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FILE

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia Gas of Ohio for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Service.	)))	Case No. 94-987-GA-AIR
In the Matter of the Application of Columbia Gas of Ohio, Inc. to Establish the Columbia Customer Choice Program.	)))	Case No. 96-1113-GA-ATA
In the Matter of the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedules of Columbia Gas of Ohio, Inc. and Related Matters.	))))	Case No. 98-222-GA-GCR
Application of Columbia Gas of Ohio, Inc., to Revise its Tariffs to Establish a New Gas Transfer Service.	)))	Case No. 03-1459-GA-ATA

COMMENTS OF
DOMINION RETAIL, INC.
REGARDING THE STIPULATION

I. INTRODUCTION

Dominion Retail, Inc. (Dominion) is a certified natural gas supplier providing service to customers in the Columbia Gas of Ohio, Inc. (Columbia) service territory. As explained in the accompanying motion for leave to intervene, Dominion has been granted intervention in Case Nos. 02-121-GA-FOR/02-221-GA-FOR. In that proceeding, Columbia advised the Commission that the stipulation filed in these combined cases would resolve many of the issues raised by the auditors in the Exeter Report. The stipulation was therefore filed in both this case and those combined cases, and non-signatory parties filed objections and concerns with the stipulation on November 14,

2003. Dominion is a non-signatory party and filed comment in accordance with that schedule.

Because the Commission intends to review the reasonableness of the stipulation in both these combined dockets and the forecast/GCR case, Dominion believes that the prudent course of action is to file the same comments in both dockets. The comments that follow are thus the ones submitted in 02-121-GA-FOR/02-221-GA-GCR.

II. COMMENTS

A. Overview

In general, Dominion believes that the stipulation does little, if anything, to promote competition in the Columbia service territory. To be sure, the stipulation does continue the Choice program. However, it does not go far enough with respect to such issues as wholesale supply diversity and other areas ripe for anti-competitive behavior. Furthermore, as discussed below, the rates and charges for competitors have increased, or at least have not been examined for many years, which may prevent marketers from entering the market and will ultimately be expensive for consumers.

The stipulation has proposed, with little explanation or analysis, new rates, terms and conditions for Columbia's Choice program participants that will purportedly be in effect from November 1, 2004 until October 31, 2010. This is an extremely long period of time for a dynamic competitive marketplace, especially because many of the proposals appear to be aimed more at protecting Columbia's revenue streams than at promoting the continued growth of competition that is the purpose of the Choice program. Furthermore, the stipulation would simply continue many aspects of the Columbia program that should be re-evaluated at this critical point and not accepted *ad infinitum*. An example of one of these items would be the twelve Market Area zones, described by the auditor at section 2 of the audit report. These zones, which are apparently an outgrowth of the reorganization of the Columbia Gas System in 1971 (audit report, 2-5), simply add confusion and complexity to the marketers' ability to do business with Columbia. Dominion notes that the Columbia distribution affiliates operating in other states have fewer comparable zones than Columbia of Ohio; for example, in Pennsylvania there are only eight such areas and in Virginia there are only six In contrast, the Dominion system has only two market zones in Ohio, one in Pennsylvania, and one in Virginia.

Similarly, the stipulation not only continues in place Columbia's merchant function, but introduces new charges and opportunities for non-competitive behavior that will be discussed in the next section. Dominion submits that Columbia should be required to exit the merchant function at the expiration of the 1999 stipulation (October 31, 2004), similar to Dominion East Ohio Gas. Instead, however, the stipulation has deferred such merchant function issues as provider of last resort functions, unbundling, capacity recontracting, least cost planning and supply diversity principles to the collaborative process, to be discussed for the period following the end of the *proposed stipulation* (October 31, 2010). These issues are far too important to be put off and considered by the same collaborative participants who failed to address them in this stipulation. These are matters that should be addressed in this proceeding. Indeed, the auditor assumed that Columbia's merchant function role for the post-October 31, 2004 period would be addressed by the collaborative (audit report, 4-44), but this assumption was misplaced.

Finally, Dominion agrees with the comments of Shell Energy, filed on October 31, 2003, that the time period for the audit review and the prospective time period for the stipulation do not match. Therefore, many of the issues that the auditor did not address, because of the historical period of the review, are issues that should be considered in this proceeding for the post-October 31, 2004 time period. Because of this mismatch, the Commission should not simply accept the stipulation as a means by which to resolve the issues noted by the audit report. The non-signatory parties, as well as the Commission's staff, should be given the opportunity to address the deficiencies of the stipulation through testimony and an evidentiary hearing.

B. Dominion's Specific Concerns

1) In particular, Dominion objects to the Capacity Cost Responsibility mechanism in its entirety discussed at ¶¶ 11-12 of the stipulation and set forth at Attachment A, proposed tariff sheet no. 76f, paragraph J. This "cost recovery" mechanism places cost responsibility on the marketers for "no less than 75% of the design peak day capacity demand cost for that Marketer's Choice customers". Although the stipulation provides an example of the application of this mechanism, at Attachment D, there has been absolutely no explanation as to how this 75% demand charge was derived or the cost basis for this charge. On its face the calculation appears to be vague, arbitrary and will act as a disincentive to retail competition. Rather than attempt to arbitrarily spread demand costs among the marketers, as this Capacity Cost Responsibility mechanism is designed to do, the marketers should be permitted to continue to select capacity assignments on a volumetric basis. Furthermore, a "one size fits all" charge is not appropriate for the diverse marketers operating in Columbia's

numerous Market Area zones, serving different classes of customers with varying load profiles. The Capacity Cost Responsibility charge is unreasonable and should not be approved.

2) The stipulation and proposed tariffs provide Marketers with a choice of balancing options: Non-Temperature Balancing and Full Balancing services [stipulation ¶13, tariff sheet no. 77, par. (L)]. Dominion suggests these balancing options be truly optional, and that marketers be permitted to choose no balancing service. Furthermore, it appears that the current fees for these balancing services, established as part of the 1999 stipulation, will remain in effect for these now non-optional services, although this is not entirely clear. Neither Columbia nor the stipulation has provided any cost justification for the continuation of these balancing fees at the current levels, if that is the intent. The Commission should also address the disposition of these fees- have they been flowed back to ratepayers or shareholders? It is Dominion's position that in order for the fees to reflect cost-based principles and promote competition, they should be flowed back to the capacity holders. The cost justification for the proposed balancing fees, whatever those might be, should be fully explored during the hearing process.

3) The rates and charges contained in the stipulation and proposed tariff do not appear to be market-driven and there has not been enough information provided to stakeholders to evaluate the reasonable of such charges. This lack of justification exacerbates the merchant function role concerns that Dominion discussed above, and that should be an important consideration for the Commission if viable competition is to continue.

4) The stipulation does not address the need for Columbia to add additional interconnects for new pipeline capacity, and without such diversification of its wholesale suppliers, competition is discouraged. For example, the City of Parma has felt the brunt of constrained capacity and a lack of competitive supply, as evidenced by the letters attached hereto. The audit report notes the interconnects that were added during the audit period (audit report, 2-7), but Columbia should be required to continue to add interconnects and wholesale suppliers.

III. CONCLUSION

Columbia's Virginia affiliate, Columbia Gas of Virginia, Inc., recently filed tariffs and sought approval of numerous rates, charges and terms and conditions of service associated with the Choice Plan for that state. Although the issues were not identical in that case, Dominion expressed many of the same concerns that have been generally outlined in these comments, and that should be explored further at hearing. In an Order issued on October 3, 2003, the Virginia State Corporation Commission agreed with the concerns raised by Dominion and other parties, and affirmed the recommendations of the Attorney Examiner rejecting many of Columbia of Virginia's proposals (See *Application of Columbia Gas of Virginia, Inc. to Change Rates, Charges, Rules and Regulations,* Case No. PUE- 2001-00587, Phase II, October 3, 2003). This Commission should conduct a similar analysis and reach similar conclusions.

Dominion East Ohio (DEO), on the other hand, is a prime example of a system that most retail gas marketers would agree has developed into a robust, highly competitive market. We hope that the Commission will review aspects of DEO's retail choice program that could enhance Columbia's program, if adopted.

Dominion Retail looks forward to addressing its concerns in further detail, and also to raise additional issues during the course of the proceeding.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing Comments on the parties listed below, via U.S. first-class mail, postage prepaid, this 8th day of December, 2003.

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