (i.e. Limit UEX recovery to a percent of billed revenues) as a tool to assure the natural gas utilities are effectively managing their credit and collection policies and practices."

Consumer Advocates believe the Commission should cap UEX rider recovery at 1.5% to 2.5% of billed revenues. (Joint Comments at 5.) Allegedly, this benchmark could "serve as an important tool towards ensuring that the utilities are actually and effectively managing their credit and collection activities instead of simply relying on the UEX Rider for collection." (*Id.* at 13.)

Initially, Consumer Advocates incorrectly characterize NorthStar's suggestion of a 1.5% to 2.5% target as a "benchmark." (*Id.* at 15.) NorthStar was "hesitant to recommend specific credit and collections targets," and found that most states had not implemented targets or benchmarks. (NorthStar Report at I-18.) NorthStar's suggested that a range of 1.5 to 2.5% might "represent a reasonable target;" however, the auditor explained that "as the economy improves or gas prices increase, this range may not [sic] longer be appropriate." *Id.*

Consumer Advocates' short-sighted recommendation fails to recognize the potential consequences of adopting an arbitrary cap on UEX recoveries. The UEX Rider write-offs are largely *outside* the utility's control, due in part to the Commission's liberal creditworthiness

[2] In addition to their specific recommendations, the Consumer Advocates ' Initial Comments also contain a hodgepodge of other, random observations and requests for Commission action. As but one example, the Consumer Advocates argue that "the Commission should disallow the recovery of any Duke uncollectible expense until such time as Duke complies with the reporting requirements in Ohio Revised Code 4933.123." Regardless of whether Duke has complied with a reporting requirement, no entry has been issued in this docket to suggest that it was the Commission's intent to engage the auditor for purposes of ferreting out and sanctioning alleged infractions of statutes or rules. Such issues may be addressed in individual UEX adjustment proceedings, not an industry-wide Commission-ordered investigation. Due process demands no less.

standards and limitations on the utilities' ability to disconnect. The WRO also allows customers to accrue large arrearages between October and April. An arbitrary limit on UEX recoveries based on a percentage of billed revenues simply does not provide an accurate measure of the utility's management of credit and collection policies.

Limiting UEX recoveries based on a percentage of billed revenues could also be easily "gamed," and would set up perverse incentives. Utilities could simply quit disconnecting and final billing customers once the cap is reached in any given year. Limiting UEX recoveries based on a cap simply encourages utilities to cease collection activity once the cap is reached. Moreover, a static benchmark fails to adjust to the many external factors that influence a percentage of bad debts to revenues. Varying demographics and weather differences in different service territories also play a major role in the amount of bad debts and write-offs.

Consumer Advocates fail to provide *valid* evidence to support a 1.5% to 2.5% benchmark. Consumer Advocates rely on Exhibit 1, Table 4 to argue that "the bad debt write-offs have grown substantially since the utilities were given authority to recover bad debt through the UEX riders." (Joint Comments at 14 (citing to Exhibit 1, Table 4).) Unfortunately for the Consumer Advocates, the calculations in Exhibit 1, Table 4 are *wrong*. The bad debt write-off figures for DEO, Columbia, and Vectren are not matched to the correct years.[3] Consumer Advocates also fail to use the actual amount of bad debt write-off for Duke, and instead use Duke's *projected* bad debt write-off for April 1, 2009 through March 31, 2010. See *Application of Duke Energy Ohio, Inc. for Approval of an Uncollectible Expense Rider*, Case No. 09-773-

[3]Exhibit 1, Table 4 purports to calculate "Bad Debt Write-off as a Percentage of Total Revenues." This table claims to list the annual amounts of bad debt write-off for each Large LDC. But the Consumer Advocates have assigned the ***wrong*** year of bad debt write-off to DEO, Columbia, and Vectren. (Joint Comments at Exhibit 1, Table 4, at n. 3, 4, 5, 6, 7, 8, 17, 18, 19, 20, 21, 22, 30, 31, 32, 33.) For example, the table lists DEO's 2004 bad debt write-off as $30.8 million; however, this number is actually 2003's bad debt write-off. (Joint Comments at Exhibit 1, Table 4, n. 3.) Similarly, the Consumer Advocates ascribe 2004's bad debt write-off to 2005, and so on.

GA-UEX, Direct Testimony of Sharon S. Babcock (September 3, 2009) at Attachment SSB-1, Page 1. Further, the revenues used to calculate the percentages do not include amounts billed on behalf of Choice suppliers, whereas the write-offs do include any such amounts written off because the Large LDCs purchase the Choice suppliers' receivables. Accordingly, the percentages appear to become larger due to the fact that the Large LDCs' sales revenues have declined as a result of growth in the Choice programs.

NorthStar does not suggest that a cap on UEX recoveries is necessary to improve credit and collection performance. Nor has any information been presented to allow the Commission to conclude that a problem exists with any Large LDCs' credit and collection policies that would be fixed by imposing such a cap. By examining the recovery of UEX Rider dollars in each rider adjustment case, the Commission provides a more appropriate and thorough review of each UEX Rider. In the event the Commission does consider adopting a benchmark, the Commission should (1) eliminate the WRO and other measures allowing customers to accrue bad debt and (2) allow utilities to more aggressively disconnect customers and impose a more stringent deposit policy.

B. "The Commission should order another UEX review in 5 years."

The Large LDCs do not object to this recommendation.

C. "The Commission should delay implementation of Northstar's [sic] recommendation to exclusively use credit scores for determining a customer's credit worthiness [sic]. Furthermore, the Commission should assure that the Companies are not over-relying on deposits when addressing credit worthiness [sic]. The Companies should give their customers access to all options, and report, to the Commission, on a monthly basis in the OSCAR Report the number of customers who are demonstrating financial responsibility using each method."

Each subpart of this recommendation is addressed separately below.

1. Use Of Credit Scores To Determine Creditworthiness

Consumer Advocates ask the Commission to delay implementing NorthStar's recommendation to "exclusively" use credit scores to determine creditworthiness. (Joint Comments at 5, 18.) Consumer Advocates believe that the "use of credit scores should be approached with considerably more diligence than what is recommended by Northstar [sic]." (Joint Comments at 18.) Consumer Advocates recommend "at a minimum" that the Commission delay "preferring the use of credit scores in determining when deposits are to be imposed until the credit rules prescribed in Ohio Adm. Code 4901:1-17 are reviewed again...." *Id.*

Consumer Advocates mischaracterize NorthStar's recommendation, which was addressed solely to DEO. NorthStar has not recommended credit scores as the "exclusive" means of determining creditworthiness. Rather, NorthStar recommends that DEO "[i]ncorporate third-party credit scores into the deposit assessment process to obtain deposits from more customers." (NorthStar Report at IV-10.) NorthStar also reports that DEO is "in the process of adding a credit scoring system" and "has an appropriate process for assessing security deposits for delinquent customers." (NorthStar Report at IV-9.) Thus, Consumer Advocates have addressed a moot point.

Consumer Advocates also are attempting to re-litigate issues already decided in the Commission's recent rulemaking proceeding, Case No. 08-723-AU-ORD, where the Commission authorized LDCs to use credit scores in evaluating creditworthiness. Though Consumer Advocates acknowledge that "quick and inexpensive" credit checks are now permitted by Ohio Adm. Code 4901:1-17-03, they contend that payment history for nonutility goods or services are not necessarily representative of what the customer's payment history might be for utility service. (Joint Comments at 17.) Contrary to Consumer Advocates' concern, Vectren

uses a utility-based Equifax score when assessing a customer's creditworthiness. In any event, whether customers are more or less likely to pay for utility services based on their payment history for other goods and services is pure speculation. More to the point, the Commission has already determined that it is appropriate to use credit scores. Consumer Advocates provide no basis to re-litigate this issue.

2. Relying On Deposits To Determine Creditworthiness

Consumer Advocates also warn against overutilizing deposits to establish creditworthiness. (Joint Comments at 17.) Consumer Advocates argue that such a "preference of one means to demonstrate credit worthiness [sic] (e.g. payment of a deposit) over another (i.e. guarantor arrangement) is not supported by the rules and may not be in the public interest." (Joint Comments at 17.) According to Consumer Advocates, "Deposits can be expensive and can hinder customers from obtaining access to essential utility services." *Id.*

Contrary to Consumer Advocates' concern, the Large LDCs are allowing customers to avail themselves of *all* options available under Ohio Adm. Code 4901:1-17-03 to establish creditworthiness. For example, DEO and Columbia only uses credit scores if there is no historical data or service history. A prospective DEO or Columbia customer may also provide a reference letter from another utility with which they have established credit. Customers may also provide a guarantor. As demonstrated from NorthStar's audit report, none of the Large LDCs are over-relying on deposits. If anything, NorthStar suggests that certain companies should be *more* aggressive in obtaining deposits.

Deposits are one tool in the tool-kit for establishing creditworthiness.. If a customer cannot establish creditworthiness under any other method allowed by Commission rule and a deposit is the last resort, but the customer cannot come up with the deposit, it is not realistic to

expect the customer to be able to afford service on a continuing basis. The Large LDCs are not obligated to provide service to customers who pose an unreasonable collection risk..

3. Additional OSCAR Reporting

Consumer Advocates believe the Large LDCs should report on their monthly OSCAR reports the number of customers who are demonstrating financial responsibility using each method to establish credit. (Joint Comments at 5, 21.) This is needed, they say, because "there is a lack of data that is needed to evaluate the effectiveness of the credit program." (Joint Comments at 21.)

The Large LDCs have just completed extensive revisions to their customer information system to comply with the Ohio Adm. Code Chapters 17 and 18 rule changes, which became effective November 1, 2010. The changes include revised reporting of statistical data that previously was provided to the Commission on the OSCAR Reports. The revised reporting includes information deemed necessary by the Staff of the Commission regarding PIPP Plus and Graduate PIPP programs, disconnections, reconnections, deposits, extended payment plans, use of medical certificates, and winter reconnections. Any additional reporting needed should have been required in conjunction with those changes. The Large LDCs should not be required to make further complex IT changes at this time. The Commission should disregard the Consumer Advocates' recommendations.

D. "The Commission should require the utilities to file cost-benefit studies prior to implementing requirements for collecting mid-stream deposits."

Consumer Advocates believe that the Large LDCs should not ramp up the collection of midstream deposits without first performing cost-benefit studies. (Joint Comments at 6, 18-19.) According to Consumer Advocates, the cost-benefit studies should "identify only those revenues that it expects to collect with a mid-stream deposit that it would otherwise be unable to collect

without a mid-stream deposit." (Joint Comments at 20.) The cost-benefit studies would supposedly allow the Commission to "better understand the costs associated with such requirements." (Joint Comments at 19.)

The Commission's rules under Chapter 4901:1-17 clearly permit the Large LDCs to charge mid-stream deposits. It would make no sense to require the Large LDCs to perform cost-benefit studies before implementing a practice that is already allowed under the Commission's rules. As the NorthStar report indicates, several utilities already utilize mid-stream deposits. Absent mid-stream deposits, these dollars may have eventually been charged to the uncollectible expense rider. Although Consumer Advocates purportedly "do not intend to reargue the merits of mid-stream deposits in this venue," their recommendation to evaluate mid-stream deposits in essence challenges their validity. This is yet another issue the Commission does not need to re-litigate.

E. "The Commission should require the utilities to adjust the level of the late payment fees to the extent that the implementation of mid-stream deposits mitigates the collection risk for the utility."

Consumer Advocates want the Large LDCs to adjust their late payment fees because mid-stream deposits allegedly mitigate collection risk. (Joint Comments at 6, 20.) Consumer Advocates argue that "[a] slow or late paying customer does not necessarily pose a collection risk, and such customers compensate the Company through the assessed late fee." (Joint Comments at 20.) Consumer Advocates further assume that because utilities may assess a late payment charge of 1.5% for unpaid balances after the due date, that the "late payment fees and charges may be more than sufficient to make the utilities whole." (Joint Comments at 20.)

Late fees and deposits serve different purposes and compensate for different risks. Mid-stream deposits are utilized to re-establish creditworthiness for customers who have exhibited a

pattern of missed payments. When a mid-stream deposit is assessed, the customer is required to pay the deposit to continue to receive service. The fact that a customer has paid a mid-stream deposit should not let the customer off the hook to make future payments on time. Late fees thus provide an incentive to make payments on time, and have nothing to do with the customer's creditworthiness.

It should also not be forgotten that the utilities pay 3% interest on deposits -- far above the current market interest rate for savings deposits. Customers are not "compensating" the utilities with deposits; it is the other way around. If customers make payments on time, they eventually get their money back, with interest, pursuant to Ohio Adm. Code 4901:1-17-05(C). If the customer forfeits the deposit, it is only because the customer has not paid their bill.

Finally, Consumer Advocates fail to explain how their recommendation will decrease the UEX Rider rate. Instead, decreasing late payment charges will *decrease offsets* provided to the UEX Rider. Currently, the late payment charges received by some Large LDCs are applied directly against the UEX Rider as an offset. By decreasing these fees, the UEX Rider will also lose this revenue offset. The Commission should reject the Consumer Advocates' ill-conceived recommendation.

F. "The Commission should order the natural gas utilities to provide disconnection notices separate from the monthly billing statement."

The Commission should not change its rules to accommodate this recommendation. Ohio Adm. Code 4901:1-18-06(A)(5) specifically allows disconnection notices to be "mailed separately or included on the regular monthly bill." As the Rule appropriately reflects, a customer's bill is the most detailed method of explaining the amounts a customer owes. The Large LDCs send a separate 10-day letter notice in the mail prior to disconnecting customers in the winter, in accordance with Ohio Adm. Code 4901:1-18-06(B)(1). DEO also follows up the

letter with a phone call to customers for whom phone numbers are on record. NorthStar's audit did not identify a single instance of a disconnection occurring without appropriate notice.

Similar to previous recommendations, Consumer Advocates are attempting to raise issues that have already been decided by the Commission in Case No. 08-723-AU-ORD. Moreover, Consumer Advocates mischaracterize NorthStar's discussion of DEO's reminder notices. Consumer Advocates argue that "Dominion and perhaps other gas utilities provide reminder notices on bills when certain delinquency dollar thresholds are not met and no further action is taken on these accounts." (Joint Comments at 26-27.) The reminder notices, Consumer Advocates believe, do not "comply with the Commission standard for disconnection notices and may not include the information customers need to help avoid disconnection." (Joint Comments at 27.) NorthStar explains that some customers "receive a reminder notice with their bill, *and no further action is taken on these accounts.*" (NorthStar Report at III-15 (emphasis added).) This means that these accounts are *not* disconnected. The report further explains that accounts with a certain balance receive a disconnect notice on the bill, in accordance with the Commission's disconnect rules in Chapter 4901:1-18. (NorthStar Report at III-16.)

No LDC contends that a reminder notice is sufficient to disconnect service. A reminder notice is the first step in letting customers know they have missed payment. A disconnect notice is a separate, last resort to inform the customer that if they do not pay, they will be disconnected. The Commission should not mandate that disconnection notices be sent separately from the bill.

G. "The Commission should order the natural gas utilities to offer extended payment plans on terms agreeable to customers."

Consumer Advocates want the Large LDCs to offer "extended payment plans on terms agreeable to customers." (Joint Comments at 6.) Because the Large LDCs supposedly are "only offering the extended payment plans that are explicitly required by the Commission,"

Consumer Advocates claim that "more customized plans [] could help customers maintain essential natural gas service, reduce disconnections, and prevent subsequent write-offs." (Joint Comments at 41.) The only limitation Consumer Advocates would place on a "customized" plan is capping installment payments at "no more than $50 per month plus current charges (including budget payments)." (Joint Comments at 32.)

Existing rules already provide considerable flexibility in structuring payment plans. Under Ohio Adm. Code 4905:1-18-05, a customer may propose a payment plan to the utility. The utility company "*may exercise discretion* in the acceptance of the payment terms based upon the account balance, the length of time that the balance has been outstanding, the customer's recent payment history, the reasons why payment has not been made, and any other relevant factors concerning the customer including health, age, and family circumstances." Ohio Adm. Code 4901:1-18-05 (emphasis added). Contrary to Consumer Advocates' recommendation, the discretion to accept the plan is *not* given to the customer, but to the LDC that must bear the risk if the customer defaults on the payment plan.

If the customer and utility cannot agree to a payment plan, the utility must offer one of the plans contained in Ohio Adm. Code 4901:1-18-05: one-third plan, one-sixth plan, one-ninth plan, PIPP, and the budget plan.

That Rule 4901:1-8-05 already permits liberal payment plan options is illustrated by the fact that Columbia must offer more mandated payment plans in Ohio than in any of the other six states in which its sister LDCs operate.[4] If the customer is left to choose any payment plan they want, this will lead to customers calling the customer service office several times until a representative places them on the extended payment plan they desire.

[4] NiSource, Inc. is a public utility holding company for Columbia. It is also the holding company for local distribution companies in Indiana, Kentucky, Pennsylvania, Maryland, Virginia, and Massachusetts.

All of the Large LDCs are willing to offer plans "agreeable to customers," but within reason. No responsible business can allow customers that owe it money to dictate the terms under which their debt will be repaid. Moreover, offering fully "customized" payment plans potentially subjects the Large LDCs to claims of discrimination or unfairness. By contrast, offering a menu of plans ensures that customers are treated in a fair, consistent and nondiscriminatory manner. This does not mean that extenuating circumstances cannot be taken into account to modify one of the prescribed plans, but ultimately, the plan must be agreeable to both the company and the customer. Allowing customers to dictate their own repayment terms also would inevitably result in customers requesting payment plans with the longest repayment period possible. Increasing the payment term necessarily increases the risk of default (adding dollars to the UEX Rider), increases the time the customer is paying more than their current bill (which they typically cannot afford in the first place, hence the reason they are on a repayment plan) and potentially subjects the customer to increasing late fees if they fall behind on payments.

In addition, capping repayment plans at $50 would be disastrous for customers. Limiting arrearage payments to $50 would allow customers to accrue large arrearages, and would routinely push paying the growing balance into the future. As shown by the figures for "average amount owed on payment plan when disconnected" in Consumer Advocates' Table 8 (page 31), limiting payments to $50 per month would result in plans extending as far as 20 months, well beyond the payment plans provided under Ohio Adm. Code 4901:1-18-05. (Joint Comments at 31.) The Commission must understand that customers' debt problems cannot be solved by making it easier for them to accumulate more debt.

Consumer Advocates' recommendation ignores the practical difficulties in offering fully customizable payment plans, and would exponentially increase the amount of bad debt accrued by customers. The Commission should reject Consumer Advocates' recommendation.

As for monthly reporting, the information recommended by Consumer Advocates is already required by the revised reporting implemented in conjunction with the Ohio Adm. Code Chapter 17 and 18 rule changes.

H. "The Commission should require the utilities to disclose all available payment plans and to disclose the least cost option to the customer."

Consumer Advocates believe the Commission should require the Large LDCs "to offer customers that are behind in payment the option of each of the Commission-ordered payment plans and the custom payment plan and to disclose the plan with the least out of pocket expense to enter the plan." (Joint Comments at 32.) Consumer Advocates charge that the Large LDCs "seem to be promoting primarily the one-sixth payment plan rather than allowing customers to choose from all of the available payment plan options," required by Ohio Adm. Code 4901:1-18-05(B). (Joint Comments at 30.)

The Large LDCs follow the Commission's Rules by offering the all of the payment plans listed in Ohio Adm. Code 4901:1-18-05. As explained in response to Recommendation H, the Large LDCs also work with customers to lower their arrearages. Customers are fully aware that their payments will be higher under a three month plan than, for example, a sixth month plan. When customers are eligible for PIPP, they are steered in that direction. Customers who are not PIPP eligible may not necessarily want the "least costly" option. Some customers prefer payment plans that allow them to pay the arrearage as quickly as possible, resulting in higher monthly payments but extinguishment of the arrearage more quickly. The Consumer Advocates' recommendation is wholly unnecessary.

I. **"The Commission should adopt the Northstar [sic] recommendation concerning the utilities filing reports with credit and collection information with the Commission. Consumer Advocates further suggest that such reports include information concerning the length of time that customers are without service and that the reports be filed quarterly."**

Consumer Advocates agree with NorthStar's recommendation that utilities "file quarterly or annual reports providing information on their collections activities and effectiveness to assist the PUCO staff in monitoring performance." (Joint Comments at 6, 32; NorthStar Report at VIII-3.) NorthStar suggested that various metrics be included in the reports including Non-PIPP residential bad debt as a percent of Non-PIPP residential billings, numbers of bankruptcies, number of accounts eligible for deposits, and number of payment arrangements made and broken by type. (NorthStar Report at VIII-3.) Consumer Advocates further propose that the reports "include reconnection data including the number of accounts reconnected within 1 day, 7 days, 30 days, 90 days, and after 90 days." (Joint Comments at 33.)

DEO and Vectren already responded to this recommendation. As explained in their Initial Comments, NorthStar did not consider the increase in costs to generate and prepare additional quarterly reports, or explain what would be in these reports that is not already available in the annual UEX audit reports. (Initial Comments of The East Ohio Company d/b/a Dominion East Ohio at 13; Initial Comments of Vectren Energy Delivery of Ohio, Inc. at 9-10.) Moreover, in the Commission's recent revision to the PIPP rules, the Commission implemented PIPP Plus metric reports, which the Large LDCs began filing in January 2011. Consumer Advocates fail to explain the need for yet another report. Further, certain of the information is already required by the revised reporting implemented in conjunction with the Ohio Adm. Code Chapter 17 and 18 rule changes.

J. "The Commission should require the utilities to adjust bill due dates to help customers who have fixed incomes better manage their utility payments."

Consumer Advocates believe that fixed income customers will "better manage their monthly budget by coinciding the due date on their natural gas bill to routinely be a few days after the date in which they receive retirement checks or other regular assistance income." (Joint Comments at 33.) The Large LDCs understand that some customers are on fixed incomes, and attempt to accommodate these individuals to the best of their ability. Columbia works with customers to adjust due dates; however, given Columbia's current billing system, it can only move the due date a certain number of days. DEO is committed to managing due dates with the implementation of its AMR technology, which is scheduled to be fully operation within the next two years. DEO customers may set up a monthly budget amount and automatic bank payment (a no cost payment option) to manage their payments. DEO and Columbia also note that late payment charges are not assessed for customers at the due date, but at the next bill date, allowing a full month between bills for customers to make a payment and avoid penalties.

The Large LDCs are unaware of any groundswell among the general public to allow flexible due dates, but have tried to work with customers who have expressed such an interest. The Commission should not *require* utilities to adjust bill due dates. For some utilities, this would be a costly option due to IT changes. And, if the utility allows "fixed income" customers to move the due date, the question arises as to whether this option must be extended to avoid discriminatory treatment. The Commission should reject this recommendation.

K. "The Commission should require the utilities to annually file a meter reading plan."

Consumer Advocates read the NorthStar report as "impl[ying] that the gas utilities have a requirement to annually file a meter reading plan with the Commission." (Joint Comments at

34.) Consumer Advocates admit that "[w]hile the meter reading plans can probably be obtained through public records requests . . . an annual filing requirement would certainly lead to more public openness and transparency." (Joint Comments at 34.)

The Large LDCs are willing to bet that the next time a member of the public calls the Commission asking for a copy of a meter reading plan will be the first time. "Transparency" for transparency's sake does not serve any public interest. Anyone who wants a meter reading plan can get it from the Commission, as Consumer Advocates readily concede. This recommendation simply is not needed.

L. "The Commission should evaluate the effect of the additional costs that customers incur to pay gas bills through credit cards and electronic payments to determine if these costs are affecting customer payment patterns."

Consumer Advocates criticize NorthStar for failing to "review the additional costs that can be associated with payments made through authorized agents, credit cards, and via other electronic means." (Joint Comments at 34.) Concerned that "additional costs for paying utility bills may hinder a customer's ability to make timely payments," Consumer Advocates recommend that the Commission evaluate these costs "to determine if the potential exists to lower the costs for paying bills and if this can increase bill payments." (Joint Comments at 35.)

This recommendation is yet another example of an attempt to re-litigate issues addressed in prior Commission proceedings. In the Commission's most recent review of the Minimum Gas Service Standards, OCC recommended that the Commission "evaluate charges that may be assessed for payments over the telephone, by credit card, or electronic transfer...." *Commission's Review of Chapter 4901:1-13 of the Ohio Administrative Code*, Case No. 09-326-GA-ORD, Finding and Order (July 29, 2010) at Finding (63)(c). The Commission explained that it "does not have jurisdiction over those charges, as they are provided by nonregulated entities

such as internet service providers." *Id.* The Commission concluded, "Therefore, we have no authority to regulate those charges and it would not be appropriate to include those unregulated charges in a company's tariff." *Id. See also* Entry on Rehearing (October 15, 2010) at Finding 37. As the Commission recognized in the MGSS rulemaking proceeding, the fees complained of by Consumer Advocates are the fees of third parties not within the Commission's jurisdiction.

Moreover, the Large LDCs offer several free payment options. DEO allows customers to pay through its Web site or by automatic bank payment at no charge. DEO also allows customers to pay by credit card. Credit card companies -- not DEO -- charge transaction fees. Credit card transaction fees are appropriately recovered from customers who avail themselves of this option. Moreover, Vectren's internal research shows that individuals who pay with credit cards are typically in the higher income level. Likewise, Columbia has many customers that do not mail their payments, but utilize other payment methods without incurring additional expense.

It is naïve to think that third-party processing fees are driving up UEX balances. Consumer Advocates have not provided *any* research or data to suggest customers do not make payments because they cannot pay by credit card or do not want to incur a minimal processing fees. The Commission should reject Consumer Advocates attempt to re-litigate an issue already decided in the most recent MGSS proceeding.

M. "The Commission should evaluate if there are differences in the level of bad debt for choice customers compared to non-choice customers and if so, what actions can be taken to mitigate the difference."

Consumer Advocates recommend an evaluation to compare the level of bad debt between Choice and non-Choice customers, since "Ohio gas utilities are at risk for bad debt associated with customers who participate in the gas choice programs." (Joint Comments at 7, 35.) Consumer Advocates recommend the additional evaluation because "Northstar [sic] did not

investigate if there are differences in the level of debt associated with choice customers compared with the debt patterns of other customers." (Joint Comments at 35.) Consumer Advocates argue that "[t]o the extend the rates being charged by the CRNG suppliers are higher than the rates being charged by the incumbent gas utility, the uncollectible debt write-off could be higher than it otherwise would be." (Joint Comments at 36.)

The Large LDCs fail to understand the point of this recommendation. The eligibility criteria for all of the existing Choice programs effectively pre-screen the worst credit risks. Customers who have broken more than one payment plan in the last year are not eligible for Choice. Customers already on a payment plan must be current on their payments. Customers are eventually kicked out of Choice if they do not stay current on their payments. It stands to reason that because customers must remain creditworthy to participate in Choice, bad debt arrearages for Choice customers will be proportionately less than non-Choice customers. In other words, Choice customers are not the ones contributing to large UEX balances. The "evaluation" proposed by Consumer Advocates is simply not necessary. Moreover, Consumer Advocates offer no suggestions as to what a difference in bad debt levels between Choice and non-Choice customers might mean other than differences in rates. By recommending that the Commission should evaluate "what actions can be taken to mitigate the difference," surely the Consumer Advocates are not suggesting that Choice programs should be abolished. This proceeding is certainly not the right venue for that argument.

N. "The Commission should order a review of the credit and collection policies and practices of the small local distribution companies in Ohio and adopt the best practices for implementation by the larger LDCs in Ohio."

Consumer Advocates believe the Commission should look to the small local distribution companies to provide the "best practices for implementation by the larger LDCs in Ohio." (Joint

Comments at 7.) According to the Consumer Advocates, "[t]he smaller LDCs – even those with a UEX Rider – are demonstrating much better credit and collection results." (Joint Comments at 37.)

Consumer Advocates' recommendation fails to acknowledge the practical differences between small and large LDCs. It is much easier for small LDCs to go door-to-door to collect bills, perform disconnections and so forth, than for LDCs with over 1 million customers. It is wholly unreasonable to suggest that the practices and policies of small companies can be implemented by the Large LDCs. The Commission should reject Consumer Advocates' recommendations.

O. "The Commission should disallow recovery of any bad debt expense that results from the Companies' customers who were not placed on payment plans as required pursuant to the Winter Reconnection Order."

Consumer Advocates want the Commission disallow recovery of bad debt expense incurred "where the gas utilities used the WRO to either prevent disconnection or to reconnect services without also enrolling the customer on a payment plan, as is required under the WRO." (Joint Comments at 43.) Consumer Advocates base this recommendation upon Table 10, created with data provided to OCC by Staff in a public records request in Case No. 08-723-GE-ORD. (Joint Comments at 41-42.)

This proceeding does not concern the recovery of dollars under the UEX Rider. The proceeding is an evaluation of the Large LDCs' collection practices and procedures. Consumer Advocates will have an opportunity to comment on the recovery under the UEX Rider when the companies file their next UEX Rider adjustment cases.

Having said this, and contrary to Consumer Advocates' baseless claims, the Large LDCs are in fact offering payment plans to customers who enroll under the WRO. For example,

Columbia customers who utilize the $175 WRO payment to avoid shut-off are placed on PIPP or another payment plan. DEO automatically enrolls customers on a payment plan when the customer utilizes the WRO.

The Large LDCs are required to offer WRO customers a payment plan, and all of them do so. The Commission should reject Consumer Advocates' recommendation.

P. "The Commission should not change the eligibility criteria for the Winter Reconnection Order as suggested by Northstar [sic], but rather, ensure that the utilities are complying with the Order."

Consumer Advocates believe that the "WRO is working fine if the gas utilities would enroll customers in a payment plan at the time the WRO is used." (Joint Comments at 43.) Consumer Advocates point to the changes in the PIPP Plus rules, customers making missed PIPP payments and the new criteria for obtaining arrearage credits will reduce the number of PIPP customers using the WRO. (Joint Comments at 43-44.)

Consumer Advocates' recommendation does not address the problems with the WRO. NorthStar concluded that the WRO enables customers to "game the system" and maintain service over the winter months, regardless of income, while making limited payments. (NorthStar Report at VIII-7.) Because customers game the system and incur substantial arrearages, NorthStar recommended to "[r]estrict the WRO to limited income customers...." (NorthStar Report at VIII-9.) Consumer Advocates attempt to claim that "customers are not gamming [sic] the system," but fail to counter NorthStar's conclusion.

The Large LDCs, as explained in their Initial Comments, support NorthStar's recommendations to revise the criteria of the WRO. The WRO in its current form exists not because of good regulatory policy, but because of regulatory inertia. . By revising the WRO eligibility criteria, the Commission could easily drive down the single largest contributor to bad

debt write-offs. The 160,000 customers who used the WRO in the 2008-2009 heating season incurred arrearages of over $65 million. (NorthStar Report at VIII-7.) The "free" service provided under the WRO has proven to be quite expensive.

Even if the Commission chooses not to amend the eligibility criteria for the WRO, it should increase the payment amount. Prior to the 1989 to 1990 WRO, the Commission required participants to pay $200. (NorthStar Report at VIII-7.) Despite significant increases in the minimum wage, the Commission has not lifted the cap on the WRO for over 20 years. It is time for the Commission to seriously consider doing so. By leaving the threshold deposit low, the Commission encourages customers to reestablish gas service for a minimal amount, fail to pay for service during the winter, incur large arrearages, disconnect service in the spring, and start the process all over again in October. The Commission should adopt NorthStar's recommendation to reform the WRO.

Q. "The Commission should codify the temperature thresholds in the rules for weather based moratoriums and suspend disconnection when the extended weather forecast is projecting below freezing temperatures over the next five-days."

Consumer Advocates believe that "it is disingenuous to claim that the Company internal weather moratoriums are a reasonable surrogate for temperature-sensitive moratoriums that may be ordered." (Joint Comments at 45.) Consumer Advocates recommend that the Commission "codify in the rules that services will not be disconnected when temperatures fall below freezing." (Joint Comments at 45.)

This recommendation should be rejected outright. As NorthStar recognized, the Large LDCs use discretion when disconnecting customers in the winter months. For the Commission to codify temperature thresholds would literally establish a winter moratorium on gas shut-offs. In service territories in Northeast Ohio, such measures could create the practical equivalent of

six-month moratoriums on disconnections. Customers utilizing natural gas service for heat only could continue taking advantage of the WRO and maintain service through the winter months without paying for service -- all without consequence. As evidenced by NorthStar's findings, this behavior is very costly to the utilities and their customers.

Consumer Advocates also remind the Commission that "OCC and other consumer groups argued for such a moratorium in a recent credit and disconnection rule-making [sic] case before the Commission." *Id.* (citing *Commission's Review of Chapter 4901:1-17 and 4901:1-18*, Case No. 08-723-AU-ORD, Consumer Group's Initial Comments (September 10, 2008) at 16.). This is yet another reason why the recommendation should be rejected.

R. "The Commission should initiate a forum with all stakeholders to discuss the possibility for initiating additional conservation and weatherization programs."

This recommendation has no place in this proceeding. Several of the Consumer Advocates are *already* members of stakeholder collaboratives and receive significant Demand Side Management ("DSM") Program dollars. It is no secret that one of the OCC's major policy objectives is the never-ending expansion of DSM programs, despite the lack of any explicit statutory authority authorizing OCC to pursue this goal. The OCC, through the Consumer Advocates, is yet again pursuing its DSM quest by attempting to shoehorn the issue into this proceeding. DSM issues simply have no place in this docket, the scope of which is limited to a review of the uncollectible expense riders and credit and collection practices.

S. "The Commission should help mitigate the effect of the reductions in LIHEAP funding and the potential increase in write-offs by encouraging all of the gas utilities to sponsor shareholder-funded community assistance programs."

This recommendation is also beyond the scope of this proceeding. Besides that, throwing more shareholder dollars at community assistance programs is not a long term solution to the

fundamental problem at hand: customers not paying their bills. As Consumer Advocates note in their comments, Duke and Columbia offer three community assistance programs. DEO partners with the Salvation Army to provide low-income fuel assistance of last resort to customers facing financial hardship through DEO's EnergyShare program. The Large LDCs are proud of their efforts and are always looking at ways to do more. But discussion of additional shareholder funding of assistance programs is not going to occur in this proceeding, as far as the Large LDCs are concerned.

III. CONCLUSION

For the reasons discussed above, any action the Commission takes with respect to NorthStar's Report should reflect these Reply Comments.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

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