BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Review of Its Rules for Competitive Retail Natural Gas Service Contained in Chapters 4901:1-27 Through 4901:1-34 of the Ohio Administrative Code.	)))))	Case No. 12-925-GA-ORD

THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO'S, VECTREN ENERGY DELIVERY OF OHIO, INC.'S, AND COLUMBIA GAS OF OHIO, INC.'S MEMORANDUM CONTRA THE APPLICATIONS FOR REHEARING OF THE OFFICE OF OHIO CONSUMERS' COUNSEL AND OHIO POVERTY LAW CENTER, OHIO PARTNERS FOR AFFORDABLE ENERGY, AND OHIO GAS MARKETER'S GROUP AND RETAIL ENERGY SUPPLY ASSOCIATION

I. INTRODUCTION

In accordance with Ohio Adm. Code 4901-1-35(B), The East Ohio Gas Company d/b/a Dominion East Ohio (DEO), Vectren Energy Delivery of Ohio, Inc. (VEDO), and Columbia Gas of Ohio, Inc. (Columbia) (collectively referred to herein as the Gas Companies) file this memorandum contra the applications for rehearing filed by the Office of Ohio Consumers' Counsel and Ohio Poverty Law Center (collectively, OCC), Ohio Partners for Affordable Energy (OPAE), and Ohio Gas Marketer's Group and Retail Energy Supply Association (collectively, OGMG) on January 17, 2014.

II. ARGUMENT

The Gas Companies will offer a brief response to certain arguments made by OCC, OPAE, and OGMG. Failure to address any other arguments made by any party should not be construed either as support or opposition.

A. OCC's proposal to add the total 12-month historical gas cost information on customers' bills is unnecessary and reflects unreasonable assumptions.

OCC alleges that the Commission erred by not amending proposed Ohio Adm. Code 4901:1-29-12(H) to require natural gas utilities to provide total natural annual gas costs on consumers' bills. (OCC Rehg. App. at 8.) OCC argues that "[t]his information is helpful for consumers on a going-forward basis in predicting what natural gas costs might be in the next year and to budget accordingly." (*Id.*) But OCC's argument should be rejected. Providing natural gas costs on customers' bills would likely provide negative value: adding substantially more information to an already crowded document, and information that will not provide a valid indicator of future prices.

As DEO and VEDO argued in their reply comments, adding annual natural-gas-cost data to bills may make bills more difficult to read and would likely increase printing and mailing costs. (DEO/VEDO Reply Comments at 12.) But whether these costs would result in any added benefit is questionable to say the least. Utility bills are already packed with information, and adding more only increases the likelihood of customer confusion and frustration. Moreover, as the Commission correctly pointed out, this information is already available to customers who want it: they may obtain their payment history for the previous 24 months from the natural gas utility. Finding and Order at 62. Forcing LDCs to include similar information on the bill of every customer—those who want it and those who do not—would be redundant at best.

These practical considerations suffice to rule out OCC's suggestion; but there are more substantive problems, too. OCC assumes that past prices are valid indicators of future prices. That is not a sound assumption, as the last decade of pricing confirms. Natural gas market prices are variable and sometimes volatile, and rise and fall depending on a countless array of unpredictable variables. When past prices were relatively high, it could make an unfavorable offer look good, and vice versa if past prices were low. So to do what OCC suggests and rely on past prices "on a going-forward basis in predicting what natural gas costs might be in the next year and to budget accordingly" (OCC Rehg. App. at 9) would be less than prudent. As DEO and VEDO pointed out in their reply comments, the existing Apple-to-Apples chart is a far better comparison tool than evaluating historical rates. (DEO/VEDO Reply Comments at 12–13.)

The Commission did not err in rejecting OCC's recommendation, and it should continue to reject it.

B. The Commission's rules strike the right balance between the standard offer rate and variable prices, and OCC has failed to demonstrate otherwise.

OCC argues that the Commission erred by not amending Ohio Adm. Code 4901:1-29-10(G) to require a "price to compare" on customers' bills or alternatively to require CRNG suppliers to notify customers when their rate exceeds the SCO or SSO for two consecutive months. (OCC Rehg. App. at 3, 5.) OCC alleges (without substantiating) an "increasing number of reports that customers are paying more for natural gas through bilateral contracts with CRNGS than if they were served through the Utility standard offer rate." (*Id.* at 4–5.) OCC fails to spell this out in any detail, but on this basis it asserts that "[t]he potential and reality of customers paying more than they need for natural gas is the demonstrated reason for the need for additional protection and information for the customer." (*Id.* at 5.)

The Commission has already rejected OCC's recommendation, and OCC has not shown that the Commission erred. *See* Finding and Order at 56 ("The Commission further declines to adopt OCC's suggestion when MVR rates exceed the standard option, on the basis that there is no demonstrated need. . . ."). OCC's recommendation runs counter to Ohio's policy goals of reducing or eliminating barriers to market entry and encouraging customers to choose their own natural gas supplier. To the extent any offer, particularly one required by the Commission, is held out or implied to be *the* standard against which all other offers should be judged, it could easily foster distrust in and hinder the development of the competitive market. And this is ironic, because it is precisely the robustly developed competitive supply market that led to the very offer OCC and others now so strongly favor.

DEO has discussed in other proceedings some of the reasons why it is not always fair to compare standard service offers side-by-side with competitive offers. *See* Case Nos. 13-1307-GA-COI; 12-1842-GA-EXM. This point is particularly clear in the case of fixed-price offers, which not surprisingly will tend to exceed the variable market price over a short-run comparison (such as the two month period that would trigger OCC's notice). But regardless of the specific difficulty of comparing different offers solely on the basis of price, OCC's recommendation runs contrary to Ohio policy.

Highlighting a Commission-required offer as *the* price to compare sends a message that is contrary to the development of a competitive market, and could undermine efforts to encourage customers to become educated about what supplier and offer may be right for them. OCC's argument should be rejected.

C. Tying the variable gas rates of the CRNG suppliers to an index limits price options and hinders effective competition.

OPAE alleges that the Commission erred by not amending Ohio Adm. Code 4901:1-29-05(A)(2)(a) to require that variable rate contracts be tied to a publicly available index. (OPAE Rehg. App. at 8.) OPAE argues that joining variable rates and a public index will make the description of any variable rate more accurate and understandable. (*See id.*) OPAE's argument should be rejected.

First, at this time, OPAE's recommendation is simply unnecessary. DEO, VEDO, and Columbia offer residential customers some form of a standard service offer, which is a variable price tied to a publicly available price index. So until such time as the Commission sees fit to transition to a fully competitive residential market for commodity, OPAE's recommendation is plainly superfluous.

Moreover, OPAE's argument is fundamentally out of step with the notion of a competitive marketplace for the natural gas commodity. By definition, pricing in a fully competitive retail natural gas market is driven by the forces of supply and demand, without government intervention unduly influencing market outcomes. If OPAE's argument is accepted, and the Commission imposes by rule a required, default-price offer on all suppliers, it would likely distort the competitive market by requiring an outcome that CRNG suppliers would not necessarily offer on their own.

If customers desire a rate tied to a public price index, then the marketers that offer such rates will gain market share. But dictating to CRNG suppliers what rates they must offer is directly regulating the price of commodity. Indeed, such steps would rob CRNG suppliers of their ability to set variable rates in response to numerous economic factors. The point of Choice programs, and the policy of R.C. 4929.02, is to let the competitive markets work. Restricting pricing and controlling "competitive" offers are both contrary to these policy goals and should not be adopted here.

OPAE's recommendation is unnecessary and out of step with Ohio policy and should be rejected.

D. The Commission did not err by continuing the prohibition against CRNG suppliers terminating distribution service.

OGMG alleges that the Commission erred by not amending Ohio Adm. Code 4901:1-29-03(C) to allow CRNG suppliers who provide consolidated billing to terminate distribution service. (OGMG Rehg. App. at 11.) OGMG argues that the Commission has not "contemplate[d] a situation in which the CRNGS supplier may be providing CRNGS-consolidated billing, where the supplier bills for both distribution service and CRNGS," who will be "further hampered in providing CRNGS-consolidated billing." (*Id.* at 11–12.) The Gas Companies are not necessarily opposed to later discussions along these lines, but to the extent OGMG proposes any rule changes, those recommendations should be rejected.

OGMG does not even begin to address the numerous, serious issues that must be resolved before a CRNG supplier should be permitted to disconnect (or direct an LDC to disconnect) a residential customer. To name just a few, OGMG fails to address whether and how CRNG suppliers will assume receivables risks; how they will handle information-technology and customer-care issues; what procedures they have in place to satisfy customer-notice requirements, extreme-cold-weather moratoriums on disconnection, and reconnection procedures; and how they would handle a myriad of other factors and circumstances that flow out of the entire credit cycle with all of its complications. And such a transformation of customer responsibility does not merely present practical issues, but raises deeper questions going to the heart of utility and supplier duties under Ohio law. The path recommended by OGMG could easily lead to the blurring of the divide between comparatively unregulated CRNG suppliers and fully regulated LDCs. Whether it is ever appropriate for CRNG suppliers to arrange for the disconnection of residential customers' distribution service, it is a step that should not be taken without the most serious of practical discussion, legal analysis, and considered input from all parties.

OGMG's response to these concerns is to say that there is "chicken-and-egg scenario" that apparently requires the rules to be changed *before* these necessary discussions be had. (OGMG Rehg. App. at 12.) In the Gas Companies' view, the more apt metaphor would be "putting the cart before the horse" or perhaps "shooting first and asking questions later": the Gas Companies fail to see the sense in *first* codifying a major paradigm shift and *then* discussing the issues surrounding and implicated by that shift. The sensible conclusion, on the contrary, is the opposite one.

It is not clear to the Gas Companies that further discussion is warranted at this time, but that is a matter for the Commission to decide. It clearly is not the time for a rule change. OGMG's argument should be rejected.

III. CONCLUSION

For the foregoing reasons, the Gas Companies respectfully request that the Commission reject the arguments identified above in the memoranda contra filed by OCC, OPAE, and OGMG.

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Respectfully submitted,

/s/ Andrew J. Campbell

Mark A. Whitt (Counsel of Record)
Andrew J. Campbell
Gregory L. Williams
WHITT STURTEVANT LLP
The KeyBank Building, Suite 1590
88 East Broad Street
Columbus, Ohio 43215
Telephone: (614) 224-3911
Facsimile: (614) 224-3960
whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
williams@whitt-sturtevant.com

ATTORNEYS FOR THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO AND VECTREN ENERGY DELIVERY OF OHIO

/s/ Brooke E. Leslie
Stephen B. Seiple, Asst. General Counsel
Brooke E. Leslie, Senior Counsel
(Counsel of Record)
200 Civic Center Drive
P.O. Box 117
Columbus, OH 43216-0117
Telephone: (614) 460-5558
Facsimile: (614)-460-6986
sseiple@nisource.com
bleslie@nisource.com

ATTORNEYS FOR
COLUMBIA GAS OF OHIO, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of Memorandum Contra was served by electronic mail this 27th day of January, 2014 to the following:

elizabeth.watts@duke-energy.com
amy.spiller@duke-energy.com
jeanne.kingery@duke-energy.com
mswhite@igsenergy.com
vparisi@igsenergy.com
gkrassen@bricker.com
tsiwo@bricker.com
mwarnock@bricker.com
kern@occ.state.oh.us
serio@occ.state.oh.us
BarthRoyer@aol.com
Gary.A.Jeffries@dom.com
drinebolt@ohiopartners.org
cmooney@ohiopartners.org
sseiple@nisource.com
bleslie@nisource.com
barbalex@ctel.net
stephanie.chmiel@thompsonhine.com
eagleenergy@fuse.net
mhpetricoff@vorys.com
glpetrucci@vorys.com
msmalz@ohiopovertylaw.org
jmaskovyak@ohiopovertylaw.org

/s/ Andrew J. Campbell
One of the Attorneys for
The East Ohio Gas Company d/b/a
Dominion East Ohio