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December 9, 2011

Public Utilities Commission of Ohio
Chairman Todd A. Snitchler
Honorable Commissioners
Paul A. Centolello
Steven D. Lesser
Andre T. Porter
Cheryl L. Roberto

RECEIVED-DOCKETING DIV.
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PUCO

RE: AEP ESP Case Settlement 11-346 ELSSO

Interstate Gas Supply, Inc. (IGS) appreciates the demands on your schedule and time so will get directly to the point of this open letter.

IGS is concerned that the September 7, 2011 settlement agreement filed in the AEP ESP case could have a disproportionately negative impact on residential customers and not allow for the proper development of a competitive residential market. Since the capacity exemption as drafted in the settlement agreement will apply on a first-come first-serve basis as of January 1, 2012 (assuming no changes to the filed version), commercial and industrial customers will have disproportionate access to the exemptions as compared with residential customers' access to the exemptions.

A solution to this issue would be to continue the pro-rata approach contemplated in the settlement agreement for the entire transition period. As drafted, only through December 31, 2011 will residential customers be assured access to the exemption from the capacity charges by selecting a CRES supplier, thereafter the pro-rata allocation is replaced with a first-come first-serve approach. Since commercial/industrial load can significantly outpace residential load on a per-customer basis, it seems that fairly quickly the commercial/industrial customers will meet the exemption caps before residential customers can react. Therefore, IGS implores the Commission to modify the settlement agreement to extend the pro-rata distribution of the tiered exemptions to the capacity charges so that each customer group can maintain access to the exemptions up to the described caps during the entire transition period.

IGS also suggests that to the extent government aggregations are being considered as residential participants, IGS suggests that such participation be limited to one-half of the applicable exemption cap each period (for instance, for the 2012 period, of the 21% residential customer group only 10.5% could include government aggregation, the remainder would be available only to direct customer relationships created with CRES suppliers). Although government aggregation can assist in moving larger groups of customers in a shorter period of time, it does not provide the diversity of supply or offers that is available from CRES providers in total. The balance of the exemptions should remain available on a pro-rata basis through CRES providers outside of the government aggregation arena.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "Scott White".

Scott White, President
IGS Energy

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Technician _____ Date Processed 12/9/2011