

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Columbia)
 Gas of Ohio, Inc. for Approval of a General)
 Exemption of Certain Natural Gas Commodity)
 Sales Services or Ancillary Services from)
 Chapters 4905, 4909, and 4935 except Sections)
 4905.10, 4035.01 and 4935.03, and from)
 specified sections of Chapter 4933 of the)
 Revised Code.)

Case No. 08-1344-GA-EXM

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DIRECT PREPARED TESTIMONY OF VINCE PARISI

July 8, 2011

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1 **Q1. Please state your full name and address.**

2 A1. My name is Vincent A. Parisi and my work address is 6100 Emerald Parkway, Dublin
3 Ohio, 43016.

4 **Q2. Please provide your background and qualifications.**

5 A2. I am the General Counsel and Regulatory Affairs Officer for Interstate Gas Supply, Inc.
6 ("IGS Energy"). I have been employed by IGS Energy since 2003, initially in the
7 capacity of General Counsel and Credit Officer and over time my position evolved into
8 its current role. In this capacity, I am responsible for several aspects of the business,
9 including all legal, regulatory, legislative and credit/risk activities. I have also been in
10 charge of compliance items over time, including review of marketing materials, call
11 center scripting and other messages provided by IGS Energy to the public. My role has
12 me either directly or in a supervisory capacity responsible for all such activities in all
13 areas where IGS Energy operates. Prior to being employed by IGS Energy, I was an
14 associate with Chester Willcox & Saxbe, LLP, and worked with many corporate clients
15 on various issues, including working with IGS Energy. I earned my bachelors degree
16 from The Ohio State University in economics in 1997, and completed my law degree
17 graduating magna cum laude from Capital University Law School in 2000. I also
18 received my LLM from Capital University in business and tax in 2001.

19 **Q3. On whose behalf are you testifying today?**

20 A3. Today I am testifying on behalf of Ohio Gas Marketers Group ("OGMG"), which
21 consists of, for purposes of this hearing, Constellation, Integrys Energy Services,
22 Interstate Gas Supply, Inc., Just Energy dba Commerce Energy, Southstar Energy
23 Services, LLC, Vectren Retail, LLC, and Direct Energy, LLC.

Q4. What is the purpose of your testimony?

A4. I am presenting the views of the OGMG as to the narrow question presented by the Commission in its entry of June 1, 2011 as to whether Columbia Gas of Ohio should proceed to a Standard Choice Offer (“SCO”) type auction to procure natural gas for its provider of last resort function commencing April 1, 2012 as called for in the Commission’s Opinion and Order of October 7, 2009 in the above styled proceeding , or revert back to a Standard Service Offer (“SSO”) type auction.

Q5. Please summarize the position of OGMG on the question of whether the Commission should alter its previous plan to have Columbia move to an SCO auction for the 2012 supply year.

A5. Moving to an SCO has five distinct benefits and thus the Commission should not alter its plan and continue with the SCO auction for 2012 and if needed beyond. First, the SCO auction from a supplier’s perspective is more efficient and more attractive than an SSO. Second is uniformity for when Columbia moves to the SCO then all three utilities that utilize auctions for procurement will be using the same auction model. Third, in an SCO auction all the suppliers must be certified by the Commission and the Commission will have some oversight of the suppliers, which is not the case for the SSO. Fourth, in an SCO auction the customers who are defaulting to the SCO service will receive information from the SCO supplier as well as the utility on the SCO and information explaining the customers’ ability to shop, neither is the case with the SSO. Finally, the SCO is more in line with the State Energy Policy as codified in Section 4929.02, Revised Code.

Q6. Why do you believe that an SCO auction is more efficient?

1 A6. The immediate purpose of the auction is to procure a volume of natural gas which can be
2 made available to any customer who lacks a supplier of their own and defaults to the
3 bundled provider of last resort (POLR). It is important to realize that most of the volume
4 of gas in the system is not for POLR application. The POLR auction providers, for the
5 most part, are bringing large volumes of gas in for contract purposes, be it wholesale or
6 retail. Thus, from the suppliers' prospective the question is whether it is more efficient to
7 serve a wholesale load through the SSO, or to simply integrate additional customers into
8 suppliers' existing supply pools. From my ten years of experience I can say definitely,
9 the SCO model is administratively more consistent with the way suppliers conduct
10 business providing operational efficiency. Further, in the SCO model the supplier has the
11 opportunity to make Choice offers which may be more specific to the customer. Finally,
12 with the SCO because the supplier's name and phone number appear on the bill, the
13 customer knows who their supplier is and vice versa, so an SCO supplier can answer
14 questions for customers about their supply, the process, the customers' ability to shop,
15 other products being offered by the supplier and other questions asked. In an SSO, there
16 is no relationship between the supplier and the customers, so no ease of communication
17 can exist. This provides for a more efficient customer experience as unlike the SSO
18 suppliers, SCO suppliers are required by the PUCO to have 800 numbers to call centers
19 that customers can use during operating hours. This simplifies the response cycle
20 between customers and suppliers.

21 **Q7. Please explain the benefit of uniformity.**

22 A7. Today of the two major natural gas utilities that use an auction to procure natural gas
23 supplies for the POLR service, Dominion East Ohio and Vectren Energy Delivery of

Ohio have successfully implemented SCO auctions. The experience with the SCO in these utilities has been very favorable, and each has held several SCO auctions. Having all the utilities use the same auction model improves the flow of information to the public. The Call Center at the Commission does not have to have two scripts to describe auctions, nor run through the task of trying to establish in which service area the caller is located. Similarly, a supplier that wants to bid in an auction knows that the bidding rules in each auction are similar, and the requirement to be a Competitive Retail Natural Gas Supplier's ("CRNGS") is also part of the mix. This decreases the training time and preparation time for participation in a bid. It also allows for best practices to be quickly adopted among the utilities and suppliers. Consistency in the SCO auctions across the state's utilities that have auctions also shows a continued support of the state and PUCO of developing competitive retail market competition.

Q8. What is the benefit of the Commission having CRNGS oversight of auction bid winners?

A8. Under the current rules in order to become an SCO supplier, the supplier must be CRNGS certified. CRNGS certification consists of a biannual demonstration of financial, managerial and technical proficiency. Similarly, the CRNGS have a duty to report material changes – including deterioration of their financial position that occurs between the biannual certificate renewals. In sharp contrast, the Commission has no oversight over SSO suppliers. From the perspective of a winning bidder, who under the current paradigm must supply up to 150% of the contract demand in the event of default to back stop the other bid winning suppliers, the additional review and oversight by the Commission is viewed as a positive factor that reduces risk.

1 **Q9. Please explain the benefit to the customer of the information it receives from the**
2 **SCO and utility supplier.**

3 A9. Under the SSO the retail customer receives no information about its supply source, about
4 shopping, or about its other natural gas procurement options or that options even exist.
5 The changes involved in moving from the Gas Cost Recovery to the SSO Auction take
6 place with little to no customer education explaining the changes or the other options that
7 may be available to the customer. In the SCO, the customer will receive a letter from the
8 utility explaining where their supply is coming from and other helpful information. This
9 is followed by an introduction letter from the SCO supplier providing similar
10 information. Finally, on the bill each month the suppliers' name and contact information
11 is available if the customer has a question. All of this supports what I believe was the
12 intention of the General Assembly in the natural gas energy policy, including providing
13 the customer with cost effective and efficient access to information about customer
14 Choice natural gas services and goods as established in Section 4929.02(A)(5), Revised
15 Code. The above system is very low cost and has worked well in Dominion East Ohio
16 and Vectren.

17 **Q10. You mentioned the State Energy Policy, are there other aspects of the State Energy**
18 **Policy that favor the SCO over the SSO?**

19 A10: Yes, the SCO auctions are in substantial compliance and more closely promote the
20 policies set forth in Ohio Revised Code 4929.02 as compared to SSO auctions.
21 Residential consumers receive significant information as a result of SCO auctions
22 compared to little information provided in SSO auctions, including: the actual supply
23 source of the commodity; the existence of a competitive market; the availability of

1 alternative suppliers; and the ability of someone other than the utility to provide natural
2 gas commodity.

3 In addition to better customer information, there is greater accountability of suppliers as
4 in an SCO the suppliers are subject the oversight by the Public Utilities Commission of
5 Ohio ("Commission"), where the Commission has no jurisdiction over wholesale SSO
6 suppliers.

7 In reading Section 4929.02, Revised Code I believe it is clear that the General Assembly
8 was seeking to resolve inequities and barriers that would prevent all customers from
9 having the ability to access the open market while retaining a safety net of bundled
10 service if a customers supply fails or the customer does not elect to shop. SCO auctions
11 better achieve this goal by subjecting all choice eligible commodity service to the same
12 tax treatment and allowing suppliers to organize their supply service in the same manner
13 whether they are supplying a customer under the Choice program or through the SCO
14 program. Finally,

15 SCO suppliers unlike their SSO counter parts, have to provide consumer contact
16 capabilities to customers

17 and as noted before send the customers informative letters. Under the format adapted by
18 East Ohio, Vectren Energy Delivery Ohio, and proposed by Columbia this includes
19 messages from both the utility as well as the winning supplier.

20 **Q11. What is the relationship of the matter at bar with the State Natural Gas Energy**
21 **Policy?**

22 A11. The application at bar is brought pursuant to Section 4929.04, Revised Code. That
23 statutory provision creates the standard to be applied by the Commission when deciding

1 if it is appropriate to exempt commodity sales service or ancillary services from other rate
2 provisions in the Revised Code. In this context, Section 4929.04, Revised Code, applies
3 to the Commission's authority to replace a purchase gas adjustment mechanism with
4 another commodity provision. The Commission previously approved alternative rate
5 treatment to replace the gas cost recovery ("GCR") mechanism with an auction process
6 for Columbia, Dominion East Ohio, and Vectren Energy Delivery of Ohio pursuant to its
7 authority in Section 4929.04, Revised Code.

8 **Q12. Does Section 4929.04, Revised Code, provide the standards that need to be applied**
9 **in order for a utility to replace its GCR with an alternative plan?**

10 A12. Yes. In order for the Commission to approve a retail auction format, the Commission
11 must determine two things. The Commission must find that: (1) The natural gas
12 company is subject to effective competition with respect to the commodity sales service
13 or ancillary service or customers of the commodity sales service or ancillary service have
14 reasonably available alternatives and (2) that the natural gas company is "in substantial
15 compliance with the policy of this state specified in section 4929.02 of the Revised
16 Code."

17 **Q13. Are you familiar with Section 4929.02 Ohio Revised Code?**

18 A13. Yes.

19 **Q14. Can you explain generally the purpose of Section 4929.02 Ohio Revised Code?**

20 A14. Yes. Section A, subsection 1 states "it is the policy of this state, throughout this state" for
21 the State to support and promote the items listed in subsections 2 through 12 therein.
22 Section 4929.02 Ohio Revised Code sets forth the policy of the state of Ohio, as
23 announced and enacted by the General Assembly.

1 **Q15. Do retail auctions help to promote the policy of the state?**

2 A15. Yes. Retail competition for residential, commercial and industrial consumers in Ohio is
3 very vibrant. Competitive options from market participants further the policy of the state
4 to the greatest extent possible, more so than either wholesale or retail auctions. However,
5 as an interim step to full competition, between retail and wholesale auctions, retail
6 auctions more closely follow the tenets of 4929.02(A) 1 – 12, than do wholesale auctions.
7 The fact that retail auctions more closely follow the tenets of Section 4929.02, Revised
8 Code, is a benefit of the retail auctions over the wholesale auctions.

9 **Q16. What does it mean to provide retail consumers with natural gas services “they elect
10 to meet their respective needs?” (Section 4929.02(A)(2), Revised Code)**

11 A16. Simply stated, in a retail market the consumer chooses which product best meets his or
12 her needs, compared to a regulated or wholesale market, where no choices are available
13 as there is typically only one provider and the consumer has to take what someone else
14 has dictated is available. One of the benefits of the retail auction over the wholesale
15 auction is that it puts additional information in the hands of consumers about the choices
16 available to meet their respective needs.

17 **Q17. With all of this, is a retail auction “in substantial compliance” with the policy set
18 forth in Section 4929.02, Revised Code?**

19 A17. Yes, in fact as is evidenced by my testimony, in almost every subsection 2 through 12, in
20 each instance a retail auction further promotes and fosters the policy. From a legal
21 perspective one of the strongest and most important benefits of the retail auction is that it
22 is in substantial compliance with the policy set forth in Section 4929.02, Revised Code.
23 As can be seen in my testimony, virtually every provision in Section 4929.02, Revised

1 Code is about retail competition and providing information to consumers to make choices
2 about selecting a supplier to meet their needs. The retail auction provides significant
3 advantages over wholesale auctions to consumers through providing information,
4 creating awareness regarding the availability of competitive choices, and simply is closer
5 to advancing the policy of the state than a wholesale auction. A wholesale auction
6 provides none of those benefits to consumers and as such is much further away from
7 being in “substantial compliance” with Ohio law. Since Section 4929.04, Revised Code
8 requires substantial compliance with the policy, the retail auction is the appropriate
9 auction to put in place.

10 **Q18. Please summarize your advice to the Commission.**

11 A18. The Commission tasked the participants in this proceeding to address whether the SCO
12 auction was more beneficial than the SSO auction. As I noted in my previous responses,
13 the SCO auction is more attractive to the bid suppliers because it fits closely in with the
14 way suppliers are organized to provide natural gas to retail customers. Further, it allows
15 efficient transfer of information concerning the sale of natural gas on the retail level.
16 That is a benefit for both the shopper and the supplier. If the Commission does not
17 amend its prior order in this proceeding, then all three utilities using auctions will have
18 the same auction model. That is an attractive feature for those that bid in the auctions as
19 well as for the Commission, the Consumers Counsel and others who advise customers.
20 Finally, the Commission is supposed to consider the State Natural Gas Policy when
21 crafting its rules and orders. The SCO is much more in line with the policy than the SSO,
22 eliminates a tax inequity between default service and competitive service, and it is based

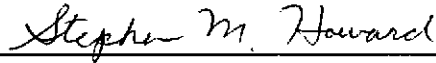
1 on utilizing the market to bring the benefits of diverse supply, numerous suppliers, and
2 the other benefits of the free market to retail customers door step.

3 **Q19. Does that complete your testimony?**

4 A19. Yes.

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 July, 2011, on the following:



Stephen M. Howard

Stephen B. Steeple
Brooke E. Leslie
Columbia Gas of Ohio, Inc.
200 Civic Center Drive
P. O. Box 117
Columbus, OH 43216-0117
sseiple@nisource.com
bleslie@nisource.com

Steven M. Sherman
Krieg DeVault LLP
One Indiana Square, Suite 2800
Indianapolis, IN 46204
ssherman@kdlegal.com

John Dosker
Stand Energy Corporation
1077 Celestial Street, Suite 110
Cincinnati, OH 45202-1113
jdosker@stand-energy.com

Barth E. Royer
Bell & Royer Co., LPA
33 South Grant Ave.
Columbus, OH 43215-3927
BarthRoyer@aol.com

Samuel C. Randazzo
McNees, Wallace & Nurik
21 East State Street, 17th Floor
Columbus, OH 43215-4228
sam@mwncmh.com

David C. Rinebolt
Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
P. O. Box 1793
Findlay, OH 45839-1793
drinebolt@aol.com
cmooney2@columbus.rr.com

Larry Gearhardt
Ohio Farm Bureau Federation
280 North High Street
P. O. Box 182383
Columbus, OH 43218-2383
lgearhardt@ofbf.org

Glenn Krassen
Bricker & Eckler LLP
1375 East Ninth Street, Suite 1500
Cleveland, OH 44114-1718
gkrassen@bricker.com

David Boehm
Boehm, Kurtz and Lowry
36 East 7th Street, Suite 1510
Cincinnati, OH 45202-4454
dboehm@bkllawfirm.com

Lawrence Sauer
Kyle L. Verrett
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
sauer@occ.state.oh.us
verrett@occ.state.oh.us

Stephen A. Ariyan
Semptra Energy Trading LLC
58 Commerce Road
Stamford, CT 06902
Stephan.ariyan@rbssemptra.com

Michael D. Dortch
Kravitz Brown & Dortch LLC
65 E. State St., Suite 200
Columbus, OH 43215-4277
mdortch@kravitzllc.com

Lance M. Keiffer
700 Adams St., Suite 250
Toledo, OH 43064-5859
lkeiffer@co.lucas.oh.us

Sheila H. McAdams
Marsh & McAdams
204 W. Wayne St.
Maumee, OH 43537
sheilahmca@aol.com

Thomas R. Hays
3315 Centennial Road, Suite A-2
Sylvania, OH 43560
hayslaw@buckeye-express.com

James E. Moan
4930 Holland-Sylvania Road
Sylvania, OH 43560
jimmoan@hotmail.com

Leslie A. Kovacik
City of Toledo
Dept. of Law
420 Madison Ave., Suite 100
Toledo, OH 43604-1219
Leslie.kovacik@toledo.oh.gov

W. Jonathan Airey
Vorys, Sater, Seymour and Pease LLP
52 E. Gay Street / P.O. Box 1008
Columbus, OH 43216-1008
wjairey@vorys.com

Lisa M. Simpkins
Christopher D. Young
Constellation Energy Resources
111 Market Place, Suite 500
Baltimore, MD 21202
Lisa.simpkins@constellation.com
Christopher.young@constellation.com

Paul Goldberg
5330 Seaman Rd.
Oregon, OH 43616
pgoldberg@ci.oregon.oh.us

Carrie E. Carbone
Bacewell & Guiliani LLP
1445 Ross Avenue, Suite 3800
Dallas, TX 75202-2711
Carrie.carbone@bgllp.com

Paul Skaff
Leatherman, Wintzler, Dombey & Hart
353 Elm Street
Perrysburg, OH 43551
paulskaff@justice.com

Brian J. Ballenger
Ballenger & Moore
3401 Woodville Road, Suite C
Toledo, OH 43619
ballengerlawbjb@sbcglobal.net

Shaun Forkin
Mike Griffiths
ProLiance Energy, LLC
2 Prestige Place, Suite 150
Miamisburg, OH 45342
sforkin@proliance.com
mgriffiths@proliance.com

Gary A. Jeffries
Dominion Retail, Inc.
501 Martindale Street, Suite 400
Pittsburgh, PA 15212-5844
Gary.jeffries@dom.com

David M. Perlman
Bracewell & Guiliani LLP
2000 K St., NW, Suite 500
Washington DC 20006-1872
David.perlman@bgllp.com

John W. Bentine
Mark S. Yurick
Chester, Willcox & Saxbe
65 E. State St., Suite 1000
Columbus, OH 43215
jbentine@cwslaw.com
myurick@cwslaw.com

Craig Goodman/Stacey Rantala
National Energy Marketers Association
3333 K Street, N.W., Suite 110
Washington DC 20007
cgoodman@energymarketers.com
srantala@energymarketers.com

Gregory D. Russell
Vorys, Sater, Seymour and Pease LLP
52 E. Gay Street
Columbus, OH 43215
gdrussell@vorys.com

Stephen A. Reilly
Assistant Attorney General
180 E. Broad St., 6th Floor
Columbus, OH 43215
Stephen.reilly@puc.state.oh.us

Chris Hendrix
Director of Markets & Compliance
Energy Regulations & Legislation
Wal-Mart Stores, Inc.
2001 Southeast 10th Street
Bentonville, Arkansas 72716-0550
Chris.hendrix@wal-mart.com

Dane Stinson
Bailey & Cavalieri LLC
10 W. Broad St., Suite 2100
Columbus, OH 43215
Dane.stinson@baileycavalieri.com

Thomas J. O'Brien
Bricker & Eckler LLP
100 S. Third Street
Columbus, OH 43215-4291
tobrien@bricker.com