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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

FILE

In the Matter of the Application of )  
Columbia Gas of Ohio, Inc. for Approval )  
of a General Exemption of Certain Natural )  
Gas Commodity Sales Services of ) Case No. 08-1344-GA-EXM  
Ancillary Services from Chapters 4905, )  
4909, and 4935 except Sections 4905.10, )  
4935.01, and 4935.03, and from specified )  
sections of Chapter 4933 of the Revised )  
Code )

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OBJECTION TO THE STANDARD CHOICE AUCTION AND  
PETITION TO SUSPEND COLUMBIA GAS OF OHIO'S PROPOSAL TO  
CONDUCT A STANDARD CHOICE AUCTION IN FAVOR OF  
CONDUCTING A STANDARD SERVICE OFFER AUCTION  
BY  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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On April 15, 2011, Columbia Gas of Ohio, Inc. ("Columbia" or "the Company")  
filed a Revised Program Outline ("Revised Outline") requesting the Public Utilities  
Commission of Ohio ("PUCO" or "the Commission") to approve Columbia's  
implementation of an initial retail Standard Choice Offer ("SCO") Auction in February of  
2012.<sup>1</sup> The Office of the Ohio Consumers' Counsel ("OCC") files this petition to  
suspend Columbia's proposed SCO Auction in favor of another wholesale Standard

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<sup>1</sup> In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of a General Exemption of  
Certain Natural Gas Commodity Sales Services or Ancillary Services, Case No. 08-1344-GA-EXM,  
Revised Outline (April 11, 2011) at 1 ("Revised Outline").

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Service Offer ("SSO") Auction, pursuant to the Public Utilities Commission of Ohio's ("PUCO" or "Commission") December 2, 2009, Opinion and Order.<sup>2</sup>

OCC opposes the SCO auction because the SCO will impose quantifiable and unavoidable higher costs on residential customers, because; there are no tangible, objectively quantifiable benefits for residential customers as a result of the proposed change, and because the change to the SCO results in considerable customer confusion from the sudden appearance of a Marketer's name on a customer's bill.<sup>3</sup> The reasons for this Petition are set forth in the attached Memorandum in Support.

Respectfully submitted,

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<sup>2</sup>In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services, Case No. 08-1344-GA-EXM, Opinion and Order (December 2, 2009) at 9 ("Opinion and Order").

<sup>3</sup> Id.

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In the Matter of the Application of	)	
Columbia Gas of Ohio, Inc. for Approval	)	
of a General Exemption of Certain Natural	)	
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Ancillary Services from Chapters 4905,	)	
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Code	)	

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**MEMORANDUM IN SUPPORT**

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**I. BACKGROUND**

On January 30, 2009, Columbia filed an Application for approval of a general exemption of certain natural gas commodity sales services or ancillary services.<sup>4</sup> Attached to that Application was a Program Outline ("Program Outline"), which explained how Columbia planned to implement SSO and SCO Auction processes.

In August of 2009, the parties to the proceeding reached an agreement to settle the issues in the case. Consequently, the parties filed a Joint Stipulation and Recommendation ("Stipulation") which recommended approval of Columbia's Application on October 7, 2009. The Commission approved the Stipulation on December 2, 2009, by Opinion and Order ("Opinion and Order").<sup>5</sup>

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<sup>4</sup> *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services*, Case No. 08-1344-GA-EXM, Application (January 30, 2009).

<sup>5</sup> See Opinion and Order, generally.

According to the Stipulation, Columbia would conduct two SSO wholesale auctions in order to implement two consecutive, one-year long, SSO periods, starting in April 2010, and April 2011.<sup>6</sup> In addition, Columbia was to conduct a third auction for the annual period beginning 2012.<sup>7</sup> This third auction was to be an SCO retail auction.<sup>8</sup>

However, the Stipulation and Opinion and Order approving the Stipulation specifically states as follows:

**Prior to the SCO auction date, any party may petition the Commission to suspend the SCO auction in favor of another SSO auction. In the event a party files an objection to an SCO auction, the parties supporting the SCO auction agree to present evidence intended to demonstrate the anticipated benefits from an SCO auction.**<sup>9</sup> (Emphasis added).

On April 15, 2011, Columbia filed a Revised Program Outline (“Revised Outline”) reflecting changes “necessary to implement the initial SCO auction in February, 2012.”<sup>10</sup> OCC hereby files this petition requesting the Commission to suspend the SCO retail auction requested by Columbia in favor of another SSO wholesale auction pursuant to the specific reservation of rights in the Stipulation and Opinion and Order. In addition, OCC petitions the Commission to establish an evidentiary hearing as the parties reserved, and the Commission granted as part of the Stipulation.<sup>11</sup>

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<sup>6</sup> Opinion and Order at 7.

<sup>7</sup> *Id.* at 8.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at 9.

<sup>10</sup> Revised Outline at 1.

<sup>11</sup> Opinion and Order at 9.

## **II. ARGUMENT**

### **A. The SCO Auction Should Be Suspended in Favor of An SSO Auction.**

This issue will **directly affect** residential customers due to the inherent differences in the SSO and SCO auction processes. The OCC is a supporter of the SSO wholesale auction process to bring more competitively priced natural gas to residential customers. Thus far, the results of wholesale SSO auctions have generally provided tangible objectively quantifiable benefits in the form of lower costs to residential customers. But under an SCO retail auction, residential customers are forced to pay a higher sales tax rate over the alternative gross receipts tax. When faced with a higher tax rate and no offsetting tangible objectively quantifiable benefits, the public interest demands that the PUCO take the course of action that assures residential customers of the lowest possible gas price. That is the SSO wholesale auction.

Under an auction process, the price for gas is set each month based on the monthly closing price of natural gas on the New York Mercantile Exchange ("NYMEX"). Added to that cost is the Retail Price Adjustment ("RPA"), which is determined by a descending clock auction. Under an SSO wholesale auction, a residential customer is treated as a wholesale customer of the gas company and thus pays the gross receipts tax rate of 4.75%. However, the SCO retail auction, residential customers are considered retail sales customers and are required to pay the state sales tax and the county sales tax for the county in which they reside. For most Columbia residential customers, the state sales tax rate 5.5 % is coupled with county tax rates of 1.0% to 2.25%, for a total tax rate of potentially as much as 7.75 %

As a result of a higher tax bill the SCO auction serves to erode the benefit from the lower Retail Price Adjustment that results from the SSO auction process. Thus, it is possible that a customer could be forced to pay a higher total bill due to the higher sales tax rate, even if the Retail Price Adjustment is lower than the previous Gas Cost Recovery rate.

In addition to the higher sales tax rate, the change to the SCO wholesale auction that will likely result in considerable customer confusion from the sudden appearance of a Marketer's name on a customer's bill. The SCO is the rate paid by customers who are eligible for Energy Choice, but who have not chosen a supplier for their natural gas consumption. These customers are assigned to a retail natural gas supplier and pay the same monthly variable SCO rate, regardless of the assigned supplier. This process could potentially lead to customer confusion when customers that have not selected a Choice Marketer but instead want to continue getting service from Columbia see the name of a Marketer on their bill after an SCO wholesale auction.

Further, there are a number of Marketers, including some very large Marketers that are bidders in the SSO retail auction who are not interested in becoming Certified as Competitive Retail Natural Gas Suppliers ("CRNGS"), which is required in order to bid in an SCO retail auction. The potential loss of these wholesale bidders may impact the competitiveness of any SCO retail auction.. These wholesale Marketers do not necessarily value the ability to put their name on a customer's bill, and thus may decide not to participate in an SCO retail auction. In fact, wholesale marketers cannot participate in an SCO auction unless they first go through the certification process.

For the reasons articulated above, the OCC opposes the change from the SSO to the SCO.

**B. The Commission Should Set this Matter For an Evidentiary Hearing Pursuant to the Agreement of the Parties in the Stipulation.**

The Opinion and Order approving the Stipulation specifically states as follows:

In the event a party files an objection to an SCO auction, the parties supporting the SCO auction agree to present evidence intended to demonstrate the anticipated benefits from an SCO auction.<sup>12</sup>

OCC formally requests that, pursuant to the agreement of the parties in the Stipulation and the Commission's adoption of the agreement in the Opinion and Order, the Commission set this matter for an evidentiary hearing in order to require supporting parties to present evidence of the benefits of an SCO retail auction as was set forth in the Stipulation and Opinion and order. In addition, parties supporting continuation of the SSO wholesale auction can also present evidence of the benefits of the SSO.

The result of the above-quoted wording in the Opinion and Order is that the burden of proof to demonstrate the benefits of the SCO auction lies with Columbia and the parties supporting the transition to the SCO auction. Those supporting parties should be directed to present evidence which demonstrates the tangible, objectively quantifiable anticipated benefits it expects from an SCO auction. The Commission should weigh the evidence presented at hearing and make a decision whether Columbia should be authorized to proceed with implementation of the SCO auction as proposed in the Revised Outline, or instead conduct another SSO auction.

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<sup>12</sup> Opinion and Order at 9.

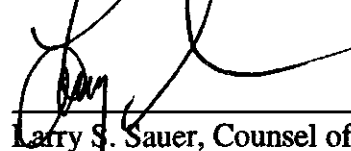
### **III. CONCLUSION**

Pursuant to the procedure established in the Commission's Opinion and Order, OCC submits this petition to request that the Commission suspend Columbia's requested SCO auction in favor of another SSO auction. An SCO auction will adversely affect residential customers because it will 1) result in higher costs from higher tax rates to customers, 2) potentially cause customer confusion, and 3) reduce competitive pressure on the SCO price due to a loss of bidders.

OCC requests that the Commission schedule an evidentiary hearing to afford OCC and other interested parties the opportunity to present evidence in opposition to implementing the SCO auction, while Columbia accordingly bears the burden of presenting evidence which demonstrates the anticipated benefits it expects to achieve from an SCO auction.

Respectfully submitted,

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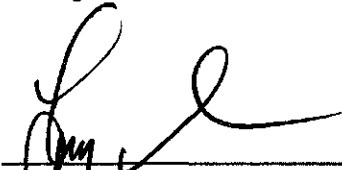
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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the *Petition of the Office of the Ohio Consumers' Counsel to Suspend Columbia Gas of Ohio's Standard Choice Auction in Favor of an Standard Service Offer Auction* was served on the persons stated below by regular U.S. Mail, this 9th day of May, 2011.

  
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