

FILE

6

RECEIVED-DOCKETING DIV  
2003 JUL 17 PM 3:22  
PUCO

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio, Columbia Gas of Ohio, Inc., Vectren Energy Delivery of Ohio, Northeast Ohio Natural Gas Corp., and Oxford Natural Gas Company for Approval, Pursuant to Revised Code Section 4929.11, of Tariffs to Recover Uncollectible Expense Pursuant to an Automatic Adjustment Mechanism

Case No. 03-1127-GA-UNC

REPLY OF THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO, COLUMBIA GAS OF OHIO, INC., AND VECTREN ENERGY DELIVERY OF OHIO, TO COMMENTS OF GAS MARKETERS' GROUP

I. INTRODUCTION

The East Ohio Gas Company d/b/a Dominion East Ohio, Columbia Gas of Ohio, Inc., Vectren Energy Delivery of Ohio, Northeast Ohio Natural Gas Corp., and Oxford Natural Gas Company ("Applicants") filed an application (the "Application") requesting approval of an automatic adjustment mechanism for the recovery of uncollectible expense, and such accounting authority as may be required to permit them to defer uncollectible expense for subsequent recovery through the rider. The Application was filed pursuant to R.C. 4929.11, which permits such automatic adjustment mechanisms.

On June 23, 2003, Interstate Gas Supply, Inc., Vectren Retail LLC, and WPS Energy Services, Inc. ("Gas Marketers") filed comments supporting the Application. They deemed the rider a "superior method to compensate [Applicants] for bad debt," and agreed that it "more closely link[s] the current cost of bad debt to the current customers." (Comments, pp. 2, 3.) However, Gas Marketers also ask the Commission to consider, as part of this case, certain changes in the Choice programs. Because those suggested changes are not related to the merits

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business  
Technician ASJ Date Processed 7/17/03

of the bad debt rider, discussion of those changes is not appropriate in this case, and Gas Companies oppose the suggestion that the Commission couple approval of the rider with the suggested changes. In addition, two of the suggestions raise concerns. Given that Gas Marketers addressed the substance of those issues in their comments, Gas Companies file this reply.

## II. ARGUMENT

### A. Gas Companies Have No Option But To Return Customers to Sales Service in Order to Disconnect For Nonpayment

Gas Marketers suggest that if the Commission approves the bad debt rider, "there does not seem to be a compelling reason to keep the restrictions that prohibit initial participation or staying in a Choice or Aggregation program due to arrears." (Comments, pp. 6-7.) Gas Companies agree that if the Commission approves the bad debt rider, there should be no bar to delinquent customers' enrollment in Choice programs. In fact, the Application contains a commitment to allow delinquent customers to enroll in Choice programs. But Gas Companies do not agree the bad debt rider is a tradeoff for allowing customers, once enrolled, to stay in Choice programs even when they are in arrears.

Disconnection, and the threat of disconnection, are the best tools for collecting past due amounts. The Commission does not currently permit natural gas companies to disconnect service for nonpayment of supplier arrearages, and many suppliers do not drop customers for nonpayment. Thus, if customers are allowed to stay in the Choice programs even though they are in arrears, the arrearages will continue to mount. That is not in the best interests of Applicants or their ratepayers.

It would not matter, in those circumstances, that Applicants have bad debt riders. Gas Marketers' suggestion that Applicants could "recoup" all uncollectibles through a bad debt rider is not correct. Applicants will be able to collect through the rider *only* those amounts associated

with delinquent final accounts. Thus, if customers must be permitted to remain in the Choice programs and cannot be disconnected, their arrearages will never become eligible for recovery through the bad debt rider. There is no link between approval of the rider and requiring Applicants to permit nonpaying customers to remain in Choice programs.

The only way to properly examine the issue raised by Gas Marketers is in conjunction with their suggested uniform collection process, in a separate proceeding, directed solely at those matters. The Commission should not consider those issues, which are unrelated to the bad debt rider, in this case.

**B. The Automatic Adjustment Mechanism Requested in the Application Does Not Take the Place of Discounts on Purchases of Supplier Receivables**

Gas Marketers suggest that if the Application is approved, discounts on the purchase of supplier receivables should be eliminated. In the alternative, Gas Marketers suggest either that a credit be established for customers who "contribute" the 1% or that the EGC component of the GCR of those Applicants that apply a discount be increased by 1%. (Comments, p. 8.) But the discount on the purchase of supplier receivables and the bad debt rider are not duplicative, and elimination of the discount is not a proper subject for consideration in this case.

LDCs purchase supplier receivables in advance of recovering amounts due from the suppliers' customers, and are not compensated for that timing difference. Moreover, even with the bad debt rider, Applicants will collect the cost of money only on the amounts associated with delinquent final accounts, which are the only amounts eligible for recovery through the rider. Applicants will continue to absorb the substantial carrying cost associated with non-payment before the account is actually shut off. The receivable discount helps to compensate for those timing issues. The receivables discount also helps to offset the additional costs associated with

delayed credit action due to the need to return choice customers to sales service before they can be disconnected for nonpayment.

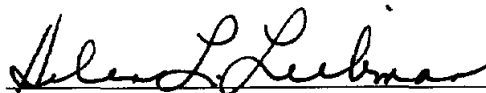
Contrary to the Gas Marketers' assertions, their concern is not about ensuring that there is a level playing field for consumers. There are no customers who will "have to pay up to 1% more for gas." The discounts have been in place for some time in Dominion East Ohio's case, and have been a part of Vectren's program since its inception. The elimination of the discounts would enrich the marketers, not the consumers.

The discount should be examined only in the context of credit and collection issues, which are not proper subjects for this docket.

### **III. CONCLUSION**

Given Gas Marketers' unqualified support for the bad debt rider, their other comments should not divert the Commission's attention from approval of the rider. The Commission should approve the Application without modification, and without requiring unrelated changes to the Choice programs.

Respectfully submitted,



Helen L. Liebman

Jones Day

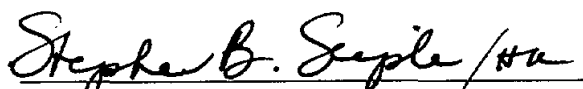
41 South High Street, Suite 1900

Columbus, OH 43215-6113

Telephone: (614) 469-3944

Facsimile: (614) 461-4198

Counsel for The East Ohio Gas Company d/b/a  
Dominion East Ohio



Stephen B. Seiple

200 Civic Center Drive

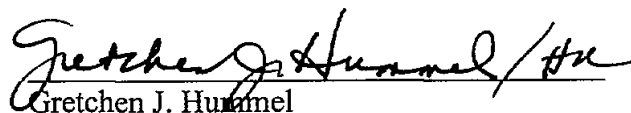
P.O. Box 117

Columbus, OH 43216-0117

Telephone: (614) 460-4648

Facsimile: (614) 460-6986

Counsel for Columbia Gas of Ohio, Inc.



Gretchen J. Hummel

McNees Wallace & Nurick

FifthThird Center

Suite 1700

21 East State Street

Columbus, OH 43215

Telephone: (614) 469-8000

Facsimile: (614) 469-4653

Counsel for Vectren Energy Delivery of Ohio

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply of The East Ohio Gas Company d/b/a Dominion East Ohio, Columbia Gas of Ohio, Inc., and Vectren Energy Delivery of Ohio, to Comments of Gas Marketers' Group was sent via regular U.S. Mail to the following this 17<sup>th</sup> day of July, 2003:

Janine L. Migden  
Hahn Loeser & Parks, LLP  
1050 Fifth Third Center  
21 East State Street  
Columbus OH 43215-4224


David C. Rinebolt  
Ohio Partners for Affordable Energy  
337 S. Main St., 4th Floor  
Suite 5  
P.O. Box 1793  
Findlay OH 45839-1793

Mr. Frank W. Sanders, III  
General Manager  
Oxford Natural Gas Company  
P.O. Box 880  
Oxford OH 45056

M. Howard Petricoff  
Vorys, Sater, Seymour & Pease LLP  
52 East Gay Street  
P.O. Box 1008  
Columbus Ohio 43216-1008

Mr. Lawrence P. Haren  
President  
Northeast Ohio Natural Gas  
Post Office Box 430  
Lancaster OH 43130-0430

Colleen L. Mooney  
The Office of the Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus Ohio 43215-3485

  
Helen L. Liebman