GAS COLLABORATIVE MEETING
DECEMBER 4, 1997

Collaborative members in attendance:

Becky Merola--Enron
Kip Bowmar--Community Action Commission
Keith Valade--Metro Human Needs Alliance
Mike Gribler--Cinergy
Steve Byars--Columbia Gas of Ky.
Ann Louise Chevront--Attorney General's Office
Ben Boyd--Atmos
Bill Senter--Atmos
David Brown-Kinloch--Soft Energy
Carol Raskin--Legal Aid for POWER
Jim Doutt--Columbia Energy
Greg Ferguson--LG&E
Glenn Jennings--Delta Natural Gas
Charles Hercher--Gasco
Jerry Brochert--Stand Energy
Gerald Ballinger--Ky. League of Cities
Drew Fellon--Alliance Energy
John Lowery--KIUC

Comments on legislation--Steve Byars

At the last collaborative meeting, Vice-Chairman Holmes had suggested that legislation might be shared at this meeting. The utilities have discovered that the issues involved are extremely complicated, and as a result have no draft ready to share yet. They have set an expedited schedule to complete a draft by the end of the month. They may still have a bill to introduce.

Education

How has the public been educated in states where programs are on-going?

J. Brochert--a big issue in Ohio was that they wanted to avoid "slamming". Ohio had strict education guidelines: during a 60-day moratorium, no marketing per se was allowed. Only the PUCO, the Office of Consumers' Counsel, and the LDC were allowed to disseminate information during the moratorium. It was difficult for marketers when they were confronted by questions from potential customers to be prohibited from giving out objective information. Marketers should be allowed to distribute educational information, and talk only about concepts and how the program works until a date certain.

M. Gribler--timing made the Ohio situation difficult; approval was issued late summer to be effective November 1, and there was a 45 day moratorium on marketing information.

J. Brochert--would have no problem with a marketing moratorium, but it's better to allow marketers to share in dissemination of objective information.

B. Merola--there was no moratorium in the Columbia of Ohio program; the requirement for a moratorium in other programs was not as a result of a failure of Columbia. As part of the Columbia program, the PUCO held public forums for education. People have liked the Ohio public information program.

In Massachusetts, a lot of money was spent on newspaper and radio ads for education to reach Bay State consumers. The DPU didn't do as much, utilities provided educational information. Bay State did follow-up research to find out how effective the efforts were, and measure the public's recognition of the issues. The survey showed a good level of knowledge among the public. Marketers were invited to explain what marketing is, not to actually present their marketing plans.

Columbia of Ohio also did an excellent job in their educational program.

J. Doutt--a moratorium is important (**all the marketers appeared to agree with this**) but timing is of the essence. Columbia of Ohio really wanted 60 days for educational purposes, but their program was approved January 9 to be effective January 15. Initial information should come from the PSC, LDC, and AG; this will make it easier for marketers down the road.

C. Raskin--A 2-week educational period would be too short. This effort should at least be given 45 days because of the extreme change. People have never had to make a decision about gas supplier before. Now they are confronted by more than one company, and many choices.

J. Doutt--60 days may be a reasonable time. 30 days at a minimum. Bill inserts take at least 30 days, and billing is a cost-effective means of getting information out.

B. Merola--the length of the moratorium should depend on the size of the market and the media used. Bay State used 2 weeks and was very successful, but the choice is media is important. Enron sent much information about customer choice in its advertising.

B. Boyd--hopes that it is not assumed that the utility will fund the educational effort. These kinds of costs are not in rates now. Must be careful about cost effectiveness. Billing inserts are not widely read.

C. Raskin--Keep in mind low literacy level. Printed material may not be very effective in Ky. The more educated are likely to ignore inserts. Would like to see more information on the success of other states' efforts, effectiveness of various types of materials and media.

B. Merola--Experience shows that newspapers are very effective, especially for the over 45 age group. Radio is very effective also. As far paying for these efforts, some states have approved distribution adjustment charges for which utilities can file. This recovers the cost of distributing information.
In New Hampshire, town meetings were very successful educational tools. Problems involved condensed time frame.

S. Byars--Columbia's sister companies have used two methods: (1) mass marketing about what unbundling is, using TV and newspaper to generate awareness, and (2) public meetings where the public can ask questions of marketers. The latter involves much cost and effort.

M. Gribler--education doesn't end on the 45th day, they are still doing public meetings in Ohio.

K. Bowmar--Community Action agencies can help get information out and explain it, especially to those that would be hard to reach.

C. Raskin--educate school kids, they can help parents choose.

Funding for education

B. Merola--surcharge in Massachusetts

C. Raskin--those in favor of choice should pay the cost of education.

B. Merola--marketers are already paying, for marketing and education, and still have to discount to get customers. All should pay since all get the opportunity for savings from customer choice. Enron only participates in programs where they can offer long-run savings. Savings won't go away in the future, it depends on how the program is structured.

G. Jennings--has seen no support for long-run savings, marketers only buying the business.

C. Raskin--would like a ratepayer opt out concerning paying costs of education.

S. Byars--cost of education is incredibly small. 1.2 cent surcharge in Ohio includes transition costs that will eventually go away

D. Kinloch--Those who do not choose to participate should not have to pay. Consumers are saying "We don't want a choice."

B. Boyd--People have to have information so they can make a choice.

C. Raskin--People should not have to pay until they have made a choice.

M. Gribler--We are moving to a model like everything else in our economy where people have choice.

B. Merola--state commissions and consumers' counsels have wanted LDCs to do the education.

B. Senter--all consumers benefit from information even if they decide not to choose.

B. Boyd--we don't know what the structure after unbundling will look like. Companies may be different and have to approach education differently from now.

R. Dennis--Assuming that companies are obligated to alert their customers that choice exists, how can LDCs charge only those that want to choose?

??--There will be a transition. Everybody surely agrees that education should be done and that there will be a cost. The cost could be recoverable. Concerning the question of whether the customer should pay only if he chooses to participate, this is not a day one situation. There will be a learning curve.

C. Raskin--It would be fair for the marketers to pay the LDCs.

B. Merola--this would be an exit fee.

G. Ferguson--we are talking about legislation not only for a pilot, but for unbundling.

K. Valade--what does the Commission plan to do concerning education? What about the AG?

R. Dennis--in Ohio, the Commission provides an "apples to apples" comparison.

J. Doutt--this is a dangerous tool. Must be sure that the information is up-to-date. Must know the marketers' individual contracts, the GCRs.

B. Merola--agreed. Must find ways to improve the process.

R. Dennis--Is there a specific role for the commission?

J. Doutt--the public meetings and the Collaborative have been valuable.

B. Merola--the PUCO is involved in reviewing LDC information. Some states review the marketer materials by having the collaborative do it.

C. Raskin--PSC must have oversight role over information, comparability.

J. Borchert--if the Commission and LDC both participate in education, this gives legitimacy. Especially as the educational process goes beyond the moratorium.

B. Merola--PUCO asks marketers to bring in information, requires LDCs to do it. Dispute resolution goes into tariffs, did not regulate marketers.

J. Doutt--Must not forget that the Commission has final approval of participants and process. We have to give customers a suitable means of resolving conflicts between customer and company. Also, code of conduct.

B. Senter--"apples to apples" is a minefield; must be very careful about up-to-date information. The Commission's role should be more generic.

D. Kinloch--worried that consumers would have no idea how to compare.

B. Senter--customers need good generic information. Must be careful. Marketers may continually change offers to consumers.

B. Merola--Marketers will change offers. NYMEX changes by the minute.

D. Fellon--The changes could put the Commission in a bad situation.

K. Valade--education must assure that customer protection and rights are the base requirement so customers know what to look for.

Marketer Issues

Access to customer information

C. Raskin--no one should have access to customer information without a signed contract.

B. Merola--information a marketer needs from a LDC is daily contract quantity or an agreed algorithm degree day calculation to determine deliveries. In Ohio, marketers received historical load profiles for large customers and algorithms for smaller customers. Information is based on the marketer's pool. The marketer needs this information to know how much gas to send to the citygate. Enron does not pay for this information in Ohio. Enron provides Columbia with the customer name and account number and a customer consent form. ENRON informs the LDC of customers to be served through the LDC's EBB. The LDC prepares an exception report and sends back to marketers a list of problems where name and accounts don't match or customer has selected more than one marketer.

D. Kinloch--there will be a cost involved in setting up these systems to interface between the LDC and the marketer. The means of transmitting to the utility may be electronic or something else but will require building of means of conveyance.

G. Ferguson--Obviously the interface has to be built. The cost is different when spread over 300,000 rather than 300. The interface itself is simple; however, there is much more programming and cost when the LDC has to communicate to its buyer and biller, telling gas supply not to buy gas and billing people that someone else is providing the commodity.

A. Moeller (Cinergy)--in the Cinergy program, 1.5 cents per Mcf surcharge for one year is for changing billing system, programmer cost, education efforts. This is recovered from all but interruptible transportation customers. Cinergy was precluded from recovering its own programmers' time on the basis that it was already in rates. Only includes direct costs, not total company costs.

G. Jennings--Did ENRON bill in the Bay State and Ohio pilots, or does the LDC do it? Whether Delta or ENRON does the billing, Delta has to keep the customer information in its files.

B. Merola--Enron bills for Bay State and wire transfers distribution charge and takes on receivables risk. Customers that don't pay are returned to the LDC. In Ohio, Cinergy does all the billing, East Ohio can single bill down to commercial. Some fixed costs associated with LDC billing may have to be looked at as stranded costs.

B. Senter-In Georgia, utilities will bill and charge the marketer.

Guidelines for Marketer Participation.

C. Raskin--can marketers be regulated in terms of consumer protection requirements, areas such as advertising, terms ability to supply gas?

B. Merola--guidelines can be put in LDC tariffs for marketer codes of conduct. The AG or an agency like that deals with consumer representation issues, as it does with any other unregulated business. In a code of conduct for marketers, would need provision for dispute resolution, who to contact.

B. Senter--In Georgia, the legislation requires the Commission to certify marketers.

C. Raskin--It seems that the state can still regulate performance through certification but not regulate price.
What happens if a customer does not pay his bill?

B. Merola--the marketer would return the customer to the utility on the next billing cycle. These states have not set up default supplier mechanism. So the utility is still the supplier of last resort. When the person is returned to the utility, the utility has to deal with the person as in the old system. It is unresolved as to when the clock starts ticking.

G. Jennings--These are all pilots. There is lots of subsidization in pilots. Someone is still the supplier of last resort. The LDC is still there if someone fails. If the system were completely unbundled, no one would be there to supply. In GA, there is no provision. Perhaps this is why ENRON does not want to participate in GA. In the event, beyond the pilot stage, that people do not pay, who is the one to turn to?

B. Merola--default suppliers would take the customers. Not sure what is the case in GA.

B. Senter--In GA, the system is designed to get the LDCs completely out of the merchant business. They do a random assignment based on market share. In GA, the customer is cut off after 50 days. The LDC holds the wrench.

G. Jennings--Would the disconnect procedures and requirements need to be changed under unbundling? The process and time table are tight now. In the event that others become involved, it may take longer.

C. Raskin--Can a marketer taking a high-risk customer charge a different price to that person?

B. Senter--In telephone deregulation in GA, marketers that serve the high-risk niche charge more from those customers.

Discussion concerning collaborative report.

Where do we go from here?

B. Boyd--Assuming no legislation, would the Commission's attitude be that , if a company wants an unbundling program, now is the time to propose it?

R. Dennis--Staff is still discussing with the Commission what to do. There could be an Order addressing Ben's question, or perhaps nothing more than the July report. It appears that regs and statutes are in place to approve a program if presented.

B. Boyd--Is the Commission considering some sort of rulemaking?

R. Dennis--Truly cannot say. There is a school of thought that says instead of deregulation, it may be as good or even preferable to give utilities tools such as incentives. But that might not satisfy those who want residential choice of supplier. This is an alternative to pursue greater efficiency by the utility.

G. Ferguson--There are some significant issues, such as taxes, that tariffs are not going to deal with, should be dealt with legislatively.

K. Bowmar--The tax issue, until settled, would give advantage to marketers.

M. Gribler--The issues of supplier of last resort and obligation to serve need to be addressed. Simply opening up the system and requiring the utility to maintain capacity will only result in increased costs. Does the Commission have the authority to relieve the utility of its statutory obligation to serve?

D. Kinloch--Nothing has convinced me that the customer will be better off under unbundling. Some may benefit, but many could be hurt badly.

C. Raskin--The more players involved, the more need for spelling out the rules of consumer protection.

R. Dennis--It appears that all agree that something like a code of conduct is needed. The question is the role of the Commission in setting the code.

K. Bowmar--Unbundling can be beneficial, but it depends on the details of protections, who is responsible for enforcing them. Would like to see addressing of universal service fund. LIHEAP, weatherization funds are being cut by about half. These should be part of USF.

D. Kinloch--There is some assistance for these now and for DSM, but in unbundling there must be more attention to them.

R. Dennis--If skewing of rates toward higher charges for high-risk customers does not occur, would the USF which provided for low-income assistance, weatherization, etc., somewhat balance the costs of a choice program? Should a USF make utilities whole for uncollectibles as in the GA program? Could this help solve the red-lining problem?

B. Senter--The GA provision for the USF was designed to help the marketers collect their debts.

K. Bowman--What is the impact of the GA plan on rates?

??--USF in GA helps fund LDC expansion. The impact on rates is not clear, but the program helps get marketers in by solving problem of uncollectibles.