

FILE

February 2, 2016

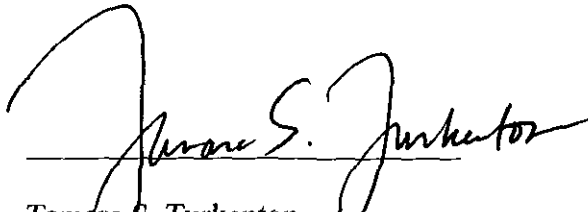
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Public Utilities Commission of Ohio
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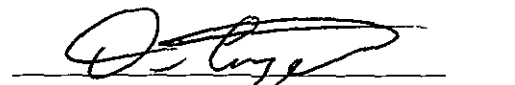
RE: *In the Matter of the Application of Dominion East Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services, Case No. 07-1224-GA-EXM, 11-6076-GA-EXM and 12-1842-GA-EXM.*

Enclosed please find Staff's Report regarding Columbia's Standard Choice Offer auction conducted on February 2, 2016.

Respectfully submitted,



Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio



David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure
cc: Parties of Record

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**A Report by the Staff of the
Public Utilities Commission of Ohio**

**Dominion East Ohio
Post Auction Report
Case Nos. 07-1224-GA-EXM, 11-6076-GA-EXM
and 12-1842-GA-EXM**

Background

On June 18, 2008, the Commission approved a joint stipulation which authorized The East Ohio Gas Company d/b/a Dominion East Ohio (Dominion) to conduct a series of auctions for pricing of its natural gas supply. Dominion was authorized to conduct a wholesale Standard Service Offer (SSO) auction for the seven month period of September 1, 2008 through March 31, 2009 and subsequent one-year retail Standard Choice Offer (SCO) auctions for April 1, 2009 through March 31, 2010 and thereafter until Commission approval is obtained to change these auctions. In both the SSO and SCO auctions the participants bid 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. The RPA is added to the NYMEX prompt month settlement price to arrive at the SSO/SCO¹ price. The SCO is a further evolution of the SSO concept in which Choice eligible customers are placed into a direct retail relationship with competitive retail natural gas service (CRNGS) providers who will be bidding to serve them. This retail relationship with the CRNGS suppliers would take place by having the winning bidder's name placed on their respective tranche(s) of customers' monthly bills from Dominion. Because the winning bidders will now be retail providers to these customers, all SCO auction participants were required to be certified CRNGS providers.

The first of these one-year SSO/SCO auctions took place on February 10, 2009, for volumes delivered April 1, 2009, through March 31, 2010. This auction differed from previous SSO auctions in that two separate auctions were held. The first auction determined the price for SSO customers and utilized the same descending clock format as was used in Dominion's two prior SSO auctions. A second auction was held immediately following the SSO auction to determine the price for SCO customers.

By Opinion and Order issued February 14, 2012, in Case No. 11-6076-GA-EXM, the Commission approved a stipulation entered into between Dominion, Staff, and the Ohio Gas Marketers Group; thus, authorizing Dominion to combine the SSO and SCO auctions into a single auction effective with the auction to be conducted in the first quarter of 2012 and thereafter.

Auction Process

On February 2, 2016, a single auction was conducted to establish the rate for the SSO/SCO customers. The auction took place via the internet with seven bidders participating.

For purposes of the SSO/SCO combined auction, Dominion aggregated the load of the PIPP, Choice ineligible and Choice eligible customers, into nine tranches with each auction participant bidding on a maximum of three tranches. The auction was conducted as a descending clock auction. Under this type of auction, each participant will bid on the number of tranches that they are willing to supply at an announced price (the RPA). If there are more tranches bid than are available (over-supplied round), a new round is conducted at a lower announced price. The

¹ The SSO is the price paid by Percentage of Income Payment Plan (PIPP) customers and Choice ineligible sales customers. The SCO is the price paid by Choice eligible sales customers. All SCO customers will pay the applicable sales tax, rather than gross receipts excise tax as do SSO customers.

auction continues until exactly nine tranches are bid and the announced price at that round becomes the RPA for the SSO/SCO. In the event that more than nine tranches are bid in a round followed by less than nine being bid (under-supplied round) in the next subsequent round, the auction will proceed to a sealed bid auction. The bidders in the oversupplied round will submit a sealed bid indicating the minimum price at which it will be willing to supply a tranche. The final RPA will be the minimum price at which exactly nine tranches are bid. If more than nine tranches are bid at the same clearing price, the load will be prorated amongst the suppliers that submitted a bid at that price.

Auction Results

Seven bidders were certified to participate in the SSO/SCO auction with each participant bidding on a maximum of three tranches. The auction began with 21 tranches bid at the opening RPA of \$0.70. The declining clock auction concluded when the number of tranches bid went from over-supplied to under-supplied (less than nine tranches) and immediately proceeded to the sealed bid round.

Recommendations

Based on Staff's observations, the auction was fair and devoid of any indications of collusion or other anomalies. Further, there were no deviations from the agreed upon auction procedures. Staff believes that since seven suppliers participated in the auction, the resulting price is an accurate reflection of the natural gas market at the time of the auction. Staff also finds that the \$(0.05) RPA will result in a reasonable commodity price to customers relative to other practical pricing alternatives and historical experience. Staff recommends the Commission approve the \$(0.05) RPA for the period April 1, 2016, through March 31, 2017. Although Staff is recommending approval for this 12-month period, it recognizes the Commission retains the authority to terminate these SSO/SCO rates and direct Dominion to return to an alternative pricing regime at any time should circumstances warrant.

Confidentiality

If the auction results are approved by the Commission, the winning bidders wish to remain anonymous due to their pending negotiations in securing capacity from the interstate pipeline. If their identities are revealed, this may have a negative impact on their negotiating position with the pipelines. Staff recommends to the Commission that they grant confidentiality of the bidder's identities for a period of 15 days after Commission approval of the auction.