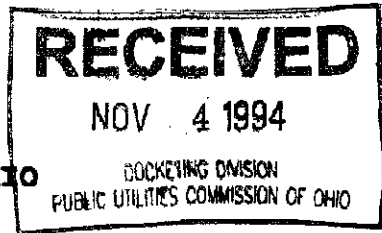


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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE COMMISSION)	
ORDERED INVESTIGATION OF THE)	Case No. 85-800-GA
AVAILABILITY OF GAS TRANSPORTATION)	COI
SERVICE PROVIDED BY OHIO GAS)	
DISTRIBUTION UTILITIES TO END USE)	
CUSTOMERS)	

IN THE MATTER OF COMMISSION)	
IMPLEMENTATION OF FERC ORDER 636)	Case No. 93-1636-
AND RELATED TO MATTERS)	GA-UNC

COMMENTS OF HONDA OF AMERICA MFG, Inc.
OCTOBER 13, 1994 STAFF PROPOSALS
TO AMEND THE 85-800 NATURAL GAS TRANSPORT GUIDELINES

Honda of American Mfg, Inc. (Honda) is a manufacturer and assembler of automobiles and motorcycles in Ohio. Honda on a daily basis transports and consumes natural gas at its three manufacturing facilities. To accomplish its daily gas transport functions, Honda has contracted for distribution balancing and storage services from three different local distribution companies under the jurisdiction of this Commission. On a regular basis, Honda coordinates its gas usage among its Ohio facilities. The development of reasonable gas transportation guidelines which have more or less standardized gas transportation programs offered by local distribution companies in Ohio has been extremely helpful to Honda and other multi site industrial operations.

Honda has reviewed the suggested amendments to the 85-800 gas transportation guidelines by the Staff. The clarification as to a local distribution company's obligation to provide gas

merchant services, and the need for the local distribution company to exhaust all reasonable options before instituting curtailment are helpful. However, the Staff's suggested repeal of the current priority for delivered self help gas over other non human needs and public welfare customers is ill advised. The best way to manage a crises is to avoid it. We have avoided non force majeure related interruptions in service by allowing gas supply and transport capacity to be priced in the market place with a guaranty that unless human needs would be jeopardized that gas would be delivered. The Staff proposal moves away from this principal of self reliance by adding a new contingency. Under the Staff proposal assured delivery depends upon: 1) actually having the gas delivered to the city gate during the shortage; 2) no threat to human needs customers on the system, and 3) no shortage in supply for other non human customers. Adding the third listed contingency is a significant disincentive to investment in secure gas supplies and transport. It is the kind of disincentive that over time could lead to future shortages due to under investment similar to the under investment caused by federal price control of twenty years ago.

In response to the Commission's question on page 7 of the October 13, 1994 order, Honda believes that a local distribution company should offer compensation every time gas is confiscated, and if it is firm service that is abridged, compensation if service is interrupted even if gas is not confiscated. In other words, if the local distribution company curtails a firm customer, and that

customer burns fuel oil in response to the curtailment call, the customer should be compensated for the difference between the fuel oil and the cost of burning gas even if the local distribution company does not confiscate the customers gas. This is the likely occurrence if the curtailment is due to capacity constraints as opposed to supply.


Turning to the confiscation compensation question, the Staff has done an adequate job of listing the possible factors to be considered in determining the level of compensation for an involuntary taking of gas supplies (See paragraph 2 (d). There is no reason however for this matter to be indefinite. The guideline should state definitively how compensation should be quantified. It is Honda's opinion that if a transporter's gas is confiscated, the compensation should be the higher of the transporter's cost of cover or the value of the gas when taken. In determining the cost of cover a premium (such as 10%) should be added to the commodity cost of fuel oil or propane to cover handling expenses. Conversion over to alternate fuel always requires some labor as well as year round site fuel storage to be able to convert. As for the market value of the gas taken, this issue was addressed in both the recent Columbia Gas of Ohio rate case 94-987-GA-AIR and the East Ohio rate case settlement 93-2006-GA-AIR. The issue in both of the rate cases was how to value negative imbalances, which in essence is the same gas valuation question. The answer in both rate case settlements was one hundred twenty percent (120%) of the then

current index price, plus firm transportation, plus all surcharges, shrinkage and Btu conversion.

Honda would also like to comment on Appendix A the Contract/Dispute Resolution Process. In today's fast pace world there is a need for timely, informed decisions. The Staff of the Commission is uniquely positioned to quickly understand utility tariff and service term issues and give knowledgeable insight. This is an important asset for the independent view of the Staff often is the factor that can move negotiations that have bogged down over an impasse. The Commission should recognize the importance of Staff run alternative dispute resolution and assure its availability.

In conclusion, Honda believes that the current 85-800 guideline provision 2(b) priority for self help transportation gas should be retained. Further, the guidelines should clearly state how compensation should be determined. Finally, the Commission should assure that the Staff will be available on a formal basis for alternative dispute resolution.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by first-class mail, postage pre-paid, this 4th day of November, upon active members of the 93-1636 service list.



M. Howard Petricoff