



Introduction and Overview

Keeping rate increases to a minimum, helping residential customers avoid disconnection of their natural gas service and informing them about their supplier choices were among several key challenges the Office of the Ohio Consumers' Counsel (OCC) addressed in the natural gas industry during 2010.

The OCC worked diligently to protect customers by intervening in cases where utility companies were seeking to increase rates without demonstrating sufficient corresponding benefits to customers. Despite relatively low wholesale natural gas prices, many residential customers experienced difficulty paying their utility bills. One in 10 households faced disconnection of their electric and natural gas service while statewide unemployment levels continued to hover between 9 and 11 percent throughout most of the year. The OCC proactively worked with other organizations to improve and increase outreach to inform customers about how to access:

- ▶ Federally and state-funded heating assistance programs for income-eligible customers;
- ▶ Fuel funds established through negotiations with utilities; and
- ▶ Weatherization and other energy efficiency programs, such as home energy audits.

In addition to working toward its goal of keeping natural gas prices affordable during a difficult economy, the OCC continued to hear from customers confused about changes to their natural gas bills caused by customer choice programs. As utilities sought to relinquish the function of purchasing natural gas for their customers, independent suppliers provided a number of complicated options, some of which were difficult for long-time utility customers to understand.

The OCC participated in several customer education collaboratives and developed free publications in an effort to help customers navigate through the changing natural gas landscape in Ohio. The agency also intervened when it received complaints about the marketing tactics of a supplier. The need to continue educating customers and clarifying their options is expected to be a high priority for the OCC in the coming year.

Further, the OCC will continue to defend customers by calling for fair and just rates and verification of increases subject to audit and accountability.

Natural gas auctions result in lower prices for customers

A wholesale auction supported by the Office of the Ohio Consumers' Counsel (OCC) resulted in lower rates for Columbia Gas of Ohio's natural gas customers. Seven independent natural gas suppliers competed in bidding for portions of Columbia Gas' supply. The lowest bid, 19.3 cents per hundred cubic feet (Ccf) of natural gas, was added to the monthly wholesale price listed on the New York Mercantile Exchange (NYMEX) beginning April 1.

The new rate, called the Standard Service Offer, replaced the gas cost recovery (GCR) method Columbia had previously used to calculate the natural gas commodity costs it collected from customers. The low bid, referred to as the retail price adjustment, was 60 cents lower than the difference between the NYMEX and the GCR rate, based on a three-year average, and 80 cents lower based on a five-year

average. The new adder was estimated to provide residential customers, who opted to continue purchasing their natural gas from the utility rather than an independent supplier, an annual savings between \$50 and \$68.

Natural Gas

The auction was established as a result of a 2009 agreement reached among the OCC, Columbia Gas, the Staff of the Public Utilities Commission of Ohio (PUCO) and other interested parties.

In January 2010, Vectren Energy Delivery of Ohio held its initial retail auction. This process replaced the wholesale auction the company had previously used. The auction resulted in a retail price adjustment, or adder, of 15.5 cents per Ccf. The adder was combined with the monthly wholesale price calculated each month on the NYMEX. The resulting rate was called the Standard Choice Offer which replaced the Standard Service Offer.

A month later, Dominion East Ohio held its 2010 retail auctions, producing low bids of \$1.20 per thousand cubic feet (Mcf) added to the monthly NYMEX wholesale price to determine both the Standard Choice Offer for choice-eligible customers and the Standard Service Offer for those ineligible to participate in Dominion's Choice Program. This was 20 cents lower than the result in the 2009 auctions.

Like Columbia Gas, the Vectren and Dominion auctions resulted from agreements among the OCC, the PUCO staff and the respective utilities. The OCC continued to support the wholesale auctions, which have produced savings for customers and provided lower prices than the GCR or most retailers offered.

The OCC believed competitive market forces in the wholesale market produced demonstrable savings for customers. However, the OCC did not support the retail auction because customers pay higher county sales taxes rather than the lower gross

receipts tax paid through a wholesale auction. The OCC also argued for additional scrutiny from the PUCO to demonstrate whether the benefit to customers from the retail auction approach exceeds the resulting higher tax burden.

Case Nos. 08-1344-GA-EXM, 07-1285-GA-EXM, 07-1224-GA-EXM

Marketer pays penalty for unfair marketing practices

Customer complaints about unfair marketing practices by Just Energy, an independent natural gas supplier, led the Office of the Ohio Consumers' Counsel (OCC) to reach an October agreement with the supplier and the Public Utilities Commission of Ohio (PUCO) Staff placing strict guidelines on future company solicitation practices.

The measures were adopted after state regulators received numerous complaints about unfair and deceptive door-to-door sales tactics by representatives of the company. Some

"They were trying to deceive me by saying they were the gas company, as if there was only one gas company,"

*Don Drennan
Columbus*

customers alleged they were promised savings only to see their bills increase after signing a fixed-rate contract with Just Energy.

Customers also claimed sales representatives used high-pressure tactics and misled them into believing the company was affiliated with the local municipality aggregation program. These issues mirrored complaints filed against Just Energy in other states.

The agreement placed the following conditions on Just Energy's request for renewal of its two-year certification:

- ▶ Just Energy agreed to forfeit \$111,000 to Ohio's general revenue fund;



- ▶ Customers who signed a contract with the company between April 1 and Sept. 20 were given the option to void their contracts with no cancellation fee;
- ▶ The company agreed to stringently monitor the sales practices of its contracted door-to-door sales representatives through a quality assurance program implemented Jan. 1, 2011;
- ▶ An additional \$100,000 forfeiture will be assessed if, during 2011, the OCC or PUCO Staff receive 10 or more verified complaints about similar sales tactics in any two months during a three-month period. A similar occurrence will result in an additional \$100,000 payment and could result in revocation of Just Energy's Ohio certification; and
- ▶ A third-party verification system, requiring all Just Energy door-to-door sales to be checked independently, was immediately put into effect for the duration of the agreement. Absent the agreement, such verification is made in only about half of a company's sales. Customers were given 30 days to void contracts after receiving their first bill.

Just Energy agreed to the terms of the agreement to settle the issue, but admitted no wrongdoing.

Case No. 02-1828-GA-CRS

OCC helps save residential Dominion customers \$3.5 million

Residential customers of Dominion East Ohio saved an estimated \$3.5 million in 2010 after the Office of the Ohio Consumers' Counsel (OCC) successfully argued for a reduction in the utility's request to raise costs to its customers for its pipeline infrastructure replacement program.

The OCC argued Dominion attempted to recover certain operation and maintenance expenses for its pipeline replacement program that the PUCO had previously disallowed in the rate case that established the program.

The OCC supported the original PUCO decision and said those costs only should be considered for recovery in a future rate case, not added to pipeline replacement costs for immediate recovery from customers.

The OCC also claimed Dominion failed to achieve customer savings promised when the program was established. In its original proposal, Dominion cited \$8.5 million in savings to Duke Energy customers from Duke's pipeline replacement program and said it anticipated a similar result from reduced leak repair expenses. However, Dominion placed transmission projects ahead of the distribution projects that would have had the greatest impact on leak reductions. This directly reduced the amount of savings Dominion could pass on to customers.

Dominion appealed the PUCO's original decision to the Supreme Court of Ohio. The Court's decision was still pending at the end of the year.

Case No. 09-0458-GA-RDR

OCC offers weekly updates about natural gas pricing

The Office of the Ohio Consumers' Counsel (OCC) continued to provide and update weekly pricing charts for natural gas customers during 2010. The popular information was provided in fact sheets and posted to the OCC's website and developed for customers of each of Ohio's four major investor-owned natural gas utilities, Dominion East Ohio, Columbia Gas of Ohio, Duke Energy and Vectren Energy Delivery of Ohio.

The fact sheets, each entitled "Comparing Your Energy Choices," included:

- ▶ Contract offers submitted by independent natural gas suppliers throughout Ohio;
- ▶ Contact information for each supplier as well as the type and length of their contracts;
- ▶ Information about whether early cancellation fees were assessed;
- ▶ The monthly natural gas cost charged by the utility;
- ▶ A comparison worksheet enabling customers to determine the lowest price available to them;
- ▶ A link to a historical trend chart showing monthly prices dating back at least two years; and
- ▶ A map showing the applicable sales tax for each county.

The OCC submitted a similar chart each week to *The Plain Dealer*, Cleveland, which was published in its weekend editions. The chart included offers and contact information from the independent natural gas retailers serving the Dominion and Columbia Gas territories.

Natural Gas



The OCC natural gas team (left to right: Joe Serio, Larry Sauer, Kyle Verrett and Bruce Hayes) reviews documents for a legal filing.

“Comparing Your Energy Choices” was updated each week on the interactive OCC website. More than 11,300 hits were reported in 2010. In addition, the fact sheets also were available, at no charge, to customers calling the OCC’s hotline or requesting a copy by email.

Providing accurate and timely price information is critical for residential natural gas customers who have just recently been made aware of the increased number of choices available to them in purchasing their actual natural gas supply. By offering a side-by-side comparison of each offer in a document that also included the price listed by the natural gas utility, the OCC gave customers the opportunity to make informed choices that best suited their individual needs.

\$1.8 million saved in Columbia Gas pipeline agreement

Residential customers of Columbia Gas of Ohio saved \$1.8 million in

April 2010 after the Office of the Ohio Consumers’ Counsel (OCC) negotiated an agreement with the utility, the Public Utilities Commission of Ohio (PUCO) Staff and others. The parties agreed to reduce the amount of Columbia Gas’ assessment to customers for its Infrastructure Replacement Program. Residential customers also will continue to benefit from energy conservation programs that may result in lower natural gas bills.

The OCC succeeded in negotiating a lower monthly cost to customers than was established in Columbia Gas’ 2008 rate case. The agreement increased costs to \$1.62 per month; however, that figure was well below the previously agreed upon cap of \$2.20 per month.

The original five-year pipeline replacement program would have increased customers’ monthly bills \$1.10 in each of the first two years of the program and \$1 each succeeding year up to a maximum of \$5.20 by 2013.

The program includes Columbia Gas’ costs to repair or replace defective pipelines and natural gas risers that were determined prone to fail. A riser is the vertical portion of the service line connected to a customer’s meter. The original five-year program also provided for installation of automatic meter reading devices for residential and commercial Columbia Gas customers.

Case No. 09-1036-GA-RDR

Pipeline safety issues draw OCC’s attention

As the state’s residential utility customer advocate, the Office of the Ohio Consumers’ Counsel (OCC) places a high priority on issues related to public safety.

During 2010, media attention was focused on the condition of Ohio’s natural gas pipelines, particularly in light of accidents that threatened the lives and properties of some Ohio natural gas customers. The OCC sought to ensure systemic failures were adequately reported and its ability to advocate on behalf of residential customers on safety issues was upheld.

Request to amend current gas and pipeline safety rules

On behalf of about 3.3 million residential natural gas customers, the OCC asked the Public Utilities Commission of Ohio (PUCO) to amend the natural gas and pipeline safety rules to require system failures and evidence of possible non-compliance with existing safety rules be made public.

In denying the OCC’s request, the PUCO said making the reports publicly

available would be burdensome because its staff already received them. The PUCO did not deny the validity of the OCC's safety concerns.

The OCC applied for a rehearing of the PUCO's decision. The PUCO is legally obligated to ensure the public is aware of service failures and when utilities are not in compliance with existing regulations, particularly when safety issues are involved.

The OCC said the public has a right to know when such reports are filed, gaining access either on their own or with the help of the OCC.

The OCC's rehearing request was still pending at the end of 2010.

Case Nos. 09-0829-GA-ORD

OCC obtains more utility accountability for cost recovery requests

The Office of the Ohio Consumers' Counsel (OCC) persuaded the Public Utilities Commission of Ohio (PUCO) to establish guidelines enabling reviews of certain costs Duke Energy Ohio requested to collect from its customers. Duke asked to recover estimated transportation and storage costs from competitive natural gas suppliers and aggregators serving Duke's residential customers. These costs would then be included in the gas recovery charge customers pay.

This was the first filing for recovery of these costs since 2008. The OCC argued the timing of such filings should not be left to the discretion of the utility. The OCC asked the PUCO to require Duke to adjust

these rates annually so the agency could determine whether Duke's costs decreased, which would result in lower prices for residential customers.

At a minimum, the OCC asked the PUCO to establish guidelines that determine when such filings would be necessary in the event it was unwilling to ask Duke to file annually. The OCC recommended that 10 percent increases or decreases to Duke's estimated transportation and storage costs be filed with the PUCO.

In July, the PUCO accepted the OCC's argument and ordered Duke to file tariffs whenever its estimated storage costs increased or decreased. The PUCO approved Duke's request to increase rates, which the OCC had not opposed.

Case No. 10-0241-GA-RDR

Highlights of OCC achievements in natural gas during 2010

- ▶ The OCC saved \$3.5 million for residential customers by successfully arguing Dominion East Ohio attempted to recover operations and maintenance costs disallowed by the PUCO in a previous rate case.
- ▶ The OCC saved \$1.8 million for Columbia Gas of Ohio customers by negotiating an agreement to lower a previously established increase from \$2.20 per month to \$1.62 per month. The agreement also provided for a continuation of shareholder-funded energy efficiency programs that may further reduce customers' bills.
- ▶ The OCC negotiated a \$111,000 forfeiture by Just Energy to the Ohio General Revenue Fund (GRF) fund, a \$200,000 forfeiture held in abeyance for payment to the GRF if Just Energy's door-to-door sales practices result in additional complaints and 100 percent verification of all the marketer's sales to customers.
- ▶ The OCC worked with Columbia Gas to persuade the PUCO to make \$1.8 million in funds from a pipeline company refund available to customers with incomes up to 200 percent of the federal poverty level.
- ▶ The OCC persuaded the PUCO to establish parameters requiring Duke Energy Ohio to report increases or decreases of 10 percent in its transportation and storage costs rather than allowing the company to file for increases at its discretion. This allows for the possibility of reduced bills when Duke's transportation and storage costs go down.
- ▶ The OCC continued to provide a weekly comparison chart, giving customers an opportunity to shop for the best natural gas prices available to them. Updated price information, analysis of historical price trends and an interactive calculator also were provided on the OCC's website. This year, there were more than 11,300 hits to the OCC's "Comparing Your Energy Choices" fact sheets.