

June 18, 1998

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

- In the Matter of the Commission's )  
Investigation of the Customer Choice ) Case No. 98-593-GA-COI  
Program of Columbia Gas of Ohio, Inc. )
- In the Matter of the Commission's )  
Investigation of the Energy Choice ) Case No. 98-594-GA-COI  
Program of The East Ohio Gas Company. )
- In the Matter of the Commission's )  
Investigation of the Customer Choice ) Case No. 98-595-GA-COI  
Program of The Cincinnati Gas & Electric )  
Company. )
- In the Matter of the Application of Columbia )  
Gas of Ohio, Inc. for Statewide Expansion ) Case No. 98-549-GA-ATA  
of the Columbia Customer Choice Program. )
- In the Matter of the Application of The East )  
Ohio Gas Company for Authority to )  
Implement Two New Transportation )  
Services, for Approval of a New Pooling ) Case No. 96-1019-GA-ATA  
Agreement, and for Approval of a Revised )  
Transportation Mitigation Rider. )

FINDING AND ORDER

The Commission, considering the various applications, the staff's report, comments submitted by interested parties, and the applicable laws and regulations, and being otherwise fully advised, hereby issues its finding and order.

I. INTRODUCTION

This proceeding involves the Commission's investigation of the pilot gas "customer choice programs" (programs) previously implemented by Columbia Gas of Ohio, Inc. (Columbia), The East Ohio Gas Company (East Ohio), and The Cincinnati Gas & Electric Company (CG&E). All three of the companies are public utilities pursuant to Section 4905.02, Revised Code, and are subject to this Commission's jurisdiction.

On October 17, 1996, Columbia filed an application for approval of its Customer CHOICE program to make gas transportation service available to residential, small commercial, and human needs customers. By opinion and order issued January 9, 1997, Case No. 96-1113-GA-ATA, being *In the Matter of the Application of Columbia Gas of Ohio, Inc. to Establish the Columbia Customer Choice Program*, the Commission

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approved Columbia's application subject to the incorporation of certain recommendations of the staff and other modifications made by the Commission. The first phase of the program, which began on April 1, 1997, is currently in effect in the Toledo/Lucas County area for a one-year period. Continuation and expansion of the program is contingent upon an evaluation of the results of the program during the first year and the implementation of a mechanism for the recovery of the transition costs that has been previously approved by the Commission.

On September 25, 1996, East Ohio filed, pursuant to Section 4909.18, Revised Code, an application for approval of two new transportation services, a new pooling agreement, and a revised transportation migration rider to be implemented in conjunction with a new core market aggregation service. On July 2, 1997, the Commission issued its opinion and order approving, subject to certain modifications, East Ohio's Energy Choice program. *In the Matter of the Application of The East Ohio Gas Company for Authority to Implement Two New Transportation Services, For Approval of a New Pooling Agreement, and For Approval of a Revised Transportation Migration Rider*, Case No. 96-1019-GA-ATA (July 2, 1997). Enrollment in the initial 18-month phase of East Ohio's program began in October 1997 and currently provides approximately 173,000 residential, commercial, and industrial customers in ten counties the opportunity to select their provider of gas service.

On May 19, 1997, CG&E filed a stipulation in its prior gas rate case docket. *In the Matter of the Application of The Cincinnati Gas & Electric Company for an Increase in its Rates for Gas Service to All Jurisdictional Customers* (Case No. 95-656-EL-AIR), to resolve the Commission's directive in the original December 12, 1996 opinion and order for CG&E and interested parties to develop revised firm transportation and residential firm transportation tariffs. On July 2, 1997, the Commission issued its supplemental opinion and order approving CG&E's pilot program, which started in November 1997. Under the pilot, all of CG&E's approximately 360,000 customers are eligible to choose an alternative gas marketer.

At the time the Commission approved each of the pilot programs, the companies were directed to review the progress of the programs and prepare reports for the staff's review in the Spring of 1998. The Commission has also directed gas cost recovery (GCR) auditors to review the programs as part of their reviews in the GCR proceedings for each of these companies.

On March 31, 1998, Columbia filed an application requesting statewide implementation of its program (Case No. 98-549-GA-ATA). During the past several months, Columbia has had a series of meetings with the Columbia Collaborative<sup>1</sup> and

<sup>1</sup> The Collaborative, as originally constituted, was composed of Columbia, the staff of the Commission, the Ohio Consumers' Counsel, the city of Toledo, Honda of America, the Industrial Energy Consumers, Enron Access Corporation, the Bay Area Council of Governments, the city of Columbus, the Greater Cleveland Schools Council of Governments, Industrial Energy Users-Ohio, the Lake Erie Regional Council of Governments, the Ohio Farm Bureau Federation, the SITC Coalition and the city of Parma.

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various other stakeholders including gas marketers interested in Columbia's program. In its application, Columbia states that 49,322 residential and 5,337 commercial customers in the Toledo area are currently participating in the program. Columbia, with the support of the Collaborative, proposes certain changes to the current pilot program which it believes will enhance the program and provide for a smoother transition for implementation on a statewide basis.

Columbia filed its initial one-year report on December 31, 1997 and a supplemental report on April 13, 1998. East Ohio filed its first year report on April 1, 1998. In its report, East Ohio states that, as of March 1998, a total of 33,465 residential customers (including PIPP) and 2,329 nonresidential customers have selected gas marketers under the program. CG&E's one-year report was filed on March 31, 1998 and states that, as of March 1998, a total of approximately 8,000 residential and 3,100 nonresidential customers have selected gas marketers under the program. On April 1 and April 9, 1998, the Commission conducted public forums on the gas choice programs and received oral comments from gas utility companies, marketers, public officials, and other stakeholders. The transcripts from those forums have been docketed in the above-captioned COI cases and are part of the formal record in this proceeding.

On May 13, 1998, the Commission issued an entry initiating the above-captioned Commission-ordered investigations and requesting interested parties to file comments, by May 29, 1998, regarding the staff's report on the performance of the three pilot programs, which was expected to be issued by May 15, 1998. The staff's two-volume report was issued, as expected, on May 15, 1998. Volume I of the report addresses issues related to consumer outreach, utility company requirements, marketer participation, and market performance, while Volume II contains consumer research and survey data collected by the staff during the course of its investigation.

On May 26, 1998, East Ohio submitted a letter in response to the staff's proposal that East Ohio adopt Columbia's method of billing budget customers (i.e., buying the receivables). East Ohio stated that the staff's suggestion alone would not solve the billing problems being experienced by East Ohio. East Ohio claims that its new CAMP billing system, which is intended to resolve the company's Year 2000 requirements, must be fully in place before East Ohio can make additional billing modifications associated with its Energy Choice program. East Ohio has also indicated that, although it had hoped to expand the program throughout Cuyahoga County by this fall, it is now highly unlikely that it will be able to do so because of the ongoing billing problems. East Ohio requests that the Commission not require additional expansion of East Ohio's program until the company is certain that the billing problems have been solved and that the program can be expanded successfully.

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Parma has not participated in any of the Collaborative discussions subsequent to June 1994. The other parties listed have continued to participate in Collaborative discussions. However, the Greater Cleveland Schools Council of Governments is now known as the Ohio Schools Council and Enron Access Corporation is now known as Enron Energy Services, Inc.

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Comments regarding the staff's report were filed on May 29, 1998 by Stand Energy Corporation (Stand), Dayton Power & Light Company (DP&L), CG&E, CNG Retail Services Corporation dba East Ohio Energy (EOE), East Ohio, The Columbia Collaborative (Collaborative),<sup>2</sup> Columbia, Columbia Energy Services Corporation (CES), Volunteer Energy Corporation (Volunteer), Enron Energy Services (Enron), and the Ohio Consumers' Counsel (OCC). On June 3, 1998, Interstate Gas Supply, Inc. (Interstate) filed its comments along with a request for leave to late-file the comments. Interstate's request for leave to late-file its comments shall be granted.

## II. COLUMBIA'S APPLICATION FOR EXPANSION OF PROGRAM

On March 31, 1998, after lengthy discussions with various stakeholders, Columbia filed an application requesting approval for the statewide implementation of its customer choice program. Columbia proposes to make several changes to its existing program upon expansion of the program statewide.

With regard to marketer billing options, Columbia proposes to permit marketers to offer a single billing service to any program participant. Columbia will provide a backup memo bill to customers in order to ensure a seamless transition from company billing to marketer billing. Another change involves customer enrollment. In order to reduce administrative burden and costs to both marketers and the company, Columbia proposes that a marketer no longer be required to provide Columbia with a copy of a written customer consent form within 30 days of notifying Columbia of a customer's intent to participate in the program as a customer of that marketer. Instead, Columbia proposes that marketers obtain either written or telephonic enrollment from customers, and that within three business days of a request from Columbia, marketers be required to provide Columbia with written or tape-recorded documentation of a customer's consent to service by the marketer.

Columbia's proposal also reduces the minimum number of customers or volumes of gas to qualify for participation in the program. The plan is to reduce the number of customers or volumes from 200 customers or 20,000 Mcf to 100 customers or 10,000 Mcf. Further, Columbia proposes that a marketer be permitted to consolidate residential and commercial customers and volumes for purposes of aggregation and billing. These modifications will help address problems associated with the lag between the time that some customers enroll with a marketer and the time that marketer has achieved the minimum number of customers or volumes. With regard to large "human needs" customers, Columbia proposes to add a new rate that will allow these customers to use gas transportation service.

Further, Columbia proposes to continue to offer marketers the option to take capacity assignment after statewide expansion of the program. If a marketer chooses not to take assignment of Columbia's capacity, and if the volumes transported by the

<sup>2</sup> Staff did not participate in Collaborative comments to staff's report.



# **STAFF EVALUATION OF OHIO'S NATURAL GAS CUSTOMER CHOICE PROGRAMS:**

**COLUMBIA GAS OF OHIO  
EAST OHIO GAS, AND  
CINCINNATI GAS AND ELECTRIC COMPANIES**

**PUCO Case Nos. 98-593-GA-COI  
98-594-GA-COI  
98-595-GA-COI  
98-549-GA-ATA  
96-1113-GA-ATA  
96-1019-GA-ATA  
95-656-GA-AIR**

## **VOLUME I**

**SUBMITTED BY THE STAFF  
OF  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

PUCO STAFF EVALUATION  
OF OHIO'S  
NATURAL GAS CUSTOMER CHOICE PILOT PROGRAMS

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VOLUME II

CONSUMER RESEARCH/SURVEY RESULTS

Section 1.	Columbia Gas of Ohio
Section 2.	Cincinnati Gas & Electric
Section 3.	East Ohio Gas

## SECTION 1 EXECUTIVE SUMMARY

This report presents the results of the Staff's evaluation of the Natural Gas Customer Choice Pilot Programs<sup>1</sup> of the Cincinnati Gas and Electric Company, Columbia Gas of Ohio, and the East Ohio Gas Company. Staff evaluated each Company's program by measuring customer awareness, acceptance and satisfaction, monitoring utility activities, and by tracking gas marketer participation and reviewing their comments about program operations. Staff recommendations are for the Commission's consideration in determining the possible expansion of the Choice programs.

Volume I of this Report contains this Executive Summary and four additional sections. Discussion of customer education is provided in Section Two. Section Three is an evaluation of the impact of the Choice programs on utility operations and discusses potential changes in the current regulatory rules. The fourth section highlights issues raised by participating marketers. Finally, Section Five presents monthly participation rates and other program statistics, including a study of market concentration.

Volume II is a report of the Staff's research measuring consumer attitudes and expectations of the Choice programs. Volume II is a follow-up study to an early baseline survey that established customer expectations regarding the Choice programs. Staff reviewed over 2,000 residential and nearly 1,500 business survey responses in compiling the data found in Volume II.

### Background

Customer Choice programs are intended to promote competition in the supply of natural gas to all Ohioans. The goal is to make gas transportation service (long available to industrial customers) a competitive alternative for residential and small commercial consumers. The Choice programs allow gas marketers to compete with the Local Distribution Company (LDC) in supplying natural gas to customers. Choice Programs provide the customers a choice as to who will supply his/her natural gas needs.

Choice does create changes in the resolution of certain customer service issues. Delivery and gas safety questions remain to be addressed by the LDC, but Choice customers would direct supply and price issues to their selected marketer. Marketers participating in these Choice programs signed agreements with each LDC describing their operations and charges for service.

Marketers also had to agree to comply with a code of conduct to participate in the Choice program. The Code requires marketers to:

1. Refrain from fraudulent, deceptive, or misleading practices;

<sup>1</sup> This report will refer to all three evaluated programs as Choice or Customer Choice programs.

*Code of  
Conduct -  
from  
where?*

2. Provide clear and understandable marketing information;
3. Establish dispute resolution procedures; and
4. Provide a contact address and phone number.

All participating marketers were required to meet with Staff before providing service. Staff reviewed marketer advertising, customer education materials, and dispute resolution procedures.

### **Columbia Gas of Ohio Gas**

The first phase of the Customer Choice pilot program, which has operated for one year in the greater Toledo area, began April 1, 1997. Columbia Gas of Ohio filed an initial request to offer its Choice program on October 17, 1996 in Case No. 96-1113-GA-ATA. An amended application was filed on January 3, 1997. Authorization for the program was granted by the Commission in an Opinion and Order issued January 9, 1997. This Opinion and Order noted that Columbia Gas of Ohio discussed the program with members of the Columbia Collaborative and guaranteed additional meetings to resolve any pertinent matters involving the Choice program. About 160,000 residential and 11,500 small business customers in Lucas and parts of Wood and Ottawa Counties are eligible to participate in the Customer Choice Program. A small business customer is defined as one who consumes less than 2,000 mcf per year.

### **Cincinnati Gas and Electric Gas Company**

The Commission's December 12, 1996, Opinion and Order in Case No. 95-656-GA-AIR directed the Cincinnati Gas & Electric Company to meet with independent gas marketers and other interested parties to develop acceptable firm transportation tariffs for residential and small commercial customers. CG&E and intervenors subsequently submitted a stipulation and proposed tariffs to comply with the order, and the Commission approved the modified stipulation on July 2, 1997. The resulting customer choice pilot program was designed to give all 360,000 CG&E residential and small business customers competitive options in selecting their natural gas supplier.

### **The East Ohio Gas Company**

On September 25, 1996, the East Ohio Gas Company filed with the Commission a request to implement its proposed Core Market Aggregation Service. The proposed phased-in, program will allow all East Ohio Gas customers to choose their gas supplier. The Commission opened a hearing on the application April 7, 1997, and continued the hearing to May 21, 1997. On May 16, 1997, the Company and the Commission's Staff signed a stipulation and recommendation, resolving all issues between them concerning the program's terms and conditions and limiting the pilot to the 160,000 residential and 12,000 commercial customers on the Canton and Marietta distribution systems. The first phase of the pilot program, which was to run for one year in a 10-county region in the Marietta and Canton areas, began October 1, 1997.

## Recommendations

This report was prepared as a PUCO Staff work product. Specific recommendations to the Commission have been made throughout the report although attempts were made to offer reasonable alternatives where practical. None of the findings and recommendation contained herein should be considered binding on the Commission.

Staff recommends that the Columbia Gas Customer Choice Program be expanded and the Cincinnati Gas & Electric Customer Choice program be continued system wide for the 1998 - 1999 heating season. Staff recommends the East Ohio Gas program be expanded to include Cuyahoga County for the 1998 - 1999 heating season and further expanded system wide no later than the second quarter of 1999. The reasons for the different recommendation for the East Ohio program are explained in the "Billing Options" and "Capacity Assignment" parts of Section 4 of this Report. In addition to these overall recommendations, the Report presents additional specific recommendations for enhancements to the program for the Commission's consideration prior to system wide expansion. The recommendations include reforms to the Gas Cost Recovery (GCR) process and the continuation and expansion of the PUCO's "Apples to Apples" price comparison information. Finally, we recommend that there be an ongoing review of the progress of development of the customer choice programs through the GCR review process. Staff also wishes to commend the LDCs and marketers participating in the pilot programs for their efforts in working together to improve the efficiency and viability of the programs.

Additional copies of this Report are available by contacting the PUCO's Docketing Division at (614) 466-4095. The Report is also available on the PUCO's website at <http://www.puc.state.oh.us>.