

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

The Commission finds:

- (1) Columbia Gas of Ohio, Inc. (Columbia), is a natural gas company as defined by Sections 4905.03(A)(5), 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 December 2, 2009, the Commission issued an Opinion and Order approving the terms of a stipulation entered into by the parties in this proceeding on October 7, 2009. The stipulation provided that Columbia would hold an auction to secure natural gas supplies, initially through a standard service offer (SSO) structure, and subsequently through a standard choice offer (SCO) structure. Under the SSO mechanism, the winning auction bidders are awarded the right to provide natural gas to Columbia on a wholesale basis for redelivery 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, under the SCO, winning bidders would have a direct retail relationship with these customers. The initial SSO rate was in effect for the period April 1, 2010 through March 31, 2011 and a second auction-based SSO was to be in effect from April 1, 2011 through March 31, 2012. The initial SCO period would be for the 12-month period beginning April 1, 2012. On September 7, 2011, the Commission issued a Finding and Order approving a revised program outline reflecting the transition from the SSO to SCO and authorized Columbia to proceed with the SCO auction.
- (3) On February 14, 2012, an auction was conducted to establish rates for the first SCO period. As with the SSO auction, participants bid on 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. 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 16 equal tranches. Fifteen bidders were certified and 13 actually 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 SCO 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 a 12-month term from April 1, 2012 through March 31, 2013.

- (4) On February 14, 2012, 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 result of the auction was an RPA of \$1.53 per Mcf. The Staff Report concluded that this result was an accurate reflection of the natural gas market at the time of the auction and the \$1.53 RPA was a reasonable outcome relative to other practical pricing alternatives and historical experience. The Staff Report recommended that the Commission approve the auction result and authorize Columbia to replace its current SSO rate beginning April 1, 2012.
- (5) 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 implement its revised SCO rate based on the \$1.53 RPA and to enter into the necessary agreements with the winning bidders. The monthly SCO price will be calculated as the sum of the NYMEX settlement price for the prompt month plus an RPA of \$1.53 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 SCO is approved for the period April 1, 2012 through March 31, 2013. During that time, the Commission reserves all authority to exercise its oversight and specifically reserves the right to terminate the SCO and to implement an alternative pricing methodology at any time, if circumstances warrant.

- (6) The Staff Report filed on February 14, 2012, 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 SCO suppliers. The Staff Report requests that the Commission continue to treat the bidders' names as confidential for a period of 15 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 establish its new SCO rate consistent with finding (5) 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, 2012. It is, further,

ORDERED, That Columbia shall notify all affected customers of the establishment of the SCO 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,

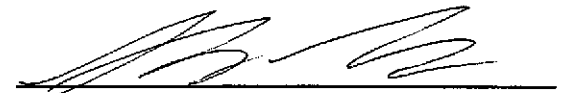
ORDERED, That the identities of the participating bidders be treated as confidential for a period of 15 days from this Finding and Order. It is, further,

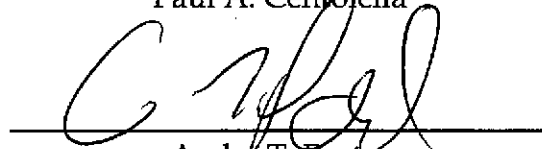
ORDERED, That a copy of this Finding and Order be served upon all parties in this proceeding.

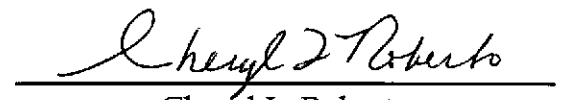
THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman


Paul A. Centolella

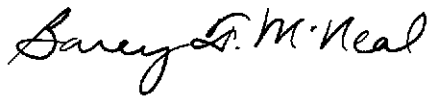

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Secretary