BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application to	:	
Modify, in Accordance with Section	:	Case No. 12-2637-GA-EXM
4928.08, Revised Code, the Exemption	:	
Granted Columbia Gas of Ohio, Inc., Case	:	
No. 08-1344-GA-EXM.	:	

AN ALLOCATION METHODOLOGY PROPOSAL
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

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BACKGROUND

The Commission in its March 20, 2013 entry on rehearing recognized that prior to

Columbia Gas of Ohio Inc.'s ("Columbia") exit of the merchant function for non-resi-

dential customers, certain details regarding the customer allocation methodology needed

to be discussed and resolved among the parties. In this entry the Commission directed

Staff to meet with Columbia and its stakeholder group to discuss and work out these

details and file an allocation methodology for review and approval within 90 days of the

date of the entry. The Commission specified the non-residential Choice customers[1]

allocation methodology was to include:

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[1] "Choice customers" means customers that are eligible to participate in
Columbia's CHOICE program and receive their commodity gas through a bilateral
contract with a Choice supplier.

(i)   A formula to calculate each MVR[2] Choice supplier's market share of non-residential Choice customers, as described in the entry;

(ii)   A formula to calculate each MVR SCO[3] supplier's market share of non-residential Choice customers, as described in the entry;

(iii)   A formula to calculate how the residual customers will be allocated under the methodology in finding in the entry.

Staff met with Columbia and the stakeholder group on May 3rd and 14th, 2013.

Columbia at the May 3rd meeting proposed an algorithm to carry out the allocation methodologies and a methodology for allocating residual non-residential SCO customers not initially allocated because an otherwise entitled SCO or Choice suppliers chose not to be an MVR supplier. There was general support within the stakeholder group for Columbia's algorithm to carry out the allocation methodology, but it took additional discussion for the stakeholders to come to a consensus proposal around methodology.[4] It should be noted that the Office of the Consumers' Counsel ("OCC") as a member of the stakeholder group attended the May 14th meeting, however since the discussion related exclusively to non-residential customers, OCC did not participate other than to request that it be noted in the proposal, that the adopted framework for the MVR allocation

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[2]   "MVR" means the monthly variable rate.

[3]   "SCO" means the standard choice offer.

[4]   None of the stakeholders opposed the consensus proposal, though there was not total unanimous support.

methodology is only for non-residential customers and in no way establishes a precedent

for any future exit by Columbia for residential customers[5].

ALGORITHM FOR MVR ALLOCATION

The Commission directed Staff, Columbia, and the stakeholder group to develop a

methodology and algorithm that would result in an allocation of non-residential SCO

customers to MVR suppliers. Below is a written explanation of the proposed methodol-

ogy and algorithm. The attached Appendix is a worksheet detailing an example as it

relates to the described methodology.

STEP 1: DETERMINATION OF INITIAL MARKET OWNERSHIP

The first step of the allocation methodology begins with the identification of non-

residential customer accounts which are being served by an SCO supplier or Choice sup-

plier in the month immediately preceding the date of exit. Once identified, the SCO

customers will be allocated between two groups, one made up of Choice Suppliers[6] and

the other made up of SCO Suppliers[7] who served SCO customers during the time period

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[5]   The Commission in its January 09, 2013 Opinion and Order at page 31 made this point when it clarified that approval of the provisions in the stipulation, for nonresidential customers exiting the merchant function, in no way determined the reasonableness of exiting of the merchant function for residential customers.

[6]   "Choice Supplier" means a certified retail natural gas supplier participating in Columbia's Customer CHOICE Program.

[7]   "SCO Supplier" means a winning SCO Auction bidder that has received the right, and has the obligation, to provide natural gas commodity for a specified list of Choice eligible customers that have not elected a Competitive Retail Natural Gas Supplier and that are not served through Governmental Aggregation Programs.

beginning January 9, 2013[8] and ending in the month immediately preceding the date of

exit. Accordingly, the SCO Supplier Group's percentage is calculated by dividing the

total number of non-residential SCO customers by the total number of Choice Eligible

customers;[9] and the Choice Group percentage is calculated by the dividing the total num-

ber of non-residential Choice customers also by the total number of Choice Eligible cus-

tomers. The resulting percentages are then multiplied by the total number of remaining

SCO customers to obtain the number of SCO customers to allocate to the SCO Supplier

Group and the Choice Supplier Group. (See columns 8, 12, and 13 of the attached

Appendix for SCO Suppliers, and columns 8, 12, and 13 for Choice Suppliers).

STEP 2: INITIAL ALLOCATION OF SCO CUSTOMERS

The second step involves allocating the SCO customers between suppliers within

the SCO Supplier Group and within the Choice Supplier Group.

> **SCO Supplier Group --** The allocation of customers within the SCO Sup-
>
> plier Group is based on the percentage of qualifying tranches held by each
>
> supplier in the SCO Supplier Group. That percentage is calculated by
>
> dividing each supplier's tranches accumulated during the tranche period by
>
> the total number of tranches awarded during the tranche period. The
>
> resulting percentages are then multiplied by the total number of non-resi-

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[8]   The January 9, 2013 start date includes the combined SSO*/SCO auctions for the 2012/2013 program. (*"SSO" means standard service offer).

[9]   Choice Eligible customers, as used in this formula, is determined by the number of SCO non-residential customers + Choice non-residential customers.

dential customers allocated to the SCO Supplier Group in Step 1 above, to arrive at the number of customers allocated to each supplier in the SCO Supplier Group. (See columns 4 through 8, 12 and 13 of the Appendix).

Choice Supplier Group -- The allocation of customers within the Choice Supplier Group is based on the percentage of the non-residential Choice market served, including governmental aggregations. That percentage is calculated by dividing each supplier's Choice customers by the total number of Choice customers for all Choice suppliers in the month immediately preceding the date of exit. The resulting percentages are then multiplied by the total number of SCO customers allocated to the Choice Supplier Group in Step 1 above, to arrive at the number of customers allocated to each supplier in the Choice Supplier Group. (See columns 9 through 13 of the Appendix).

STEP 3: ALLOCATION OF RESIDUAL SCO CUSTOMERS TO MVR SUPPLIERS

The third step involves the SCO customers that remain unallocated after completion of Steps 1 and 2 because an SCO supplier or Choice supplier, that was otherwise entitled to have an allocation of MVR customers, did not successfully register as an MVR supplier. These residual customers will be combined into a sub-group for a default allocation, with 70 percent of these customers allocated to MVR registered Choice suppliers,

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and 30 percent allocated to MVR registered SCO suppliers. (See columns 14 through 17 of the Appendix).

SCO Supplier Allocation -- The 30 percent portion of previously unallo-cated SCO customers will be allocated to MVR registered SCO suppliers based on each supplier's percentage of all SCO customers allocated to MVR registered SCO suppliers in Steps 1 and 2. This percentage is calcu-lated by dividing the number of SCO customers allocated to each MVR registered SCO supplier, (in Steps 1 and 2), by the total number of SCO customers, minus residual customers, allocated to all MVR registered SCO suppliers. The resulting percentages are then multiplied by 30 percent, times the total number of residual SCO customers, to arrive at the number of such SCO customers to be allocated to each MVR registered SCO sup-plier. (See columns 13 through 16 of the Appendix).

Choice Supplier Allocation -- The 70 percent portion of previously unal-located SCO customers will be allocated to MVR registered Choice suppli-ers, based on each supplier's percentage of all SCO customers, allocated to MVR registered Choice suppliers in Steps 1 and 2. This percentage is cal-culated by dividing the number of SCO customers allocated to each MVR registered Choice supplier, (in Steps 1 and 2), by the total number of SCO customers, minus residual customers, allocated to all MVR registered

Choice suppliers. The resulting percentages are then multiplied by 70 percent times the total number of residual SCO customers to arrive at the number of such SCO customers to be allocated to each MVR registered Choice supplier. (See Columns 13 through 16 of the Appendix).

Column 17 contains the total number of customers allocated to each MVR supplier through the initial allocation (shown in column 15A of the Appendix) and the allocation of residual customers (shown in column 16 of the Appendix).

TARIFF MODIFICATION

Finally the Commission in the entry clarified that if a supplier elected to be an MVR supplier, it had agreed to take assignment of customers under Columbia's tariff requirements[10]. The stakeholder's agreed on assignment of SCO allocation entitlements and agreed to support the following change to Columbia's tariff assignment requirements. In preparing the tariffs to authorize the non-residential MVR allocation, Columbia shall include a provision to allow an SCO supplier, within seven business days of becoming entitled to an SCO MVR allocation, to provide notice to Columbia that it elects to designate to an wholly owned affiliated company that meets the requirements of being an MVR supplier, the SCO customers to which it would be otherwise be allocated. An SCO

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[10] *In the Matter of the Application to Modify, in Accordance with Section 4928.08, Revised Code, the Exemption Granted Columbia Gas of Ohio, Inc., Case No. 08-1344-GA-EXM* (Entry on Rehearing at 18, ¶ 38(e)) (March 20, 2013).

supplier becomes entitled to an allocation at the time at which Columbia determines the

actual number of customers an SCO supplier will be initially allocated.

CONCLUSION

The Staff respectfully requests that the Commission give studied consideration to

the merits of this proposal for an allocation methodology of non-residential SCO custom-

ers to MVR suppliers upon Columbia's exit of the merchant function.

Respectfully submitted,

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PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Allocation Methodology Proposal** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following Parties of Record, this 18th day of June, 2013.

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			Step 1: Determination of Initial Market Ownership						Step 2: Initial Allocation of SCO Customers	
	Alias Code	2012/13 Auction Tranche Number	2013/14 Auction Tranche Number	SCO Combined Tranche Number	SCO Suppliers % of Total Tranches A/	# Non-Res SCO Customers A/	# Non-Resid Choice Cust By Supplier A/	Choice Suppliers % of Total Choice Customers A/	Breakdown of Non Res Customers Between SCO and Choice	Initial Allocation of SCO Customers
(1)		(4)	(5)	(6)	(7) Per col (6)	(8)	(9)	(11)	(12)	(13)
SCO	IR	4	4	8	25.0%					1,597
SCO	IX	4		4	12.5%					799
SCO	NA	4	4	8	25.0%					1,597
SCO	VA	2	4	6	18.8%					1,198
SCO	Q	2	1	3	9.4%					599
SCO	TZ		2	2	6.3%					399
SCO	BK		1	1	3.1%					200
Total SCO		16	16	32	100.0%	25,552			25.00% Actual Market Share at exit	6,389
Choice	AZ						470	0.6%		118
Choice	DA						9	0.0%		2
Choice	ED						14,765	19.3%		3,692
Choice	EI						157	0.2%		39
Choice	EM						1,774	2.3%		444
Choice	FN						53	0.1%		13
Choice	GG						8	0.0%		2
Choice	GP						181	0.2%		45
Choice	HA						-	0.0%		0
Choice	IB						265	0.3%		66
Choice	K						53	0.1%		13
Choice	LI						5,841	7.6%		1,460
Choice	MA						321	0.4%		80
Choice	MO						788	1.0%		197
Choice	NB						1,713	2.2%		428
Choice	Q						21,016	27.4%		5,255
Choice	QQ						836	1.1%		209
Choice	Q						-	0.0%		0
Choice	RA						5,978	7.8%		1,495
Choice	RV						42	0.1%		11
Choice	TA						840	1.1%		210
Choice	TZ						6,866	9.0%		1,717
Choice	VA						13,836	18.1%		3,459
Choice	X						671	0.9%		168
Choice	YV						159	0.2%		40
Total Choice							76,642	100.0%	75.00% Actual Market Share at exit	19,163
Total SCO and Choice							102,194			25,552

A/ Numbers shown are illustrative for purposes of this example

Step 3: Allocation of Residual SCO Customers to MVR Suppliers

(1)	Alias Code	Initial Alloc. of SCO Cust (13)	MVR Supplier 1 = Yes (14)	Cust. To be Included in 2nd Alloc Since Supplier not MVR Supplier (Residuals) (15) =13 if 14=0	# Customers For Second Allocation (15A) =13 if 14=1	Percents For 2nd Allocation of Customers of Non MVR Suppliers Based on Col. 15A By Class (15B)	Agreed to Breakdown of Non Res Residual Customers Between SCO and Choice (15C)	2nd Allocation of Customers of Non MVR Suppliers By Class (16) =15B * 15C	Total Allocated Customers to MVR Suppliers By Class (17) =(15A) + (16)
SCO	IR	1,597	0	1,597	0	0.00%		0	0
SCO	IX	799	0	799	0	0.00%		0	0
SCO	NA	1,597	0	1,597	0	0.00%		0	0
SCO	VA	1,198	1	0	1,198	54.55%		1,057	2,255
SCO	Q	599	1	0	599	27.27%		529	1,128
SCO	TZ	399	1	0	399	18.18%		352	752
SCO	BK	200	0	200	0	0.00%	Fixed %	0	0
Total SCO		6,389		4,193	2,196	100.00%	30%	1,938	4,134
							1,938		
Choice	AZ	118	1	0	118	0.70%		31	149
Choice	DA	2	0	2	0	0.00%		0	0
Choice	ED	3,692	1	0	3,692	21.85%		988	4,680
Choice	EI	39	0	39	0	0.00%		0	0
Choice	EM	444	1	0	444	2.63%		119	562
Choice	FN	13	0	13	0	0.00%		0	0
Choice	GG	2	0	2	0	0.00%		0	0
Choice	GP	45	0	45	0	0.00%		0	0
Choice	HA	0	1	0	0	0.00%		0	0
Choice	IB	66	1	0	66	0.39%		18	84
Choice	K	13	1	0	13	0.08%		4	17
Choice	LI	1,460	0	1,460	0	0.00%		0	0
Choice	MA	80	0	80	0	0.00%		0	0
Choice	MO	197	0	197	0	0.00%		0	0
Choice	NB	428	0	428	0	0.00%		0	0
Choice	Q	5,255	1	0	5,255	31.10%		1,407	6,661
Choice	QQ	209	1	0	209	1.24%		56	265
Choice	Q	0	1	0	0	0.00%		0	0
Choice	RA	1,495	1	0	1,495	8.85%		400	1,895
Choice	RV	11	1	0	11	0.06%		3	13
Choice	TA	210	1	0	210	1.24%		56	266
Choice	TZ	1,717	1	0	1,717	10.16%		460	2,176
Choice	VA	3,459	1	0	3,459	20.48%		926	4,386
Choice	X	168	1	0	168	0.99%		45	213
Choice	YV	40	1	0	40	0.24%	Fixed %	11	50
Total Choice		19,163		2,268	16,895	100.00%	70%	4,523	21,418
							4,523		
Total SCO and Choice		25,552		6,461			6,461	6,461	25,552

A/ Numbers shown are illustrative for purposes of this example

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Summary: Memorandum An Allocation Methodology Proposal submitted by Assistant Attorney General Stephen A. Reilly on behalf of the Staff of the Public Utilities Commission of Ohio. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio