

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's)	
Investigation of Ohio's Retail Electric)	Case No. 12-3151-EL-COI
Service Market)	

REPLY COMMENTS OF INTERSTATE GAS SUPPLY, INC.

I. INTRODUCTION

Interstate Gas Supply, Inc. ("IGS" or "IGS Energy") would like to thank all commenters that have taken the time to submit input on the very important topic of the future of Ohio's electric markets. There was a diverse range of opinions submitted in this proceeding, and while not all of the parties agree on the issues, the time and effort that each of the stakeholders, the Public Utilities Commission of Ohio ("Commission") and Commission Staff ("Staff") have put into Ohio's electric retail market investigation process is commendable. In an effort not to be duplicative of arguments already made in this proceeding, IGS will limit its reply comments to directly addressing the Initial Comments to Staff's Report and Recommendations ("Staff Report") filed on February 6th, 2014.

II. REPLY COMMENTS

A. Texas Electric Markets Are Well Functioning and Have Been Extremely Successful at Bringing Benefits to Customers.

In their comments the Office of Ohio Consumers' Counsel ("OCC") and the Ohio Partners for Affordable Energy, and other interest groups¹ (hereinafter referred to as "OPAE") restated their position that the current SSO structure procured by a descending clock auction should remain the default rate structure of all Ohio customers. The position of OCC and OPAE is not surprising, as it is the position taken by OCC and OPAE in numerous filings submitted in this proceeding. IGS respectfully disagrees with this position and points to IGS' Initial Comments to the Staff Report filed on February 6, 2014 for further detail as to why.² While the majority of OCC and OPAE comments are nothing new, both OCC and OPAE rely heavily on their characterizations of the Texas electric markets to argue that Ohio's default structure should not change because Ohio does not want to end up like Texas.³ IGS, thus, would be remiss if it did not point out the inaccuracies and misrepresentations made by the OCC and OPAE about Texas electric markets.

Both OCC and OPAE claim that Texas customers are experiencing higher electric prices as a result of eliminating default service.⁴ These claims are false. The most recent data issued by the United States Energy Information Agency ("EIA") shows that customers in Texas (including residential customers) pay less per KWH for electricity than the national average and less than Ohio customers.⁵ Also, a recent report issued

¹ The interest groups joining OPAE in their comments are AARP, Pro Seniors, Ohio Poverty Law Center, Edgemont Neighborhood Coalition, Southeast Ohio Legal Services, Legal Aid Society of Columbus, Legal Aid Society of Cleveland, Communities United for Action, and the Citizens Coalition.

² Comments of Interstate Gas Supply Inc., at 3-6 (Fe. 6, 2014); Case No. 12-3151-EL-COI ("IGS Initial Comments").

³ See Comments of OCC., at 2-12(Fe. 6, 2014); Case No. 12-3151-EL-COI ("OCC Initial Comments"). Comments of OPAE, at 8-9 (Fe. 6, 2014) Case No. 12-3151-EL-COI ("OPAE Initial Comments").

⁴ OPAE Initial Comments , at 8-9; OCC Initial Comment, at 4.

⁵ EIA data shows that for the month of November 2013 (the most recent month available), Texas electric customers paid approximately 13% less than the national average and 7% less than Ohio electric customers. The EIA data can be found at: http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_a

by the *Public Utilities Commission of Texas* (“PUCT”) found that prices in Texas have decreased since the state completely restructured its electric markets in 2002 and that customers in all competitive electric markets are able to enroll in electric prices well below the national average price for electricity.⁶ Also, the fact that Texans are paying less for electricity than the rest of the country is remarkable given that Texas currently has the second fastest growing economy in the United States⁷ and GDP in Texas has nearly doubled since 2000.⁸

OCC also claims that the elimination of default service has resulted in higher cancellation fees in Texas—sometimes as high as \$200 per customer.⁹ This claim is also false. First, *Texas residential electric consumption is nearly double that of Ohio’s residential electric consumption.*¹⁰ Texas also has many more products available in the market than in Ohio. Further, a look at the PUCO apples-to-apples website reveals that each utility in Ohio has products with cancellation fees of up to \$150.¹¹ One would expect a broader range of cancellation fees in Texas given the vastly higher consumption of Texas electric customers and the numerous products available in the market. In fact, when electric consumption is taken into account, the cancel fees per unit of electricity are lower in Texas than what is seen in Ohio.

⁶ *Scope of Competition in Electric Markets in Texas*, at 50. Public Utilities Commission of Texas (2011). A copy of the report can be found at: <http://www.treia.org/assets/documents/reports-and-studies/puc.scopeofcompetitionreport2011.elec.pdf>

⁷ See <http://money.cnn.com/gallery/news/economy/2013/06/12/fastest-growing-states/2.html>

⁸ <http://research.stlouisfed.org/fred2/series/TXNGSP?cid=27326>

⁹ OCC Initial Comments, at 6.

¹⁰ Data on electric consumption by state can be found on the EIA website at:

http://www.eia.gov/state/seds/data.cfm?incfile=/state/seds/sep_sum/html/sum_btu_1.html&sid=US

¹¹ The PUCO Apples-to-Apples website can be found at:

<http://www.puco.ohio.gov/puco/index.cfm/apples-to-apples/>

Finally, OCC claims that there are a myriad of additional fees charged to customers in Texas by competitive suppliers, and includes in their comments a chart of additional fees charged by competitive suppliers in Texas.¹² The data provided by OCC is irrelevant. In Texas, competitive suppliers are responsible for the billing of all electric charges (including distribution charges) and customer connection and disconnection. In Ohio, these functions are performed by the electric distribution utilities (“EDUs”). All the fees listed by OCC are charges customers pay to the EDU in Ohio for billing, disconnection, and reconnection. For instance, OCC cites disconnect charges, late payment fees, and fees charged for payment by phone.¹³ All EDUs in Ohio charge these fees, thus customers in Texas are not unique in having to pay the fees cited by OCC.

In short, the OCC and OPAE have made misrepresentations about the electric market in Texas in an attempt to discourage the Commission and others from moving down the path to further, more effective competition. The Commission should not be persuaded. In fact, scare tactics aside, Texas is an example of how fully competitive markets work to bring benefits to customers. Texas has near full smart meter deployment in their competitive markets, and as a result competitive suppliers are able to offer customers a wide range of products.¹⁴ Those products include time-of-use rates, nights and weekend products, bundled products that include smart thermostats, solar distributed generation, demand response, energy efficiency, and green electricity.

¹² OCC Initial Comments, at 7.

¹³ Id.

¹⁴ Smart meter deployment by state can be found on the EIA website at: <http://www.eia.gov/todayinenergy/detail.cfm?id=8590>

These products are available to customers in Texas, *all while still experiencing lower electric prices.*

Unfortunately, Ohio is significantly behind Texas when it comes to innovation in the electric market, and this is largely due to the fact that Ohio has not fully embraced electric competition. Instead, Ohio has a default rate structure that discourages engagement in markets and discourages customers from making an affirmative choice for their electric supply. Further, Ohio spends a vast amount of regulatory resources litigating issues germane to the artificial default rate in order to protect and subsidize that rate. These resources could be better spent on more productive endeavors such as providing assistance to economically disadvantaged electric customers and encouraging innovation in the market.

IGS is confident that the Commission will see past the misrepresentations made by opponents of competition and continue Ohio's electric markets down the path to fully competitive markets similar to what has been achieved in Texas.

B. The Arguments Against Implementing the Reasonable and Modest Market Enhancements Proposed by Staff are Not Credible.

The Staff Report recommended certain modest steps that should be taken in order to enhance Ohio's competitive electric markets for the benefit of customers. Those recommendations include 1) requiring EDUs to implement a purchase of receivables program ("POR"), 2) establishing a working group tasked with creating a plan to implement seamless move for electric customers, 3) requiring an EDU to include the CRES supplier's logo on a customer's bill and 4) allowing customers to voluntarily

create an online account that would enable customers to enroll with a CRES without an account number (hereinafter collectively “Staff’s Market Enhancements”).¹⁵

Unsurprisingly, certain parties filed comments opposing *all* of Staff’s Market Enhancements.¹⁶ The reasons cited in opposition were many, including claims that the market enhancements are illegal,¹⁷ that the technology does not exist to make the market enhancements,¹⁸ and that the market enhancements would be too costly or burdensome.¹⁹ IGS will not refute point by point these arguments, as these issues have been fully vetted in comments already provided in this proceeding and the RMI workshops. IGS would just like to make a few broad observations with respect to Staff’s Market Enhancements and the opposition thereto.

First, Staff’s Market Enhancements represent modest and immediate steps that can be taken to enhance Ohio’s retail electric markets; however, everything proposed in the Staff Report has either already been adopted by utilities in Ohio or in competitive electric markets in other states.²⁰ Thus, the arguments that the programs proposed by Staff are illegal, unworkable, or too costly can be dismissed off-hand. The evidence from other utilities in Ohio and surrounding states show that the market enhancements

¹⁵ Staff Report, at 15-24 (January, 16, 2014); Case No. 12-3151-EL-COI

¹⁶ See *Generally* OCC Initial Comments; Initial Comments of Toledo Edison Company, Ohio Edison Company and the Cleveland Electric Illuminating, Co. (“FirstEnergy”); Initial Comments of Dayton Power & Light, Co. (“DP&L”).

¹⁷ OCC Initial Comments at 20-21; FirstEnergy Initial Comments at 19-20;

¹⁸ FirstEnergy Initial Comments at 22-23.

¹⁹ *Id.*

²⁰ For instance, by reading the comments in opposition to a POR program, one might be led to believe that a POR program is an untested scheme that will run afoul of the law and utility costs. In-fact, POR has been around for years in Ohio and other states and is part of a majority of electric and natural gas Choice programs throughout the country. POR has also been shown to benefit customers by reducing costs, increasing simplicity and making markets more competitive.

proposed by Staff are not illegal, they do work, they benefit customers, and they make the market more competitive.

Second, there were certain parties that participated in this proceeding that have opposed, and continue to oppose, just about every proposal that would help make Ohio's electric markets more competitive. While the reasons cited in opposition are many, the one underlying reason appears to be that that *there are some who believe that Ohio's competitive electric markets should not move forward.*

Unfortunately, for the opponents of competition, this debate has already been decided. Ohio decided to transition to competitive electric markets long ago and it is the policy of the State of Ohio to promote and support competitive electric markets.²¹ In fact, the Commission has stated on numerous occasions that it believes that competitive markets do bring great benefits to customers. Thus, while those that do not support competitive markets are certainly entitled to their opinion, they should not be allowed to stop all progress towards competitive and transparent electric markets. Instead, the Commission should follow the path set forth by the Ohio legislature and continue to take step to further electric competition in Ohio.

C. Customer Engagement and Informed Customers are Not Bad Things.

In their Initial Comments to the Staff Report, the Northeast Ohio Public Energy Counsel ("NOPEC") objects to including customer engagement and informed customers as a metric for competitive markets.²² Shortly into its opposition to customer engagement, NOPEC launches into a non-sequitur discussion on how IGS' comments

²¹ See R.C. 4928.02(G), R.C. 4928.02(C); R.C. 4928.02(H).

²² NOPEC Initial Comments, at 3-7.

made on July 8, 2013 are the reason why Staff included the measure of informed and engaged customers as a metric to evaluate competition in electric markets.²³ While it is flattering that NOPEC attributes the concept of engaged and informed customers to IGS, IGS unfortunately cannot take full credit for introducing these concepts. Rather, the idea that customers ought to be informed and engaged about the products they receive is common sense and should be uncontroversial. Informed and engaged customers are the cornerstone of just about every competitive market and this is why it is typically not a good policy for regulators or interest groups to make product choices for customers.

NOPEC also spends nearly three pages of its comments arguing that IGS' purported "analysis" on the engagement level of opt-out aggregation customers is flawed.²⁴ IGS, however, did not once mention customer opt-out aggregation in its Comments filed in response to the Staff Report. Rather, NOPEC's concern appears to stem from a single footnote in another set of comments IGS filed over seven months ago.²⁵

First, IGS notes that it serves customer aggregation programs in both Ohio's electric and natural gas markets and highly values the relationships it has with the communities and customers it serves. Further, notwithstanding the procedural inappropriateness of NOPEC's comments,²⁶ IGS does believe that informed and engaged customers in Ohio's competitive electric markets is a good thing, whether they are SSO customers, aggregation customers, or customers that have affirmatively enrolled with a CRES supplier. Engaged customers who affirmatively choose the products in which they enroll

²³ Id., at 5.

²⁴ Id., at 5-7.

²⁵ See Supplemental Comments

²⁶ If NOPEC took issue with IGS' footnote filed in the Comments on July 8, 2013, NOPEC had an opportunity to file a reply to that footnote on July 22, 2013; however, it is now inappropriate for NOPEC to raise this issue when commenting on the recommendations made in the Staff Report.

are best able to protect their own interest because they are more likely to be aware of the attributes of the product they have purchased. Thus, it is appropriate for the Commission to consider the level of engaged and informed customers in Ohio's competitive electric markets.

D. Granular Customer Usage Data Should be Made Available to CRES Providers.

In the Initial Comments to the Staff Report, Duke Energy, Ohio ("Duke") notes that the issue of providing smart meter data to CRES suppliers needs to be thoroughly studied before CRES suppliers can receive access to customer data.²⁷ While IGS is appreciative of Duke's and other parties' concerns regarding customer privacy, *if the customer consents to making available granular usage data*, CRES suppliers should be able to receive that data from the EDU. Further, the consent requirements should not be unduly burdensome for the customer.

One of the primary benefits cited for smart meters is that they will enable customers to receive a broader range of electric pricing and products. Duke customers have already paid for the deployment of smart meters; therefore those customers ought to be getting the benefits. CRES suppliers, however, must have access to granular customer usage data in order for CRES suppliers to be able to offer many of the dynamic electric products to customers that are on the forefront.

The products that will be available to customers, once the customer data is available to CRES suppliers, include residential demand response and time-of-use pricing. The data needed by CRES suppliers does not always need to come from what is considered

²⁷ Duke Initial Comments, at 11.

a “smart meter.” Rather, sometimes traditional interval meters collect the granular customer data sufficient to meet CRES suppliers’ needs. Nonetheless, the data should be available to CRES suppliers, if the customer consents, so customers can start getting the benefits from the meters for which they have paid.

The Commission’s policy should also be to deploy technology that collects customer data needed to offer residential demand response and time-of-use products to residential customers. Thus, EDUs should be required to upgrade their systems to install smart meters and the IT infrastructure for EDUs to communicate the customer usage data to CRES suppliers in an efficient manner. These system upgrades will only benefit customers as they will allow customers to enroll in products that will help them to use electricity more efficiently.

III. CONCLUSION

IGS thanks the Commission for giving it the opportunity to offer its perspective on the very important topic of the future of Ohio’s retail electric markets. As explained in IGS’ comments, Ohio’s electric customers will be best served if Ohio continues further down the path of fully competitive electric markets. As such, IGS respectfully requests that the Commission adopt the recommendations made by IGS in this proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that a copy of this Application for Rehearing was served via electronic mail this 20th day of February 2014 on the parties listed below.

/s/ Matthew White

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Summary: Reply Comments electronically filed by Mr. Matthew White on behalf of IGS Energy