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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Complaint of)	
)	
The Office of the Ohio Consumers')	
Counsel, et al.,)	Case No. 10-2395-GA-CSS
)	
Complainants,)	
)	
v.)	
)	
Interstate Gas Supply d/b/a Columbia)	
Retail Energy,)	
)	
Respondent.)	

PRE-FILED TESTIMONY OF LARRY FREEMAN
ON BEHALF OF THE STAND ENERGY CORPORATION

November 1, 2011

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1 **1. What is your name and address?**

2 **Answer:** My name is Larry Freeman. My business address is Stand Energy Corporation,
3 1077 Celestial Street, Suite 110 Cincinnati, OH 45202-1629.

4 **2. What is your educational background?**

5 **Answer:** I graduated with honors from the University of Cincinnati in 1994 with a B.A. in
6 Economics.

7 **3. By whom are you employed and what is your current position?**

8 **Answer:** I am employed by Stand Energy Corporation as Executive Vice-President.

9 **4. Please describe your employment history and job duties.**

10 **Answer:** I have been employed by Stand Energy Corporation since 1994. I began my career
11 at Stand Energy Corporation as a Natural Gas Analyst, participating in all aspects of the
12 company's business. In subsequent years I was promoted to Manager, Gas Control, followed
13 by Vice-President, Gas Operations, and recently in 2011 to my current position.

14 **5. What is the purpose of your testimony?**

15 **Answer:** The purpose of my testimony is to state my professional belief that the use of the
16 name Columbia Retail Energy and Logo by Interstate Gas Supply sets bad policy and
17 precedent, and is not in the best interest of all stakeholders.

18 **6. Please explain why you find the solicitations and use of the established brand
19 name and logo of Columbia to not be in the best interest of all stakeholders?**

20 **Answer:**

21 a) Columbia Distribution Companies are not supposed to give any individual or company
22 an advantage. By selling the Columbia trade name and logo to IGS, without offering it to

1 any other companies, Columbia provided IGS with a competitive advantage. It also
2 violated Columbia's code of conduct.

3 b) The use of the Columbia brand name and logo sets a terrible precedent. Allowing a
4 marketer to use the brand name and logo of a regulated utility, sets a bad precedent for
5 other utilities to do the same with either unrelated marketing companies or their
6 unregulated marketing arms.

7 c) The transfer of the Columbia brand name and logo suggests collusion between the
8 parties. IGS already holds a large residential CHOICE market share in the Columbia
9 service territories. The secrecy surrounding the details of the brand name and logo transfer
10 suggests IGS and Columbia colluded to corner the residential CHOICE market and
11 ultimately raise prices once they have established a dominant market share. The problem
12 and risk of future price hikes on residential CHOICE customers is materially impacted by
13 the likelihood of customer confusion resulting from the use of the logo. The potential for
14 higher prices and lost savings for residential customers is well documented by the
15 Columbus Dispatch article in July 2011.

16 d) It has been my experience and observation that once IGS is able to get a customer to
17 "switch", they implement substantial price increases to customers in the following rollover
18 or renewal period (a "bait and switch" marketing strategy). In this marketing strategy, the
19 use of the Columbia brand name and logo becomes particularly harmful to consumers.
20 Customers are lured by the use of the Columbia brand name and logo, and then receive
21 substantial price hikes once their original offer expires. Most residential and many small
22 retail commercial customers do not read or understand the fine print on their contract
23 rollover provisions.

1 e) Lastly, the “sale” or “rental” of the Columbia established brand name and logo has
2 harmed ratepayers. For decades, Columbia has utilized ratepayer funds to advertise,
3 promote, and establish the Columbia name and logo. Presumably, the licensing contract
4 contains provisions to compensate Columbia. If this is the case, the ratepayers should be
5 entitled, at a minimum, to 100% of all revenue associated the licensing of the brand name
6 and logo. Ratepayers have borne the costs over many years – they should be entitled now
7 to the revenues.

8 **7. Do you believe that IGS has obtained a competitive advantage over other gas**
9 **marketers by licensing the name and logo of Columbia Gas which hurts other gas**
10 **marketers?**

11 **Answer:** a) The less than straight forward use of the Columbia brand name and logo by
12 IGS, harms the image of natural gas marketers. Customers will become confused
13 concerning the true identity of their gas supplier. When customers realize they have been
14 duped into signing up with IGS when they intended to sign up with Columbia - it ends up
15 “painting all marketers with the same brush” – i.e. marketers are deceptive and misleading.
16 Stand Energy Corporation, as a natural gas marketer, is unfairly harmed by this perception.

17 b) Stand Energy Corporation has previously been involved in retail Choice programs in
18 Ohio in relatively small volumes. We have contemplated increasing our market share.
19 The secrecy surrounding this licensing deal has delayed our business plans to enter this
20 market because we feel the deck is stacked against us.

21 c) The use of the established brand name and logo of Columbia will be marketed by IGS
22 to Stand Energy's existing customers on the Columbia system and give IGS an unfair

1 brand association and could reasonably result in Stand Energy Corporation losing
2 customers to IGS.

3 **8. Are you aware that in 2002-2003 IGS received non-public information, not**
4 **available to other marketers, from a subsidiary of NiSource as documented by**
5 **FERC in Docket No. IN04-2-000 which resulted in \$2.5 million in fines paid by**
6 **Columbia Gas Transmission?**

7 **Answer:** Yes. I recall the article in *Gas Daily* and the subsequent informational postings
8 from Columbia Gas Transmission on their EBB. I am also aware of Susan Wade's demotion
9 at Columbia Gas for her involvement in providing IGS with the non-public information on a
10 regular basis.

11 **9. Does any NiSource subsidiary now have a financial incentive to favor IGS over**
12 **other competitors in competitive situations?**

13 **Answer:** It could. It is imperative that the detail of this license agreement become open to
14 the public, particularly since ratepayer funds have been used to promote the trade name and
15 logo over decades.

16 **10. Do you believe that the IGS solicitation claims that, "had the SSO pricing**
17 **structure been in place over the last five years, the average price would have been**
18 **\$.088 which is 17% higher than this Columbia Retail Energy fixed rate plan" are**
19 **misleading and deceptive?**

20 **Answer:** Yes. They do not present the entire picture to consumers, and their deceptive
21 advertising largely explains why customers have lost substantial sums of money as described
22 in the Columbus Dispatch article I discussed earlier. I even find IGS marketing materials
23 mailed to my home (in the Duke Ohio service territory) are consistently and regularly

1 extremely deceptive and misleading. IGS regularly compares “apples to oranges” and fails to
2 clearly identify and disclose utility recovery costs and excise tax rates vs. sales tax rates.

3 **11. Does this conclude your testimony?**

4 **Answer:** Yes it does.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of "Pre-Filed Testimony of Larry Freeman on behalf of Stand Energy Corporation" was served this 1st day of November, 2011 by electronic mail upon the following:

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