

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren Energy Delivery Ohio, Inc. for Approval of an Alternative Rate Plan.)	Case No. 18-0049-GA-ALT
)	
In the Matter of the Application of Vectren Energy Delivery Ohio, Inc. for Approval of an Increase in Gas Rates.)	Case No. 18-0298-GA-AIR
)	
In the Matter of the Application of Vectren Energy Delivery Ohio, Inc. for Approval of an Alternative Rate Plan.)	Case No. 18-0299-GA-ALT
)	

**OBJECTIONS OF
THE RETAIL ENERGY SUPPLY ASSOCIATION**

In accordance with Ohio Revised Code Section 4909.19(C), Ohio Administrative Code Rule 4901:1-19-07(F), and the Attorney Examiner’s Entry in this proceeding, RESA¹ files the following objections to the Staff Report and to the Alternative Rate Plan applications filed in these proceedings.

Objections to the Staff Report

(1) The Staff Report failed to address an exit of the merchant function.

Vectren Energy Delivery of Ohio, Inc. (“Vectren”) proposed tariff language that would allow it to recover costs associated with an exit of the merchant function (Sheet No. 41 of Schedule E-2.1), but the Staff Report failed to recommend terms and conditions under which an exit of the merchant function would take place and for which costs can be recovered. The Staff Report addressed several cost-related changes within Vectren’s tariff (Page 23-24). It, however,

¹ The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

did not address the proposed change to Vectren's tariff that would allow it to recover costs associated with an exit of the merchant function through the Exit Transition Cost Rider. RESA objects to this omission from the Staff Report.

(2) Blanket authority to recover post-2017 Capital Expenditure Program cost and expenses should not be granted.

The company proposed a Capital Expenditure Program ("CEP") rider which would give it blanket authority to defer and recover CEP costs and expenses starting in 2018 (Application at 3). Staff recommended approval of that rider, with a modification that Vectren "work with Staff to identify reasonable and meaningful annual caps...as well as other cost controls" (Staff Report at 17). RESA objects to Staff's recommendation that Vectren and Staff work to identify cost controls for the CEP investments because identifying annual caps or other cost controls will not ensure that the Company's future capital investments will be appropriate in the first place and include improvements and upgrades that help development of the competitive market in Vectren's territory. Further, RESA objects to the Staff's recommendation only seeking *identification* of annual caps or cost controls, as it does not include reasonable cost controls. Staff's recommended annual, after-the-fact audits of the assets (Staff Report at 18) also will not ensure that improvements and upgrades to help development of the competitive market will take place. Together, the Staff's recommendations fall short of ensuring that Vectren's future capital investments will implement solutions to the above-identified concerns.

(3) Many of Vectren's proposed fee increases are not addressed.

Vectren proposes multiple new fees and charges in the tariff changes in Schedule E-2.1. The redlined tariff and pre-filed testimony, however, do not explain the bases for these increases or how they were calculated. Although the Staff Report responded directly to a handful of the proposed fee changes (Staff Report at 23-24), Staff does not analyze increases for the following:

Fee Involved	Tariff Sheet
Storage Non-Compliance Fee	Sheet 21, Page 2 Sheet 23, Page 2
Choice Participation Fee – UCC Lien ²	Sheet 21, Page 3
Choice Participation Deposit – EDI Testing ³	Sheet 21, Page 3
Unauthorized Gas Usage Charge	Sheet 30, Page 2
Nomination Error Charge	Sheet 51, Page 1
City Gate Allocation Non-Compliance Charge	Sheet 51, Page 2
Peaking Demand Charge	Sheet 52, Page 10

Without explanation, justification and cost support presented with the application, it was error for the Staff to recommend approval of these proposed increases in its Staff Report and RESA objects.

(4) Changes in tariff terms and conditions are not addressed.

Like the fees, Vectren proposes in Schedule E-2.1 multiple changes in the terms and conditions of the services it offers without explanation or justification present in the application. Staff did not directly address in its report a number of the changes proposed by Vectren for the terms and conditions of several services. Specifically, Staff failed to address the following:

Topic	Tariff Sheet
Creditworthiness Requirements of Pool Operators – ambiguity and lack of clear terms	Sheet 20, Page 3
Eligible Customer Account List – removal of ability to request list more frequently than on a quarterly basis	Sheet 21, Page 1
Choice Supplier Participation Qualifications	Sheet 21, Page 3
SCO Supplier Participation Qualifications	Sheet 23, Page 3
SCO and Choice Volume Reconciliations – changed from an annual volume reconciliation to a monthly volume reconciliation	Sheet 23, Page 2 Sheet 52, Page 11 Sheet 56, Page 8
Large Transportation Service (Section 1.3) – Maximum Daily Requirement terms changed.	Sheet 50, Page 1

² To the extent the UCC lien fee also applies for SCO suppliers, which is unclear from the language that Vectren proposes, RESA also objects to the Staff not addressing why this fee should be applicable to an SCO supplier.

³ To the extent EDI testing deposit requirement also applies for SCO suppliers, which is unclear from the language that Vectren proposes, RESA also objects to the Staff not addressing why this fee should be applicable to an SCO supplier.

Imbalance Trading – removal of the prohibition against trading to establish an imbalance in the opposite direction of the original imbalance / daily and monthly trading parameters unclear.	Sheet 51, Page 6
System beneficial deliveries – allows Vectren wide and vague authority to require changes to pool operator deliveries.	Sheet 51, Page 6
Large Transportation Service (Section 10.1) and Choice Supplier Pooling Service Force Majeure – interruptions from producers and pipelines do not qualify as force majeure.	Sheet 50, Page 3 Sheet 52, Page 13 Sheet 56, Page 9
Choice Supplier Pooling Billing Options – option can only be changed with three months’ advance notice, and once every three years. Vectren must approve supplier’s dual bill format before issuing.	Sheet 52, Page 3 Sheet 52, Page 4
Choice Supplier Pooling – Vectren allowed to release capacity contracts solely to SCO suppliers.	Sheet 52, Page 6 Sheet 56, Page 1

Without explanation and justification from Vectren, it was error for the Staff Report to not address these changes to Vectren’s tariff. RESA objects to those omissions as well as to the changes which lack explanation and justification.

(5) The Staff Report failed to address unbundling of Standard Choice Offer – related costs from distribution rates.

Although the Staff analyzed the rate schedules and their designs, and noted that the schedules should be equitable and reasonable (Staff Report at 26), the Staff did not review the allocation on cost-causation guidelines as related to the Standard Choice Offer costs. Staff omitted any analysis of the SCO-related costs and any recommended corrective actions to properly allocate costs on a non-bypassable and bypassable basis. RESA objects to those omissions.

(6) Multi-Family Housing Pilot is requested as an alternative rate plan.

Vectren proposed a pilot program to offer incentives to builders/developers for installing natural gas-related piping and venting in multi-unit properties, such as apartments and condominiums, as a means of encouraging further growth and availability of natural gas services (Alt. Rate. Application 18-299-GA-ALT at 12-16). Staff recommends that the multi-family

housing pilot proposal be rejected (Staff Report at 24). It proposed no modifications to this pilot program or alternatives for consideration. Staff stated a preference for not endorsing incentives that promote energy competition between utilities (*Id.*). Other developer-related incentive programs, however, have been approved by the Commission and implemented by other utilities, including natural gas utilities, in the past.⁴ RESA objects to the Staff recommendation to reject this pilot program.

(7) The Staff Report fails to address greater data access and use of the peak day information of individual customers.

The Commission has recently recognized the importance of access to and use of customer-specific peak day information, including peak load (instead of reliance on average peak values). *See*, PowerForward Report at 30 issued August 29, 2018. Although the Commission has recognized its importance, the Staff, however, fails to address this improvement for the Vectren service territory. RESA objects to this omission.

(8) The Staff Report fails to address non-commodity billing terms and conditions.

Upon information and belief, Vectren provides non-commodity billing today. Its tariff, however, does address that offering. To the extent it is offered, it should be available on the same terms and conditions to all suppliers, which Vectren's tariffs should reflect. RESA objects that the Staff Report failed to address non-commodity billing.

⁴ *See, e.g., In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of Demand Side Management Programs for its Residential and Commercial Customers*, Case Nos. 16-1309-GA-UNC et al., Opinion and Order (December 21, 2016) approving continuation of a program under which the natural gas utility offers incentives for smart thermostats, water-related energy-efficient products, and other products for direct installation in multi-family buildings and elsewhere; and *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of Demand-Side Management Programs for its Residential and Commercial Customers*, Case Nos. 11-5208-GA-UNC et al., Finding and Order (December 14, 2011) approving continuation of a program under which the natural gas utility offers financial incentives to builders and new home buyers to construct new residential homes with certain facilities.

(9) The Staff Report fails to address additional, flexible billing options for suppliers.

Vectren's tariff reflects that only two billing options are available for the Choice Supplier Pooling Service – Rate-Ready, Company-Consolidated billing and Dual Billing. *See*, Schedule E-2.1, Sheet 52, page 3-4. The tariff also unreasonably restricts billing option changes to once in any 36-month period. *Id.* at 3. Greater flexibility should be available to suppliers and it was an error for the Staff Report to not analyze or address Vectren's limited billing options and restrictions. For example, at least one other utility offers suppliers a flat-billing option (under which the bill amount is uniform, regardless of customer usage), ability to include credits on customer bills, and ability to use bill-ready billing. RESA objects to these omissions.

(10) The proposed customer charge would have unintended consequences.

Vectren proposed to increase its customer charge for residential customers from \$18.37 to \$35.41 (Schedule E-2.1 at Sheet 10, Sheet 11, and Sheet 12, page 1). Staff proposed a smaller increase, recommending a customer charge of \$30.95 for residential customers (Staff Report at 35). That is a 68.48 percent increase. The effect of such a sizeable customer charge shifts cost recovery to a monthly charge, away from usage-based charges, diminishing the incentive for customers to monitor their natural gas usage and to explore dynamic pricing products. This cost recovery would have unintended consequences that may harm the competitive marketplace. The Staff Report failed to take this into consideration and RESA objects to that omission, as well as the Staff's recommended customer charge.

(11) The Staff Report fails to recommend additional ways to provide energy efficiency rebates in response to Vectren's plan to add energy efficiency programs and proposal to continue collecting for program funding through the Energy Efficiency Funding Rider.

Vectren proposes to continue its Energy Efficiency Funding Rider. *See*, Schedule E-2.1, Sheet 46 and Direct Testimony of Rina Harris. The Staff Report addressed several aspects of

Vectren's proposals for energy efficiency initiatives (Staff Report at 15-16). The Staff Report, however, does not address or recommend alternative ways to provide rebates to customers, including providing program products and rebates through suppliers versus directly to customers. RESA objects to this omission.

Objections to the CEP Alternative Rate Plan Application

(1) Blanket authority to defer CEP costs and expenses should not be granted.

In its Alt. Rate Application in Case No. 18-49-GA-ALT, Vectren seeks blanket permission to defer and recover CEP costs and expenses starting with 2018 (Application at 4-7). RESA objects because blanket authority will not ensure that the utility's future capital investments will be appropriate and include improvements in upgrades that help develop the competitive market in Vectren's territory. The annual, after-the-fact consideration will not ensure that future capital investments will be appropriate and include improvements and upgrades that help develop the competitive market.

(2) Indefinite authority to defer and recover CEP costs and expenses should not be granted.

Vectren asks for indefinite authority to continue deferring and recovering the post-2017 costs and expenses associated with its CEP (Application at 6-7). RESA objects to such indefinite authority. Vectren has not justified any change in the Commission's decision in Case No. 13-1890-GA-UNC, wherein it concluded that the authority to continue deferring CEP-related costs and expenses ended with the filing of a rate proceeding or other specified proceeding. Vectren has now filed that rate case proceeding. Authority for future CEP deferrals and cost recovery under the annual review process proposed by Vectren has not been justified and RESA objects to that part of the CEP proposal.

(3) The proposed annual review of future CEP adjustments under a 60-day timeframe is inadequate.

Vectren proposes to annually review its future CEP deferrals for costs and expenses under an abbreviated schedule, and without review of the appropriateness of the investments and expenditures (Alt. Rate Application at 6-7). The 60-day process is too short and appears to only involve a financial review, and no review for prudence or necessity for the prior-year's investments and no analysis of overall planned CEP investments. RESA objects to the inadequacy of the review time period and lack of additional evaluations.

(4) Vectren must comply with Revised Code Section 4929.05.

Per Revised Code Section 4929.05, before an alternative rate plan can be approved, Vectren must be in substantial compliance with and expected to continue to be in substantial compliance with the natural gas policy of this state set forth in Revised Code Section 4929.02. Vectren claims that the CEP Rider proposal (along with its existing services and programs) will ensure continued and enhanced compliance with the policies (Alt Rate Application at 14). RESA objects because Vectren did not adequately demonstrate (as required by Ohio Administrative Code Rule 4901:1-19-06(A)(5)) that Vectren will be in *substantial* compliance with Ohio's natural gas policies in Revised Code § 4929.02(A). These include the following subsections of Revised Code § 4929.02(A):

- (2) Promote the availability of unbundled and comparable natural gas services and goods that provide wholesale and retail consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs;
- (4) Encourage innovation and market access for cost-effective supply- and demand-side natural gas services and goods;
- (5) Encourage cost-effective and efficient access to information regarding the operation of the distribution systems of natural gas companies in order to promote effective customer choice of natural gas services and goods;

- (7) Promote an expeditious transition to the provision of natural gas services and goods in a manner that achieves effective competition and transactions between willing buyers and willing sellers to reduce or eliminate the need for regulation of natural gas services and goods under Chapters 4905. and 4909. of the Revised Code

Conclusion

For the foregoing reasons, RESA objects to the Staff Report and the CEP Alt. Rate

Application in these proceedings. RESA's **major issues** are:

- (a) Lack of terms for an exit of the merchant function;
- (b) Blanket authority to recover post-2017 CEP costs and expenses;
- (c) Numerous fee increases without explanation and justification;
- (d) Numerous changes in terms and conditions without explanation or justification;
- (e) No unbundling of Standard Choice Offer-related costs from distribution rates;
- (f) Access to and use of customer-specific peak day information;
- (g) No terms and conditions for non-commodity billing are proposed for the tariff;
- (h) Lack of additional flexible billing options for choice suppliers;
- (i) The proposed customer charge; and
- (j) Lack of additional ways to provide energy efficiency rebates.

Respectfully Submitted,

/s/ Michael J. Settineri

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing document was served via electronic mail upon the following parties of record this 31st day of October, 2018.

/s/ Michael J. Settineri
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Summary: Objection Objections of Retail Energy Supply Association electronically filed by Mr. Michael J. Settineri on behalf of Retail Energy Supply Association