

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application)
of Columbia Gas of Ohio, Inc. to) Case No. 96-1113-GA-ATA
Establish the Columbia Customer)
Choice Program)

**REQUEST FOR REHEARING
AND/OR CLARIFICATION
OF THE JANUARY 8, 1997 ORDER**

MOTION

Now comes Enron Capital & Trade Resources Corp. (Enron) and requests this Commission to clarify or if appropriate grant rehearing on the limited issues of: 1) the mechanics for reauthorization and expansion of the Customer Choice Program; and 2) whether commercial customers may use CheckFree as part of the Customer Choice Program if a separate billing statement is sent by Columbia Gas of Ohio (COH).

MEMORANDUM IN SUPPORT

SUNSET ISSUE

The Customer Choice Program as designed and approved by the Commission in its January 8, 1997 Order (Order) is the most progressive residential transportation program available in the country. By permitting open sourcing of gas supplies,¹ residential and

¹ The term "open sourcing" here refers to a policy which does not restrict customers who transport into accepting upstream interpipeline capacity and storage capacity as a requirement for transporting. Today on Columbia, all industrial and commercial customers with usage over 2,000 Mcf per year are permitted open sourcing. Commercial customers under 2,000 Mcf per year must take capacity assignment or buy a backup service.

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small commercial customers in the Toledo service area will have an opportunity to purchase gas at some of the best prices and terms in the United States. Due to the boldness of the program, the Commission as part of its Order accepting the Customer Choice Program specifically noted its authority to: "...stay program operation for a time sufficient to permit a full-scale redevelopment or to cancel the program." Further, the Commission's Order requires participating marketers to provide a "regulatory out" provision so that the participants are not at risk if the program is terminated prior to the expiration date of their contracts. Pages 8 and 9 of the Order also establishes a Report on the progress of the Customer Choice Program which must be submitted no later than December 1, 1997. The purpose of the Report is to assist in evaluating expansion or continuation of the Program. The Order also requires meetings by Columbia with those affected by the Customer Choice Program.

Enron interpreted the language on Page 8 of the Order as conditioning the continuation and expansion of the Customer Choice Program upon the "filing" of the Report. Given the timing of the Report, Enron also assumed that the Report would be expanded by supplements and further inquiry by the Staff. The expanded Report would then serve as the factual basis upon which the Commission would consider continuation, amendments and expansion of the Customer Choice Program.

The above summary of the Commission's reservation in authorizing the Customer Choice program has been placed in doubt by the revised tariff filed following the Order. Original Sheet 73 Subsection (E)(1) as refiled on January 22, 1997 contains a new subsection (d) not contained in the original or revised application. Subsection (d) places

with the Code of Conduct a requirement that marketers inform Customer Choice Participants that the program ends unless specifically reapproved by the Commission.

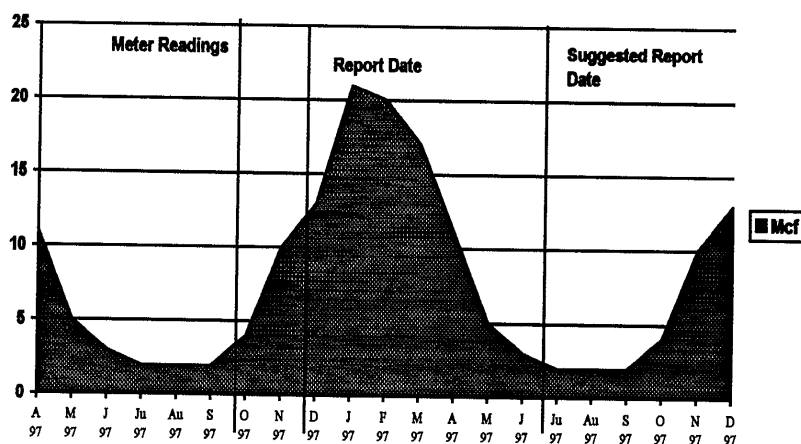
Though no date is provided, it is clear that subsection (d) is a distinct Sunset provision for it is required in addition to the reservation that the Commission can terminate the program at any time without penalty to the end use customers [see Original Sheet 74 (E)(7)] and the right of the end use customers to terminate Customer Choice, switch marketers or renegotiate the contract after the first year [see Original Sheet 74 (E)(6)].

Thus, Enron seeks clarification that the Order conditions continuation of the program on the preparation and filing of an ongoing Report and does not terminate the program automatically if a ruling is not given by a date certain. Further, subsection (d) should be clarified so that customers are informed that the Commission "may" terminate the program at any time without penalty to the customer, and not state that the Commission "will" terminate the program on a date certain unless reauthorized.

It is redundant to state that the Commission can amend or terminate the program at any time, and that it may terminate the program on April 1, 1997. Further, giving both instructions may make customers, particularly those who sign up close to the start of the heating season, unduly question the worth of a program that seems to terminate in a matter of months.

A Sunset of April 1st creates a needless crisis centered upon a reauthorization process tied to a date with significant temporal problems. As illustrated by the chart below, the essential data on the residential portion of the Customer Choice Program will simply not be available, let alone be properly analyzed, by April 1st. Residential gas sales

are heavily concentrated into a fifteen week heating season.² Further, because of the great number of residential customers, meter readings are divided over a 60 day period. Strong seasonal use and elongated meter reading periods for the residential class combine so that by the December Report less than a 1/3 of the expected residential sales data will be available. In fact, it appears that the earliest time by which the full winter data will be available to assess the bulk of the residential program will be July of 1998.



Enron believes that the key issues the Commission wishes to review before ruling on amending or expanding the Customer Choice Program are: 1) the size and affect of the stranded costs, and 2) the difficulties (if any) of open sourcing to the operation of the distribution system on peak send out days. Neither of those key issues will be ripe for review until after the winter deliveries are completed. A mid summer detailed review of the data poses no problem, unless an April 1st Sunset is part of the Program.

² See Page 7 of the Commission Staff January 31, 1997 report Weather Impacts on Gas Cost and Residential Winter Heating Bills 1996-1997 which provides the typical residential load curve.

Enron does request the Commission to take notice of the fact that a termination decision or amendments to the Customer Choice Program would require sufficient implementation time so that arrangements can be made for gas put into storage and the transfer of customers back to the GCR should the Customer Choice Program be altered. In addition to having ample time to switch if the Customer Choice Program is altered, the earlier in the storage injection season any decision is made the easier the transition will be. This fact may have led to the choice of April 1st as a Sunset date, as April 1st is generally thought of as the end of the storage withdrawal season and the beginning of storage injections. In Enron's view though the added difficulty of program changes during the storage injection season would not merit a forced decision on the Customer Choice Program before the relevant information was available.

CHECKFREE BILLING FOR COMMERCIAL CUSTOMERS

The deregulation of well head pricing by the Federal Energy Regulatory Commission (FERC)³ coupled with the open access policy for interstate pipelines initiated by the FERC by Order 636 has led to a national natural gas market. Though the national market has its bottlenecks and pricing anomalies, today many commercial firms doing business nationally buy gas supplies on a multi-state basis. For multi-site business in the Columbia service territory, marketers are permitted to provide a consolidated billing.

To allow the marketers to provide businesses with a consolidated billing and not create risk or collection agency obligations between marketers and utility, Columbia and

³ Energy Policy Act of 1992, P.L. 102-486, and the Natural Gas Policy Act of 1978, P.L. 95-621.

the marketers over the years have developed what has become known as the CheckFree program. Under CheckFree, Columbia sends its statement for utility services to the end use business customer. The business customer then designates a bank account from which payment of the utility statement is to be taken. Participating banks transfer proceeds from the designated bank account to Columbia's account. From Columbia's prospective, the transaction is then completed in much the same fashion as tariff customers who pay by automatic bank deduction. Responsibility for payment remains with the end use business customer, and the end use business customer gets the regular Columbia statements, including all information sent in the statement envelope separate from the statement.

To achieve consolidated billing, marketers at their own risk put the money necessary to cover Columbia's statements in the designated CheckFree bank account and then collect the advancement back from the end use business customer as part of their consolidated bill. Once again, the risk of payment rests with the marketer and since Columbia insists on a positive balance in the designated bank accounts there is no risk of non payment under this plan (or shut off from utility service because of non payment) between the business end user and Columbia.

The gas supply contracts between marketer and multi-state businesses often include pricing terms and services that are external to Columbia's market area. Further, Columbia's billing system is set up for tariff transactions and would require significant modification and investment to do many of the consolidated billings. Thus, Columbia's single billing is not a viable answer.

Commercial customers today must clear a per site minimum of 2,000 Mcf for open sourcing type transportation. Under the Columbia Choice Program, commercial sites with less than 2,000 Mcf would be able to use open source transportation. This includes many sites owned by commercial firms now utilizing CheckFree for their Columbia service area sites with above 2,000 Mcf usage. An example of such commercial customers include such national chains as Marriott International, Darden restaurants⁴ and Pizza Hut to name a few. Commercial customers now utilizing CheckFree for their stores should be permitted to add their small stores to their existing CheckFree accounts instead of being required to adopt a different billing method for the small sites just because the sites are small. Similarly, the remaining commercial customers should not be barred from entering into a CheckFree arrangement.

The January Order does not address the customer billing issue in the detail raised in this memorandum. The Order merely denies Stand Energy's request to single bill customers via CheckFree⁵ in favor of the Collaborative's billing plan. The Collaborative plan was to leave that detail to the Aggregation Agreement which was also filed with Commission. The Aggregation Agreement filed with the revised application permitted the use of CheckFree. The Aggregation Agreement filed January 22nd to comply with the January 8th Order deleted all reference to CheckFree.

⁴ Darden owns such chain restaurants as Olive Garden and Red Lobster.

⁵ In accordance with the January 8th Order, Columbia resubmitted the Aggregation Agreement, removing the CheckFree language and leaving the topic unaddressed. A copy of the page in the Aggregation Agreement addressing CheckFree prior to the Order and the page following the Order are attached as Appendix A.

Given the detailed explanation above, Enron requests that the Commission permit CheckFree consolidated billing for commercial customers in the Columbia service territory. When the Commission revisits the Customer Choice Program following submission of the Report, Enron suggests the issue of broadening the availability of CheckFree be reconsidered.⁶

Respectfully Submitted,



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⁶ Enron believes that residential customers could also benefit from CheckFree. For example, CheckFree if instituted now for residential customers, could be used to permit payment by Visa and MasterCard. Residential customers may find the bonus airmiles, gasoline or the payment flexibility of credit card payment worthwhile. Further, if the Customer Choice Program results in the offering of more tailored fee arrangements, the limitations of the utility's billing system and the cost of upgrading those billing systems may call for opening CheckFree to all customers.

CERTIFICATE OF SERVICE

I hereby certify that a copy of Enron's Request for Rehearing was served by first-class mail, postage pre-paid, this 10th day of February, 1997, upon all persons shown on Exhibit A attached.



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EXHIBIT A

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APPENDIX A

AGGREGATE AGREEMENT

As filed January 3, 1997

ARTICLE VII

PAYMENT

The Company shall render to Agent a monthly statement of the quantities delivered and amounts owed by Agent, if any. Payment terms of such statement shall be governed by the provisions of Paragraph 40 of the Rules and Regulations in the Company's tariff.

Check Free Services will be made available to Agents participating in the Columbia Customer Choice Program in a manner similar to that offered to Columbia transportation tariff customers. If an Agent chooses to utilize Check Free services, Columbia and the Agent will work out the details for providing the service.

As filed January 22, 1997

ARTICLE VII

PAYMENT

The Company shall render to Agent a monthly statement of the quantities delivered and amounts owed by Agent, if any. Payment terms of such statement shall be governed by the provisions of Paragraph 40 of the Rules and Regulations in the Company's tariff.