

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

**In the Matter of the Commission's)
Review of the Natural Gas Retail) Case No. 13-1307-GA-COI
Market Development.)**

**RESPONSES OF
COLUMBIA GAS OF OHIO, INC.**

INTRODUCTION

By Entry dated June 5, 2013, the Commission elicited comments regarding current standard CHOICE offer ("SCO") auctions and any recommendations on how to further support a fully competitive retail natural gas marketplace in Ohio. The Commission asked interested parties to address five specific questions. This is Columbia Gas of Ohio, Inc.'s ("Columbia") responses to those five questions.

QUESTION 1: *What regulatory changes, if any, should be made to further support a fully competitive retail natural gas marketplace?*

It is not necessary to make any additional regulatory changes at this time in order to support a fully competitive retail natural gas marketplace. The Commission's Competitive Retail Natural Gas Service ("CRNGS") Rules provide adequate customer protection; effective competition; diversity of suppliers; and adequate supplier oversight. These rules have resulted in establishment of a competitive marketplace in which Columbia's customers can choose to purchase gas from a Retail Natural Gas Supplier; purchase their gas supply through participation in a Governmental Aggregation Group ("GA"); or receive their gas through an auction process in which Retail Natural Gas Suppliers bid for the right and obligation to provide natural gas commodity for those customers electing not to purchase or are ineligible to purchase gas from a Retail Natural Gas Supplier or a GA under Columbia's CHOICE program. The five year review of these rules allows for appropriate change, as the marketplace and regulatory environment evolve.

Columbia further notes that it has been just over a year since Columbia launched its SCO program.¹ It seems premature to suggest further regulatory change before gaining some experience with the relatively new SCO program. In addition, Columbia recently filed an Amended Stipulation and Recommendation in Case No. 12-2637-GA-EXM which will continue to bring about changes to Columbia's CHOICE, GA, and SCO programs over a five-year horizon (April 1, 2013 – March 31, 2018).² The Commission approved this Joint Stipulation and Recommendation on March 6, 2013.³ In large part, the changes that are provided for in this Stipulation are intended to further enhance competition in the marketplace. Again, it would be premature to make or suggest significant changes until the Commission can evaluate the effect of this stipulation upon the competitive retail natural gas market in Ohio.

QUESTION 2: *What types of educational programs, if any, should be implemented to ensure that retail customers are fully aware of the options open to them for purchasing retail natural gas service?*

Pursuant to the Amended Stipulation and Recommendation approved in Case No. 12-2637-GA-EXM, Columbia and interested stakeholders have an obligation to meet and discuss the subject of educational programs. The Amended Stipulation and Recommendation in Case No. 12-2637-GA-EXM includes a provision for a survey of Non-Residential customers that should provide Columbia and the stakeholders with a better understanding of the types of educational programs that can be implemented should the survey reveal that Non-Residential customers are not fully aware of options available for purchasing retail natural gas service. Columbia will utilize that process to address and respond in a manner that is agreed to by the stakeholders. As for other natural gas companies, Columbia suggests that the Commission address this matter on a company-by-company basis because each company has educational programs designed to address their unique competitive programs.

QUESTION 3: *Does the SCO provide a competitive level playing field for SCO providers and competitive retail natural gas service (CRNGS) providers? For example, how, if*

¹ See PUCO Case No. 08-1344-GA-EXM.

² *In the Matter of the Joint Motion to Modify the December 2, 2009 Opinion and Order and the September 7, 2011 Second Opinion and Order in Case No. 08-1344-GA-EXM, Case No. 12-2637-GA-EXM, Amended Stipulation and Recommendation* (November 27, 2012).

³ *In the Matter of the Joint Motion to Modify the December 2, 2009 Opinion and Order and the September 7, 2011 Second Opinion and Order in Case No. 08-1344-GA-EXM, Case No. 12-2637-GA-EXM, Opinion and Order* (January 9, 2013). See also, Entry on Rehearing (March 20, 2013).

at all, do the following processes differ for SCO and CRNGS providers: data collection; contract administration; customer enrollment; and customer service?

Columbia has developed its Choice, GA and SCO programs with the intent of maintaining a level playing field for all participants. Whenever possible, all participants are treated equally with respect to capacity assignment, demand curves, payment to suppliers, and other areas of the market.

Columbia does not know enough about the operations of specific CRNGS providers to comment on their processes, which likely differ from provider to provider. Despite this, Columbia's goal remains to provide natural gas service options to its constituents at fair and reasonable rates. The development of the CHOICE, GA, and SCO programs has afforded consumers the opportunity to elect the appropriate commodity service program that fits their needs. Understanding the distinct differences in these programs acknowledges that different cost structures are required for both providers and consumers. Any artificial attempt to modify the cost structures should be made with the customers' interest in the forefront.

QUESTION 4: *Are there barriers to market entry associated with the SCO and, if so, how are those barriers affecting the growth of Ohio's competitive market?*

Columbia is not aware of any barriers to SCO market entry, other than the fact that participants must have a certain level of understanding and sophistication to participate in the natural gas retail market. Nonetheless, these barriers do not seem to have affected the growth of Ohio's competitive natural gas retail market given the number of suppliers and customers that participate in Columbia's CHOICE program. The table below reflects the number of participants in Columbia's gas supply auctions to date, along with the number of active CHOICE suppliers on Columbia's system at the time of the auctions.

	Registered Bidders	Participated in Auction	Winning Bidders	Active CHOICE Suppliers at the time
SSO 2010	18	13	6	18
SSO 2011	16	15	7	23
SCO 2012	15	13	5	24
SCO 2013	11	10	6	26

QUESTION 5: *Is the SCO functioning as a competitive market price?*

Columbia believes that the SCO is functioning effectively as a competitive market price, as evidenced by the fact that customer participation rates in Columbia’s SCO and SSO programs have approximated 60% over the period since their inception. There has been ongoing strong interest and participation by Retail Natural Gas Suppliers in the auction process; and the competitive bidding process continues to drive down Columbia’s retail price adjustment (“RPA”). The SCO is the most transparent pricing mechanism currently available and provides a market clearing price against which suppliers must compete. This clearly benefits customers. The historical RPA are as follows:

Program	Time Period	Retail Price Adjustment
SSO	4/2010 - 3/2011	\$1.93
SSO	4/2011 - 3/2012	\$1.88
SCO	4/2012 - 3/2013	\$1.53
SCO*	4/2013 - 3/2014	\$1.29

*Pricing was modified so that the suppliers were no longer responsible for the applicable balancing charge

As noted earlier, Columbia has held two SCO auctions, and as a result of the Commission Order in Case No. 12-2637-GA-EXM Columbia plans to conduct SCO auctions for at least the next four years. Before making any additional changes to support a competitive retail natural gas market the Commission should let current regulatory stipulations run their course and accumulate sever-

al years of data that can and should be analyzed before exploring further possible changes that might support the competitive retail natural gas market.

Respectfully submitted by
COLUMBIA GAS OF OHIO, INC.

/s/Stephen B. Seiple_____

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Summary: Response regarding CHOICE offer auctions electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.