

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business. Date processed April 1, 1998 Technician [Signature]

121
RECEIVED
MAR 31 1998
DOCKETING DIVISION
Public Utilities Commission of Ohio

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia)
Gas of Ohio, Inc. for Authority to Amend) Case No. 94-987-GA-AIR
Filed Tariffs to Increase the Rates and)
Charges for Gas Service.)

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

In the Matter of the Application of Columbia)
Gas of Ohio, Inc. for Statewide Expansion of) Case No. 98549-GA-ATA
the Columbia Customer Choice Program.)

COLUMBIA COLLABORATIVE
RECOMMENDATION FOR MODIFICATION AND ENHANCEMENT OF THE
CUSTOMER CHOICE PROGRAM

OVERVIEW

This document reflects the recommendations agreed to by the Columbia Collaborative¹ for modifications to, and enhancement of the Columbia Gas of Ohio ("Columbia") Customer CHOICE⁶² Program.

¹ The Collaborative, as originally constituted, was composed of Columbia, the Staff of the Public Utilities Commission of Ohio, the Ohio Consumers' Counsel, the City of Toledo, Honda of America Mfg., Inc., the Industrial Energy Consumers, Enron Access Corporation, the Bay Area Council of Governments, the City of Columbus, the Greater Cleveland Schools Council of Governments, Industrial Energy Users - Ohio, the Lake Erie Regional Council of Governments, the Ohio Farm Bureau Federation, the SITC Coalition and the City of Parma. Parma has not participated in any of the Collaborative discussions subsequent to June 1994. The other parties listed have continued to participate in Collaborative discussions.

These recommendations were contemplated by and referenced in the Second Amendment to the Joint Stipulation filed on November 28, 1997.³

INTRODUCTION

Since 1991, the Columbia Collaborative has been involved in a process that has resulted in numerous innovative rate and service agreements. Among those agreements was an innovative approach to adjusting base rates and providing input to Columbia before it filed its Application and Amended Application in case No. 96-1113-GA-ATA, in which case the Public Utilities Commission of Ohio ("Commission") authorized Columbia to begin implementation of its Customer Choice Program ("the Program") in Toledo.

The Collaborative has been involved in other cases and settlements with the most recent being the Second Amendment to Joint Stipulation and Recommendation in Case Nos. 94-987-GA-AIR and 96-1113-GA-ATA, which was filed on November 28, 1997 and approved by Opinion and Order dated January 7, 1998.

The Second Stipulation Amendment and Recommendation did not directly address the Customer Choice Program that was implemented by a Company application in Case No. 96-1113-GA-ATA on October 17, 1996 and amended on January 3, 1997. However, it did set the stage for the enhancement of the Customer Choice Program from a Toledo area only

However, the Greater Cleveland Schools Council of Governments is now known as the Ohio Schools Council, and Enron Access Corporation is now known as Enron Energy Services, Inc.

² CHOICE® is a registered service mark of Columbia Gas of Ohio, Inc.

³ See paragraph 30 at page 22 of the Second Amendment to Joint Stipulation and Recommendation in Case No. 94-987-GA-AIR and the Joint Stipulation and Recommendation in Case No. 96-1113-GA-ATA. That paragraph contains provisions for withdrawal of the Second Amendment under certain circumstances related to the expansion of the Customer Choice Program and should, therefore, be considered in conjunction with the recommendations contained herein.

program to a Columbia system-wide program by providing a funding mechanism for the recovery of transition capacity costs.

Since the filing of the Second Stipulation Amendment, the Collaborative, along with numerous interested marketers,⁴ has been meeting to evaluate the best way to enhance the Customer Choice Program. The meetings have included a brainstorming session with marketers (January 16, 1998), as well as individual sessions on key issue areas: Accounting and Reporting Issues (February 6, 1998), Customer/Marketer Interface Issues (February 6, 1998), Gas Supply and Operations issues (February 12, 1998), and Education and Information Issues (February 13, 1998). Other meetings were also held among various combinations of interested parties: PIPP Issues (February 4, 1998) and Customer Outreach and Education Issues (February 5, 1998). Finally, meetings were held with all interested parties to discuss an overall recommendation with regard to the specific items raised at the individual sessions on key issue meetings (January 23, 1998, February 18, 1998, March 19 and 27, 1998). An important part of those discussions has been a review of the Customer Choice Program to date, including the Customer Choice Program Report as well as the success of the Customer Choice Program compared to other residential transportation programs in Ohio and around the country.

The intent of these meetings was to evaluate how the Customer Choice Program operated during the initial eight-month period, in part, from the marketers' perspective. In the

⁴ Any marketer currently participating in any transportation service on the Columbia system, as well as any marketer who expressed interest in participating was invited to participate. The following marketers have actively participated: AEP Energy Services, CNG Energy Services, CNG Retail Services, CoEnergy Trading Company, Columbia Energy Services, Commonwealth Energy Services, Constellation Energy Source, Enron Energy Services, ERI Energy, FSG Energy Services, Interstate Gas Supply, Inc., Keyspan Energy Services, MC2, Miami Valley Resources, NorAm Energy Management, PG&E Energy Services, Stand Energy Corporation, United Gas Management, Inc., Utilicorp Energy Services and Volunteer Energy Corporation.

course of these meetings the discussions have focused on those aspects which worked well in addition to identifying aspects of the Customer Choice Program that could be improved. The Collaborative believes that the modifications listed below will improve the Customer Choice Program as Columbia prepares to enhance and expand it to its entire service territory.

On March 31, 1998, Columbia filed its Application in the above-styled docket, requesting approval for statewide implementation of the Program. The provisions of the tariffs for which Columbia is seeking approval reflect the input of the Collaborative. While not every Collaborative member necessarily agrees with every proposed tariff provision, the Collaborative agrees that taken as a whole, the Application filed by Columbia will enable the Program to expand successfully state-wide, and will improve the operation of an already successful program. The Collaborative believes that the proposals set forth in Columbia's Application are reasonable, and consistent with the Second Stipulation Amendment.

The Collaborative submits that Columbia's Application requesting authority to enhance and expand its Customer Choice Program is reasonable and in the public interest and urges the Commission to expedite consideration of this matter and approve the enhancement and expansion of the Customer Choice Program consistent with the Recommendations set forth herein and in said Application.

The Collaborative urges the Commission to expedite consideration of this matter in order to maximize the time period available for marketers to sign up customers and also to permit marketers to best utilize storage services as part of their supply portfolios. Because of injections and withdrawal schedules associated with storage service, timing is critical for marketers who plan to use storage services.

COLLABORATIVE'S INTENTIONS - FORCE AND EFFECT OF STIPULATION AND RECOMMENDATION

These recommendations are not intended to alter the provisions of the 1996 Stipulation Amendment, the Second Stipulation Amendment and Recommendation, or the Customer Choice Program as it now operates in Toledo, except to the extent specifically identified herein.

MODIFICATION AND EXPANSION OF THE CUSTOMER CHOICE PROGRAM

These recommendations fall into two categories: interim changes and permanent changes. The interim changes are changes that the Collaborative at this time is recommending for a one-year period only, after which they would be reviewed and reconsidered. Permanent changes, on the other hand, are changes that the Collaborative is recommending based on the operation of the Customer Choice Program to date. They include changes that are supported by the Collaborative as well as marketers interested and/or participating in the Customer Choice Program.

RECOMMENDED INTERIM CHANGES

1. Marketer Billing Option.

During the initial phase of the Customer Choice Program, marketers were prohibited from offering complete billing service to residential customers. Marketers did have the option of billing their customers for the commodity portion of their bill; however, the distribution costs were still billed by Columbia. This limitation was waived for small commercial customers participating in the Customer Choice Program.

In an attempt to provide greater choice for customers and marketers, the Collaborative is recommending that interested marketers be permitted to offer a single billing service to any Customer Choice Program customer. In addition to providing greater choice, this interim modification would also help determine if marketers are capable of providing the entire billing service. The interim status of the change will provide the Commission with an opportunity to gather actual data on the success or failure of the residential customer billing option.

For the interim period, Columbia will provide a back up memo bill to customers in order to ensure a seamless transition from Company billing to marketer billing. Columbia and any marketer doing a single bill will coordinate their efforts to ensure that the receipt of duplicate bills will not cause any undue customer confusion. The Company and marketers will also work with OCC and Staff to ensure that if any customer confusion arises from the duplicate billing, it will not result in a negative impact on the quality of service that residential customers receive.

2. Telephone or Written Customer Enrollment.

In order to reduce the administrative burden and costs to both the Company and marketers, the Collaborative recommends that a marketer no longer be required to provide Columbia with a copy of a written customer verification form within 30 days of notifying Columbia of a customer's intent to participate in the program as a customer of that marketer.

Instead, the Collaborative recommends that within three business days of a request from Columbia, Staff or OCC, marketers be required to provide written or oral verification of a customer's consent to service. The Collaborative further recommends that a marketer's failure to provide written or oral verification of a customer's consent to service within three business days of a request for that information be considered a violation of the Code of Conduct. Moreover, the Collaborative recommends that if a marketer fails to produce written or oral verification of a customer's consent to service within the required time period, the customer be returned to the previous provider of gas service or Columbia Gas sales service and that the marketer in question pay all costs associated with that return as well as any additional associated costs incurred by the customer.

This enhancement will permit a customer to verify for service either orally or in written form. The telephonic customer enrollment must specify the terms and conditions of service. The key to telephonic customer enrollment is that the customer must acknowledge receiving and reviewing the written agreement prior to telephonic customer enrollment. The telephonic customer enrollment will then act to confirm that the customer consents to the terms and conditions of the written offer as well as the customers' understanding and acceptance of those terms and conditions.

RECOMMENDED PERMANENT CHANGES

1. System-wide Expansion.

The Customer Choice Program has achieved significant benefits for participating customers in the Toledo area. The Collaborative recommends that the Customer Choice Program be expanded beyond the current Toledo area to the entire Columbia service territory in order to make choice and other potential benefits available to all eligible Columbia customers system wide upon approval of the tariffs submitted by Columbia as part of its Application.

2. Reduction of Minimum Customer Levels.

In an attempt to address the problem associated with the lag between the time that some customers sign up with a marketer and the time when that marketer has achieved the current minimum number of customers or volumes of gas to qualify for participation in the Customer Choice Program (200 customers or 20,000 Mcf), the Collaborative is recommending that the minimum number of customers or the threshold volumes be reduced.

However, the recommended permanent levels of the specific minimum number of customers or volumes has not been determined. Instead, the Collaborative is currently recommending that the minimum number of customers or volumes be reduced to 100 or 10,000 Mcf for a one-year period, following which, this would be reviewed for a longer-term solution.

3. Permit Consolidation of Residential and Commercial Customers for Aggregation and Billing.

Another modification aimed at easing a marketer's barrier to entry is to permit a marketer to consolidate residential and commercial customers and volumes for purposes of aggregation and billing. This modification would benefit residential customers who could

now be served more timely because a marketer could more easily meet its minimum requirements before being authorized to serve customers.

4. Notice Prior to Automatic Renewal.

The Collaborative is recommending permanent continuation and expansion of the Customer Choice Program. This permanent continuation and expansion will permit customers to elect to sign multi-year agreements with marketers, or agreements that include clauses for automatic renewal. However, in order to ensure that customers receive notice of renewal, marketers will now be required to send a written notice to customers no less than 60 days and no more than 90 days prior to the expiration of a contract that automatically renews for a period of six (6) months or longer.

As part of the agreement to permit marketers to offer multi-year agreements, marketers will also offer one-year agreements to first-time residential customers.

5. On-going Review of Marketer Creditworthiness.

The Collaborative recommends that in order to provide for continual assurance that participating marketers have the financial backing for the services they are contractually committed to provide, marketers will now be subject to an initial creditworthiness review, as well as subsequent reviews. The subsequent reviews will ensure that as a marketer serves a greater number of customers, its financial responsibility will also grow.

6. Marketer Information Availability.

The Collaborative believes that the provision of a marketers' marketing materials to the Commission's Consumer Services Division and the sharing of such information by marketers with OCC as part of the initial phase of the Program produced a positive exchange of information which benefited both marketers and consumers. Accordingly, the

Collaborative recommends that this process be expanded to require that marketing materials and standard contracts for residential and small commercial customers, including updates be provided to the Commission's Consumer Services Division and OCC prior to their use in the Customer Choice Program.

7. Customer Choice Program Features

The following Choice Program consumer information will be provided to residential customers as part of a bill insert:

- You may choose a new gas supplier or keep Columbia, and this choice may not be changed without your permission.
- You may ask Columbia to provide you with the names and telephone numbers of participating gas suppliers by calling 1-800-344-4077.
- Your gas supplier will tell you about your rights and responsibilities as a participant in the Customer Choice Program and about how to settle disputes with your gas supplier.
- If you have any questions about how to settle a dispute with your supplier, you may call your gas supplier, the Public Utilities Commission or the Ohio Consumers' Counsel, whose toll-free telephone numbers will appear on your bill.
- Any gas supplier that offers to sell you gas should furnish you with understandable, written information about gas price, payment terms and other contract conditions to help you make your choice.
- Regardless of whether you choose a new gas supplier or stay with Columbia, Columbia will remain responsible for providing safe, high quality, reliable gas service.
- Regardless of whether you stay with Columbia or choose a new gas supplier, Columbia will provide a prompt response to your safety or service concerns.
- Your gas bill should show how much gas you used in the last year. This, along with other information, will help you evaluate your potential to save money with a supplier selling gas in the Customer Choice Program. The calculations needed to make this evaluation may vary. The parties listed below may be able to help you.
- If you would like more information about the Customer Choice Program, you can call Columbia at 1-800-344-4077; the Public Utilities Commission at 1-800-686-7826 or 1-800-686-1570 (TTY/TDD); and the Ohio Consumers' Counsel at 1-800-282-9448 OR 1-800-750-0750 (TDD); or a gas supplier.


8. Moratorium.

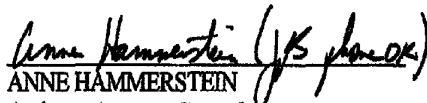
The Collaborative recommends that there be a moratorium on sign-up or pre-sign-up of customers. The moratorium should run for sixty (60) days from the issuance of the Commission's Opinion and Order, but should end no later than August 1, 1998. The moratorium period is to be used to maximize the initial educational period for residential and small commercial customers for which the moratorium is intended. During the moratorium period, Marketers will submit any and all advertising materials to the Commission's Consumer Services Department and the Ohio Consumers' Counsel for review prior to dissemination. The Consumers Services staff, within a three-day period, will review the content of the advertising to ensure an accurate portrayal of the Program.


RECOMMENDATION

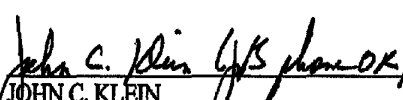
The Collaborative submits that the foregoing Recommendations for enhancement of the Customer Choice Program are in the best interests of all parties, and urges the Commission to approve the Company's Application consistent with these Recommendations.

SIGNED, THIS 31st DAY OF MARCH, 1998.


STEPHEN B. SEIPLE
Attorney for
Columbia Gas of Ohio, Inc.



ANNE HAMMERSTEIN
Assistant Attorney General
Public Utilities Section
On Behalf of the Staff of the Commission

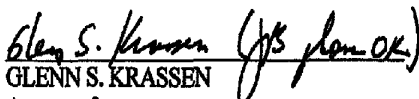

JOSEPH P. SERTO
Assistant Consumers' Counsel
On Behalf of the
Consumer's Counsel


JOHN C. KLEIN
Assistant City Attorney
On Behalf of the City of Columbus

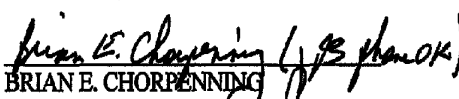
KERRY BRUCE
Attorney for
The City of Toledo

SAMUEL C. RANDAZZO
Attorney for
Industrial End Users - Ohio


LANGDON D. BELL
Attorney for
The Industrial Energy Consumers


GLENN S. KRASSEN
Attorney for
The Bay Area Council of Governments, the
Ohio Schools Council (f/k/a the Greater
Cleveland Schools Council of Governments)
and the Lake Erie Regional Council of
Governments


W. JONATHAN AIREY
Attorney for
Honda of America Mfg., Inc.


BRIAN E. CHORPENNING
Attorney for
The Ohio Farm Bureau Federation

M. HOWARD PETRICOFF
Attorney for
Enron Energy Services (f/k/a Enron Access
Corporation)