BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Review of the Purchase of Receivables Implementation Plan for Ohio Power Company.	)))	Case No. 15-1507-EL-EDI

REPLY COMMENTS OF IGS ENERGY, DIRECT ENERGY SERVICES, LLC, DIRECT ENERGY BUSINESS, LLC AND JUST ENERGY

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REPLY COMMENTS

I. INTRODUCTION

Since the General Assembly restructured Ohio's electricity markets, competitive retail electric service suppliers ("Suppliers") have advocated for modifications to electric distribution utility billing and collection practices that will reduce barriers to competition and enable the deployment of innovative products and services. One of those potential enhancements is a purchase of receivables ("POR") program. On the one hand, a reasonably structured POR program may enhance the development of the retail electric market, but, on the other, a poorly constructed program may inhibit the delivery of innovative products and services. Interstate Gas Supply, Inc. ("IGS"), Direct Energy Services, LLC and Direct Energy Business, LLC ("Direct"), and Just Energy ("Just") (collectively the "Retail Suppliers") file the below Reply Comments to urge the Public Utilities Commission of Ohio ("Commission") to adopt the specific suggestions submitted herein to avoid approving a POR program that that falls within the latter category.

Specifically in its Reply Comments, the Retail Suppliers:

- Agree with Ohio Power Company ("AEP Ohio") that program implementation should be put on hold until the supplier consolidated billing ("SCB") pilot has run its course;
- Disagree with AEP Ohio that program participation should be mandatory. To the extent the POR program moves forward, program participation must be optional for Suppliers;
- Disagree with AEP Ohio that all Suppliers should pay POR cost implementation. To the extent the POR moves forward, costs of program participation should be assigned to participating Suppliers only;
- In response to OCC, to the extent the POR moves forward, POR should not restrict Suppliers ability to offer non-commodity products;
- In response to OCC, to the extent the POR program charges a discount rate to participating Suppliers, appropriate uncollectible generation expense also must be assigned to default rate Standard Service Offer ("SSO") customers.

The reason for these Reply Comments are more fully set forth herein.

II. BACKGROUND AND COMMENTS

In an Opinion and Order modifying and approving AEP Ohio's electric security plan ("ESP"), the Commission authorized AEP to establish a POR Program, with specific details to be addressed in a future proceeding.[1] On November 16, 2015, the

[1] *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case Nos. 13-2385-EL-SSO et

Commission Staff filed a "Staff Report" in this proceeding containing a proposed POR Program implementation plan.

Following the submission of the Staff Report, on March 31, 2016, the Commission approved a Stipulation and Recommendation in which AEP Ohio agreed to establish a SCB pilot program.[2] Under that program, a Supplier may take on the responsibility to issue a single bill to a customer that includes all electric-related service charges. The specific details of the SCB pilot program are in the process of being completed.

On November 8, 2016, the Commission issued an Entry requesting that parties submit comments on the Staff Report. On December 8, 2016, parties filed initial comments in response to the Staff Report.

The Retail Suppliers submit their Reply Comments to address recommendations made by the Office of the Ohio Consumers' Counsel ("OCC") and AEP Ohio with respect to the following program parameters:

- Whether the Commission should delay implementation until AEP Ohio's SCB pilot program runs its course;[3]
- Whether Supplier participation in POR should be mandatory;[4]

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al., Opinion and Order at 80-82 (February 25, 2015), Second Entry on Rehearing at 35-47 (May 28, 2015), and Fourth Entry on Rehearing at 53-57 (November 3, 2016) (hereinafter referred to as the "*ESP III*" case).

[2] *In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider*, Case Nos. 14-1693-EL-RDR, Opinion and Order at 33, 85 (Mar. 31, 2016).

[3] AEP Ohio Comments at 3.

[4] AEP Ohio Comments at 5-6.

- Whether POR program costs should be recovered from participating and non-participating Suppliers;[5]
- The appropriate discount rate;[6]
- Inclusion of non-commodity charges on customer bills.[7]

In its Comments, AEP Ohio notes that it believes Suppliers are likely to view the pending rollout of SCB as more favorable than a POR program.[8] Based upon this reality, AEP Ohio recommends that the market development working group ("MDWG") "have follow up discussions to see if a POR program is currently desired due to the path of Supplier Consolidated Billing, or that the POR program be placed on hold to see the effects of Supplier Consolidated Billing."[9] But, to the extent that the POR program moves forward, AEP Ohio recommends that the cost of the program be socialized across participating and non-participating Suppliers.[10] Additionally, AEP Ohio recommends that non-commodity charges not be eligible for inclusion in the POR program.[11] OCC would go one step further and prohibit the inclusion of non-commodity charges on all electric bills.[12] Finally, AEP further believes that Suppliers should be limited to billing through three options: (1) SCB, (2) utility consolidated billing ("UCB") with POR, or (3) dual billing.[13]

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[5] AEP Ohio Comments at 1-2.
[6] OCC Comments at 6-7; AEP Ohio Comments at 3.
[7] OCC Comments at 6; AEP Ohio Comments at 5.
[8] AEP Ohio Comments at 2-3.
[9] *Id.* at 3.
[10] *Id.* at 1-2.
[11] *Id.* at 5.
[12] OCC Comments at 6.
[13] AEP Ohio Comments at 5-6.

As discussed below, the Retail Suppliers agree that the POR Program should be placed on hold, but, if it moves forward, certain modifications identified herein should be implemented, and costs should be assigned to participants only. Moreover, the Retail Suppliers do not object to excluding non-commodity charges from inclusion in the program. But, Suppliers should retain the option to utilize UCB to bill with or without POR.

1. The Commission should put the POR Program on hold

Regarding the development of SCB, AEP Ohio is correct that SCB is much more favorable than a POR Program. SCB will allow Suppliers to have a direct relationship with their customer through monthly billing, which can include the delivery of innovative products and services that may not be eligible to be included on a traditional utility consolidated bill—with or without POR. Therefore, the Retail Suppliers question the need to devote Supplier resources toward the implementation of a POR program that will not provide the potential for Suppliers to deliver innovative products and services.

2. Costs associated with POR should be assigned to participants

To the extent that AEP Ohio implements a POR Program, it should be paid for by Suppliers that participate in the program. Otherwise, Suppliers that have already committed to pay costs (their own and those billed by AEP Ohio) toward the implementation of the SCB pilot program will be held holding two bags—even if they elect to not participate or utilize the POR program at any point in time. Likewise, Suppliers that choose to not utilize the POR program and collect their own receivables would be required to subsidize other Suppliers. *The Retail Suppliers would rather have* *no POR Program then a program that requires non-participating Suppliers to pay for deployment costs*.

3. Non-commodity costs

The Retail Suppliers do not object to excluding non-commodity charges from the POR program. That being said, the ability to deliver innovative non-commodity products is limited to the extent that these charges cannot be included on customer bills. Therefore, the Retail Suppliers continue to support the inclusion of non-commodity charges on the UCB. As discussed below, our agreement to this limitation has potential ramifications that cannot be ignored in establishing parameters for a successful POR program.

4. The development of POR should not frustrate innovation

In its comments, it appears that AEP Ohio recommends that Suppliers not utilizing SCB should be required to choose between either UCB with POR or dual billing (billing customers directly for generation charges).[14] AEP Ohio claims that creating the option to participate in UCB without POR would require additional costly programming. While that may be true, failing to provide this optionality will frustrate the development of future products, given the limitation on including non-commodity charges in the POR program. By requiring Suppliers to participate in POR as a prerequisite to utilizing the UCB, Suppliers utilizing the UCB would be foreclosed from billing and collecting non-commodity products (given that these products would not be eligible for inclusion in the POR program). Therefore, AEP Ohio should either allow Suppliers to elect to participate in UCB with or without POR, or in the alternative, AEP Ohio should design its

[14] AEP Ohio Comments at 5-6.

POR program to have the ability to isolate and exclude charges associated with non-commodity products. *To the extent that this flexibility is not included in the POR program, the Retail Suppliers recommend terminating the program in its entirety and instead focus resources on ensuring the pilot program is a success to enable expanding supplier consolidated billing market wide*.

5. The discount rate and Supplier costs

The OCC recommends that Suppliers pay for all costs associated with the POR Program and that "[o]ngoing costs of the POR should be collected from customers with discount rate that includes a bad debt component, an operations and maintenance ("O&M") component, a working capital component, and a credit for the $12.2 million in shopping generation bad debt currently collected by Ohio Power through base distribution rates."[15] AEP Ohio appears to make a similar recommendation.

Initially, the Retail Suppliers do not oppose participating Suppliers paying for implementation costs for the POR Program. But, it is imperative that bad debt costs relating to the provision of Default Service are collected on the same terms—that is through bypassable charges. For this reason, the Retail Suppliers do not recommend that any portion of the $12 million of bad debt included in distribution rates be used to credit POR Program costs. Although the Staff Report states that this debt relates to shopping customers' uncollectible generation revenue, that simply cannot be true and should be reexamined by the MDWG. AEP Ohio does not currently have a POR program. Therefore, when AEP Ohio bills charges to a Supplier's customer and is not able to collect those charges, AEP Ohio remits those charges to the Supplier to collect.

[15] OCC Comments at 7.

Given that fact, there should not be bad debt allowance in AEP Ohio's distribution rates associated with uncollectible shopping customer generation-related charges.

The Retail Suppliers are cognizant that this recommendation may increase the discount rate applicable to all Suppliers that participate in the POR Program. But, we recognize that the increase may be appropriate because we are also recommending that going forward AEP Ohio appropriately allocate to Default Service its associated bad debt and collection costs. This issue may be considered further in AEP Ohio's ESP extension case. For example, the portion of AEP Ohio's bad debt that relates to uncollectible generation default service, the associated O&M costs, working capital, and all overhead, should allocated to default service in AEP Ohio's ESP Extension case. By allocating generation-related Default Service debt to a bypassable charge, the Commission can ensure that default service and shopping customers are not treated disparately with respect to the allocation of debt collection costs.

III. CONCLUSION

The Retail Suppliers appreciate the Commission's desire to open this proceeding as an effort to continue to reduce barriers to competition and innovation in Ohio's retail electric service market. As these reply comments suggest, a properly structured POR program may reduce barriers to competition and innovation. But, a poorly structured program, may lead to market stagnation and frustrate innovation. Therefore, the Retail Suppliers urge the Commission to adopt the suggestions contained herein to ensure that the market continues to move forward rather than fall behind. We look forward to working with the Commission, its Staff, and stakeholders in the future to further enhance the retail electric market.

Very truly yours,

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CERTIFICATE OF SERVICE

I certify that these Reply Comments of IGS Energy, Direct Energy Services, LLC, Direct Energy Business, LLC and Just Energy was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 22th day of December 2016. The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

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