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PUCO

Chairman Alan R. Schriber  
Commissioner Ronda Hartman Fergus  
Commissioner Judy A. Jones  
Commissioner Donald L. Mason  
Commissioner Clarence D. Rogers, Jr.  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

**Re:** Prejudicial impact on residential consumers by The Office of the Consumers' Counsel's ("OCC") insistence on the 80%-20% off-system sales revenues split in the Columbia Gas of Ohio, Inc. ("Columbia") Choice Program Stipulation in Case Nos. 03-1459-GA-ATA, *et al.*

Honorable Chairman and Commissioners:

I write to you on behalf of Interstate Gas Supply, Inc. ("IGS") and WPS Energy Services, Inc. ("WPS"), who participated in the development of and support the market-related issues contained in the 2004 Stipulation that the Commission is presently considering.

I am writing to respond to the OCC's comments concerning the sharing of revenues generated by off-system sales and capacity release transactions. OCC's continued insistence that the gas cost recovery ("GCR") receive 80% of such revenues and Columbia retain 20% of such revenues indicates, regrettably, that OCC does not grasp the balance contained in the 2004 Stipulation's cost allocation mechanisms. OCC's insistence is based on the incorrect premise that these would be "revenues generated with capacity secured on behalf of gas cost recovery . . . customers."<sup>1</sup> As the Commission is aware, under the 2004 Stipulation, all capacity costs are removed from the GCR, and the GCR is monthly allocated only those costs that are attributed to its peak monthly demand.

The OCC fails to appreciate the significant economic benefit to GCR customers by being shielded from all Choice-related stranded costs, a benefit only made possible by Choice customers absorbing 75% of capacity costs that would otherwise be allocated to the GCR. As "the statutory representative of residential consumers,"<sup>2</sup> the OCC knows that Choice consumers include residential consumers. Yet, these Choice residential consumers would be adversely affected by the 80%-20% off-system sales revenues split that the OCC is insisting upon.

<sup>1</sup> See The Office of the Ohio Consumers' Counsel's Reply to the Memoranda Contra of Columbia Gas of Ohio, Inc. and the Industrial Energy Users-Ohio at pp. 3 - 4 (May 3, 2004).

<sup>2</sup> See *id.* at p. 5.

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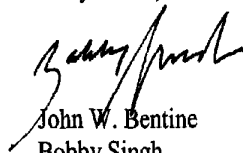
Indeed, off-system sales and capacity release revenues are almost entirely generated using assets that the Choice program and Columbia are responsible for. Even the OCC concedes that "[a]ll revenue from non-GCR capacity can be retained by Columbia."<sup>3</sup> The 80%-20% off-system sales revenues split would, therefore, provide a subsidy to the GCR at the expense of Choice consumers, which subsidy would grow as Choice migration increases and the GCR pool shrinks. Suppressing the GCR would distort the accuracy of price signals to the marketplace. Hence, the 80%-20% revenue split would be prejudicial to Choice consumers.

Given all of the benefits to the GCR under the 2004 Stipulation, the 80%-20% off-system sales revenues split would simply be unfair. IGS and WPS, therefore, respectfully request the Commission to reject the 80%-20% off-system sales revenues sharing methodology, and to follow the sharing methodology contained in the proposed 2004 Stipulation, which splits revenues between Columbia and core customers consisting of GCR and Choice consumers.

IGS and WPS also request the Commission to approve the 2004 Stipulation, because it represents a balancing of reliability, operational, and marketplace interests that will benefit GCR, Choice, and transportation consumers. Lastly, to provide certainty to the Columbia marketplace, IGS and WPS request a Commission ruling on the Columbia Choice program 2004 Stipulation at the earliest possible time.

IGS and WPS appreciate the Commission's consideration of these requests.

Truly Yours,



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<sup>3</sup> See *id.* at p. 4.

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