

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbia Gas of Ohio, Inc., for Approval)
of a General Exemption of Certain Natural) Case No. 08-1344-GA-EXM
Gas Commodity Sales Services or Ancillary)
Services.)

FINDING AND ORDER

- (1) Columbia Gas of Ohio, Inc. (Columbia) is a natural gas company as defined by Section 4905.03(A)(6), Revised Code, and a public utility as defined by Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of the Commission.
- (2) On January 30, 2009, as supplemented on March 26, 2009 and March 31, 2009, Columbia filed an application pursuant to Section 4929.04, Revised Code, for approval of a general exemption of certain natural gas commodity sales services or ancillary services contained in Chapters 4905, 4909, and 4935, Revised Code.
- (3) On October 7, 2009, Columbia submitted a Stipulation and Recommendation (stipulation) which all parties to the proceeding either supported or stated they did not oppose. The stipulation provided that Columbia would hold a series of auctions to secure natural gas supplies for Standard Service Offer (SSO) and Standard Choice Offer (SCO) customers.
- (4) On December 2, 2009, the Commission issued an Opinion and Order in this case approving the terms of the October 7, 2009 stipulation entered into by the parties in this proceeding. The stipulation provided that Columbia would hold an auction to secure natural gas supplies, initially through an SSO structure, and subsequently through an SCO structure. The initial SSO rate is to be in effect for the period April 1, 2010 through March 31, 2011. A second auction-based SSO would be in effect from April 1, 2011 through March 31, 2012. The initial SCO period would be for the twelve-month period beginning April 1, 2012. Under the SSO mechanism, the winning auction bidders are awarded the right to provide natural gas to Columbia on a

wholesale basis for re-delivery by Columbia to end-use customers. Under the SCO mechanism auction participants are bidding on the right to serve specific end-use customers. Unlike with SSO suppliers, the SCO, winning bidders would have a direct retail relationship with these customers.

- (5) On February 23, 2010, an auction was conducted to establish rates for the initial SSO period. The auction participants bid a Retail Price Adjustment (RPA) in the form of an adder to the monthly New York Mercantile Exchange (NYMEX) settlement price for natural gas futures. The RPA is a fixed dollar amount over the twelve-month term of the SSO and reflects the bidders' estimate of their incremental cost to deliver the required amount of gas from the Henry Hub (which is priced at NYMEX), to Columbia's city gate. Columbia contracted for the services of World Energy Solutions, Inc. (World Energy), as the auction manager. The auction was conducted at the World Energy offices in Dublin, Ohio, with bidders participating over the internet. The auction was jointly monitored by Columbia, the Commission's Staff and the Office of the Ohio Consumers' Counsel. For purposes of the auction, Columbia's aggregate load was separated into sixteen equal tranches. Fifteen bidders were certified and participated in the auction with each participant bidding on a maximum of four tranches. The auction was conducted as a descending clock auction in which the bids were in the form of the number of tranches each bidder would be willing to supply at an announced RPA rate. If approved, the SSO rate per thousand cubic feet (Mcf) would be the sum of the NYMEX prompt month settlement price plus the RPA as determined by the auction. That RPA would be fixed for the twelve-month term of the initial SSO period.
- (6) On February 23, 2010, the Staff filed a post-auction report (Staff Report), detailing the results of the auction. The Staff Report contained a round-by-round description of the auction and a conclusion by the Staff that, based on their observations, the auction was fair and devoid of any indications of collusion or other anomalies. The Staff Report also concluded that the \$1.93 RPA was a reasonable result compared with the historical relationship between the NYMEX price and Columbia's Gas Cost Recovery (GCR) rates. The result of the auction was a Retail Price Adjustment of \$1.93 per Mcf. The Staff Report recommended that the Commission approve the auction result

and authorize Columbia to replace its current GCR mechanism and to implement its SSO rate with this Retail Price Adjustment beginning April 1, 2010.

- (7) The Commission has reviewed the Staff Report and the auction results and agrees with Staff's conclusion that the auction results are reasonable and should be approved. Columbia is authorized to replace its GCR mechanism and implement its SSO rate based on the \$1.93 RPA and to enter into the necessary agreements with the winning bidders. The monthly SSO price will be calculated as the sum of the NYMEX settlement price for the prompt month plus a Retail Price Adjustment of \$1.93 per Mcf. Columbia is further authorized to file the final tariffs necessary to implement the terms of this Finding and Order. Unless otherwise ordered by the Commission, the SSO is approved for the period April 1, 2010, through March 31, 2011. During that time, the Commission reserves all authority to exercise its oversight and specifically reserves the right to terminate the SSO and to implement an alternative pricing methodology at any time, if circumstances warrant.
- (8) The Staff Report filed on February 23, 2010, was filed without identifying the names of the participating or winning bidders. The Staff Report stated that this was done in order to protect the bidders' positions in negotiations with pipelines for the incremental capacity necessary to meet their obligations as SSO suppliers. The Staff Report requests that the Commission continue to treat the bidders' names as confidential for a period of 45 days from this Finding and Order. The Commission believes this request is reasonable and should be granted.

It is, therefore,

ORDERED, That Columbia is authorized to replace its existing GCR mechanism with an SSO rate consistent with finding (7) above. It is, further,

ORDERED, That Columbia is authorized to file four complete copies of tariffs, in final form, consistent with this Finding and Order. Columbia shall file one copy in this case docket and one copy in its TRF docket (or may file electronically as directed in Case No. 06-900-AU-WVR). The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

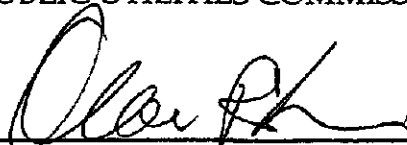
ORDERED, That the effective date of the new tariffs shall be a date not earlier than April 1, 2010. The new tariffs shall be effective for bills rendered on or after such effective date. It is, further,

ORDERED, That Columbia shall notify all affected customers of the change from the GCR to the SSO pricing methodology via a bill message or via a bill insert, within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That the identities of the participating bidders be treated as confidential for a period of 45 days. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all parties in this proceeding.

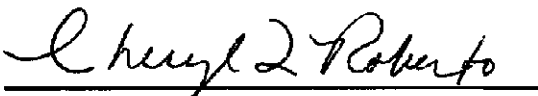
THE PUBLIC UTILITIES COMMISSION OF OHIO


Alan R. Schriber, Chairman


Paul A. Centolella


Ronda Hartman Fergus

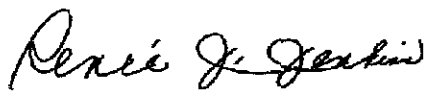

Valerie A. Lemmie


Cheryl L. Roberto

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Entered in the Journal

FEB 24 2010



Renee J. Jenkins
Secretary