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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the
Purchased Gas Adjustment Clauses
Contained Within the Rate Schedules of
Dominion East Ohio and Related Matters

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Case No. 05-219-GA-GCR

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REPLY BRIEF
ON BEHALF OF
CONSUMERS FOR FAIR UTILITY RATES,
THE GREATER CLEVELAND HOUSING NETWORK,
NEIGHBORHOOD ENVIRONMENTAL COALITION,
AND
THE EMPOWERMENT CENTER OF GREATER CLEVELAND

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THE EMPOWERMENT CENTER OF
GREATER CLEVELAND

November 3, 2006

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I. INTRODUCTION

Now come the Consumers for Fair Utility Rates, The Greater Cleveland Housing Network, the Neighborhood Environmental Coalition, and the Empowerment Center of Greater Cleveland (hereinafter the "Citizens Coalition") who file this Reply Brief in this case. On April 7, 2005, these four community organizations—the "Citizens Coalition"—applied to intervene in this proceeding. They set forth **Nine Requests for Relief**. It was the hope of the Citizens Coalition, based on the grave crisis confronting gas customers in Ohio, that the PUCO should expand this case and seek out a comprehensive approach which would help customers, companies, Commission, and Ohio.

In summary, the Citizens' Coalition called for the following steps:

First Request for Relief: The Coalition moves for a suspension of Dominion East Ohio's monthly GCR filing that was docketed at the Public Utilities Commission of

Ohio on March 23, 2005, because the increases requested are unjust, unreasonable, illegal, exorbitant, and not in the public interest.

Second Request for Relief: Since Dominion East Ohio relies upon the NYMEX for its requested GCR increase, the Citizens Coalition calls upon the PUCO to conduct an investigation into the "impenetrable and mysterious" NYMEX, how it operates, how it was established, who controls it, who controls "the NYMEX controllers," and why natural gas prices should be skyrocketing at the same time when natural gas usage is decreasing as the weather warms. The perverse operation of the NYMEX with its increasing natural gas prices suggests that some kind of market conspiracy, price-gouging, and supply manipulations are taking place, reminiscent of what happened in California several years ago when ENRON and other energy providers exploited and plundered that State's utility customers

Third Request for Relief: The Citizens Coalition calls upon the PUCO to conduct an investigation on why natural gas prices have more than doubled in the last few years. Why have not these "demand" increases led to further gas exploration, the opening of new wells, the reopening of old wells, and even increased supplies of Ohio-produced gas?

Fourth Request for Relief: The Citizens Coalition calls upon the PUCO to investigate the activities of Dominion East Ohio in terms of that company's planning of supplies of natural gas for its customers, its use of long and short term contracts, its purchasing policies and practices for purchases of natural gas, and its use of the company's various wells and underground storage.

Fifth Request for Relief: The Citizens Coalition calls upon the PUCO to investigate and determine whether the GCR mechanism should be discarded because it does not function to protect the citizens of Ohio and in fact works against the best interests of Ohio citizens and Dominion East Ohio customers

Sixth Request for Relief: The Citizens Coalition calls upon the PUCO to impose a ninety-day moratorium on all shut-offs by Dominion East of residential customers.

Seventh Request for Relief: The Citizens Coalition calls upon the PUCO to initiate a program for massive weatherization and other energy efficiency measures so that Ohio citizens and Dominion East Ohio customers can take steps to lower their natural gas usage which would reduce their monthly gas bills.

Eighth Request for Relief: The Citizens Coalition calls upon the PUCO to investigate the deregulation of the natural gas utility industry in Ohio. Allegedly deregulation should have led to price decreases for customers, or at least stability between supply and demand with a stabilization of rates. This has not and is not happening. It is urgent that the PUCO explore the process and outcome of deregulation in Ohio for natural gas.

Ninth Request for Relief: The Citizens Coalition calls upon the PUCO to expand this present proceeding and to establish a docket which would include all energy utilities. The PUCO must take the necessary steps now to insure that the disaster of this past winter--currently compounded by Dominion East Ohio's new filing for a GCR increase of \$.848--is not repeated and worsened during the upcoming heating season which is only six months away

The basic goal of this entire pleading was the hope of the Citizens' Coalition that the PUCO would lead a united effort by all involved in Ohio in order to deal with the natural gas and heating crisis confronting us. Attached is an article which spells out the economic harm caused just to Cuyahoga County alone including the poverty-stricken City of Cleveland because of the massive amounts of money customers are forced to pay for gas to heat their homes in Ohio's chilling winters. (See Attachment A.)

On December 2, 2005, the Attorney Examiner issued an Entry which granted intervenor status to the four organizations of the Citizens' Coalition over the objections of Dominion East Ohio. Unfortunately, the Attorney Examiner-- presumably speaking on behalf of the PUCO--denied all **Nine Requests for Relief** advanced by the Citizens Coalition. (See page 6 of Entry, dated December 2, 2005.) The failure of the Attorney Examiner and the Commission to take up the challenge was extremely discouraging. It seemed to signify that the PUCO either did not care or was afraid to deal with the gas crisis.

II. SINCE THE STIPULATION PROCESS HAS DEGENERATED FROM A MEANS BY WHICH DIVERSE PARTIES COULD RESOLVE THEIR DIFFERENCES IN A UTILITY PROCEEDING INTO A USELESS AND ONE-SIDED CHARADE, IT IS QUESTIONABLE WHETHER CONSUMER PARTIES SHOULD PARTICIPATE IN ANY WAY IN THE STIPULATION PROCESS. MOREOVER, GIVEN THIS REGRESSION OF THE STIPULATION PROCESS, THE PUCO SHOULD DISREGARD COMPLETELY THE "STIPULATION" FILED BY DEO, TWO OTHER PARTIES, AND THE STAFF IN THIS PROCEEDING.

In this proceeding, DEO, the PUCO Staff, and two other parties have filed a Stipulation. In the "Post Hearing Brief Submitted on Behalf of the Staff of the Public Utilities Commission of Ohio," the Brief authors state the following in their Note 1 (Page 2 of this "Post Hearing Brief"), "A low-income coalition of Consumers for Fair Utility Rates, the Greater Cleveland Housing Network, Neighborhood Environmental Coalition, and the Empowerment Center of Greater Cleveland sought intervention but failed to participate in noticed settlement discussions...." The Citizens Coalition comprising four parties are joined with the Ohio Consumers' Counsel in totally rejecting the proposed Settlement.

The following discussion explains why consumer representatives and advocates must carefully consider whether it is any longer worthwhile to participate in any way in any stipulation process.

When the Stipulation Process began a number of years, it seemed like a good idea, one which could settle hard cases and economize on everyone's resources, including those of the overworked Public Utilities Commission. The idea was fairly simple. The parties in a particular utility case would discuss among themselves ways in which the issues at stake could be resolved. This would necessitate some hard horse-

trading, a willingness to reach out to the other parties including "enemies," and a readiness to compromise. One initial worry was what would a stipulation—which would have to be incorporated in some kind of written document—mean in terms of precedent and future cases. This was resolved with the agreed-upon pact that the stipulation had no effect outside of that given case, regarding precedent and the normal positions of the opposing parties in future proceedings.

Thus if a party in a given case gave up on some crucial issue in return for a concession on another issue—the effect of this bargain did not bind the parties in future cases. Moreover, if the Stipulation was never adopted by the PUCO, its provisions could not even be used in the current case. In the very next proceeding all parties would be back again at their former "battle stations" and arguing just as effectively and forcefully on all the various issues, as if the Stipulation had never been adopted.

Very important to this whole process was the idea that there had to be a reaching out to all parties in the case. On the other hand, there was a concern about what would happen to a promising stipulation if one or a few parties in the proceeding seemed to be holding out unreasonably, even opposing the whole stipulation. Everyone generally felt that the stipulation process should not grant such an absolute veto to one or two parties, so they hold prisoner an entire case.

However, over the years the stipulation process has degenerated, especially with the roles assigned to the consumer parties.

The stipulation process was used successfully in various cases, most notably in the alternative regulation and restructuring proceedings. The utility companies did make an effort to incorporate all of the many parties. This seemed based upon the

concept that at least some parties from each of the major interest groupings in a case had to be parties to the stipulation or else the Commission would be loathe to accept such a stipulation.

This, however, has changed. Gradually the utility companies adopted a strategy of finding some lone party on the consumer side and getting that party to sign the stipulation. In one case, it almost seemed like the utility company had "bought off" one consumer party so that the utility could boast all major interests were represented as signatories to the stipulation.

More recently, the utility companies have dropped even this "fig leaf" maneuver. In the case In Re The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of a Plan to Restructure Its Commodity Service Function, Case No. 05-0474-GA-ATA,, the Stipulation presented by DEO had no consumer party signing it. Yet this utility company insisted upon presenting that stipulation and the Commission accepted it over the well-reasoned and vigorous objections of the various consumer parties.

The latest development has been even more ominous. In the case, In Re Vectren Energy Delivery of Ohio, Inc., etc., Case No. 05-1444-GA-UNC.), various parties signed a stipulation which was the work product of many hours of tough negotiation and the expenditure of considerable resources. The utility company expressed its willingness to fund a major conservation and energy efficiency effort which would impact all customers. That is correct, All Customers. The Ohio Consumers Counsel surrendered on a very important principle and agreed to a Sales Reconciliation Rider (the "SRR") which protects Vectren against significant losses in its revenues because of these conservation programs and changes. Vectren, in effect,

would thus collect money from its customers for gas not delivered to customers. This was based on the idea that if the company really carried out conservation and energy efficiency commitments, the company would lose revenues to which the company felt entitled based upon its very recent rate case.

Here was a standard stipulation with major parties on opposing sides finally signing an agreement that could have helped all customers of this gas company while at the same time not hurting the company and its stockholders through lost revenues.

Truly this was a historic achievement and compromise. Another consumer party, OPAE, also signed and agreed to help Vectren and OCC carry out this Stipulation. True, the Staff opposed this settlement; but given that this was an experiment over a relatively short period of two years with lots of checks and balances, it seemed reasonable to anticipate that the PUCO would accept this Stipulation.

It was unreasonable, however, to anticipate what the PUCO actually did. The Commission in effect butchered the Stipulation so that the conservation measures were only available to the poor and all the other customers could not participate. Furthermore, the other customers would be at risk for funding this program through the SRR which the Company will be allowed to impose upon its customers, collecting for gas and services never provided. Finally, the Commission invented a new legal doctrine of demanding "close scrutiny" of the stipulation. This has never been done before and there is no precedent in the law or cases for this newly invented restriction. The OCC has filed a strong brief in opposition to the Commission's actions in that proceeding, requesting simply that the whole stipulation and recommendations be followed. Some might have hoped that the Vectren company would behave honorably,

abide by its agreement, and also urge the Commission to accept the whole stipulation. Such pangs of conscience, however, were not evident in what Vectren did file. Returning to the main point, an ordinary application of the three criteria normally applied to a Stipulation should have persuaded the Commission to adopt the entire Vectren stipulation. Only the Commission's invention of a new, previously unknown, review standard prevented that.

When all of this history of the stipulation process is put together, consumer groups must seriously ask themselves whether they should ever participate in a stipulation process. In this particular case, one or more of the signing parties to the Stipulation have mentioned that the stipulation was noticed, but that the four consumer parties never participated. If the stipulation process continues to be misused and abused, consumer groups must refuse to be involved. It is highly unlikely that there will be any real give and take, any true discussions and negotiations, and any willingness to compromise. The utility company will simply decide what it wants, find a shill among the other parties, use their faxes and emails to reach an agreement, then present this at the charade of open and scheduled stipulation discussions, wear out the resources and personnel of the consumer parties using the vast resources available to a utility company (at the expense of their customers), and finally submit a paper stipulation to the Commission.

If the consumer parties waste their resources attending these prolonged, tiring meetings held at very inconvenient places for consumer parties, and then they back off from signing the proposed "capitulation," they will find themselves confronted in company briefs with the contention that they were brought in to all the discussions and

could express their views which the signers of the stipulation have wisely chosen not to accept. The consumer parties will thus have been trapped. If on the other hand, the consumer parties do achieve a final stipulation that contains some benefits for the consumers, they are confronted with the prospect that Commission may through "close scrutiny" of the stipulation, toss out any part the Commission does not like, and then impose the "guttled" Stipulation on the consumer groups.

If the consumer groups choose not to get involved with the stipulation process and do not attend scheduled meeting, they will possibly face an argument in the company brief that they did not attend and participate. But at least they will not have wasted their scarce resources on a useless process. They can then urge the Commission to make legal decisions on the evidence presented at the Hearings. If and when the Commission fails to make appropriate legal decisions, then the consumer groups are free to take their case to the Ohio Supreme Court which has shown some willingness to listen to the consumer advocates or they can seek legislative and even electoral solutions.

It is too bad that the stipulation process has been so debased and perverted from an ideal of seeking agreement to a means for coercing consumer capitulations to the crass pursuit of short-term bottom line profits by utility companies.. Who is to blame for this? The utility companies are simply behaving like the economic creatures they are in this new world of Hobbesian deregulation. It is the Commission and its Attorney Examiners, who should zealously guard the public interest, who must bear the blame for this sad outcome. In the meantime, citizen advocates and representatives must question whether they can safely participate in any stipulation process and discussions..

III. SINCE THE STIPULATION-- FILED IN THIS CASE BY DEO, TWO OTHER PARTIES AND THE STAFF--DOES NOT PASS THE REQUIRED THREE-PRONGED STANDARD OF REVIEW FOR STIPULATIONS, IT MUST BE REJECTED BY THE COMMISSION.

The Commission normally uses a three-fold standard of review in determining what weight should be given to a proposed Stipulation and whether it should be accepted in deciding a case. First, was the Stipulation "a product of serious bargaining among capable, knowledgeable parties." Second, does "the settlement, as a package, benefit ratepayers and the public interest." Third, does "the settlement package violate any important regulatory principle or practice." (See page 8, of the recent PUCO Opinion and Order, In Re Vectren Energy Delivery of Ohio, Inc., etc., Case No. 05-1444-GA-UNC.) (See also Ohio Consumers' Counsel v. Public Util. Comm. (1992), 64 Ohio St.3d 123, 126.)

The Citizens Coalition is convinced that significant doubts exist regarding whether the proposed DEO Stipulation satisfies any of these three grounds, let alone all of them. If it fails on any of the three test-prongs, the Commission must utterly reject it.

Let us begin with the First Requirement on whether the Stipulation was "a product of serious bargaining among capable, knowledgeable parties." The Stipulation is signed by East Ohio Gas Company, Interstate Gas Supply, Inc., the Staff of the PUCO, and the Industrial Energy Users--Ohio. (See page 6 of "Stipulation and Recommendation," which itself appears to be undated.) East Ohio Gas Company, of course, wants the Stipulation. The Interstate Gas Supply, Inc., as a marketer can actually benefit from high GCR Rates. The Industrial Energy Users represent industrial

customers who usually do not take GCR gas and would seem to have no concern about obtaining a low cost GCR—other than a sense of good will toward everyone. As for the Staff, they hardly seemed to take aggressive positions against DEO in this case. The point is this: Was there really any “serious” bargaining among these parties? Can one picture the counsel for DEO seriously and vigorously debating the counsel for the IEC?

Furthermore, how “capable” and “knowledgeable” are these parties about GCR rates? What specific evidence is there in the record about the capability and knowledge of the Industrial Energy Users and Interstate Gas Supply, Inc., especially as this relates to GCR issues? As for East Ohio Gas Company, DBA DEO, there are questions about the knowledge and capability of this party. Mr. Jeffrey Murphy seems to have been the main, or at least one of the main, spokespersons for East Ohio. Yet his responses under cross-examination on the crucial issues of this case were something less than sterling. There is no need to repeat all that he did not know, including about a “lack of controls” that the Liberty Consulting Group criticized in their Final Report Management Performance Audit. For some of all that Mr. Murphy did not know, see pages 22 to 25 of the “Initial Brief by the Office of the Ohio Consumers’ Counsel.”

Turning to the Second Requirement, does this Stipulation “as a package, benefit ratepayers and the public interest”? The Citizens’ Coalition agrees with the OCC that the Stipulation fails to provide such benefits for ratepayers. (See page 48 and 49 of “Initial Brief by the Office of the Ohio Consumers’ Counsel.”) In addition, the Stipulation does not seem to take seriously the findings of the Liberty Consulting Group about the significant weaknesses in the East Ohio and DEO’s internal systems of control and

management oversight. (See a listing of these below at page 14.) How can any Stipulation which fails to protect the public interest by insuring that this Company will substantially and comprehensively strengthen its internal system of controls deserve to carry any weight with the PUCO? Surely this Commission's own sense of ethics, accounting, and management oversight--particularly in these times when so many executives in our business communities are going to jail for long term sentences because of their ethical and financial lapses—should inspire all Attorney Examiners and Commission personnel to take very seriously their roles when they encounter audits such as that provided by the Liberty Consulting Group.

Finally, as to the Third Requirement, this Stipulation would allow this Company to recover GCR costs which were unreasonably and inappropriately incurred while this Company also failed to carry out gas purchase activities which could have benefited its own customers. (See pages 36 to 38 of "Initial Brief by the Office of the Ohio Consumers' Counsel.") Furthermore, based upon the Liberty Consulting Group's Audit, this Company has performed dismally in instituting and following appropriate internal controls and management oversight. Thus "important regulatory principle(s)" and "practices" have been violated. Moreover, this Company has been warned about these problems in past cases. (See pages 27 to 31 of "Initial Brief by the Office of the Ohio Consumers' Counsel.") It is time for this PUCO to stand up and courageously defend its own "important regulatory principles" and "practices."

Therefore, this Stipulation must be rejected by the PUCO because it fails to satisfy any of the Three-fold Requirement for a proper Stipulation.

There is also a new standard discovered by the Commission in a recent case (see the case, In Re Vectren Energy Delivery of Ohio, Inc., etc., Case No. 05-1444-GA-UNC.) that a Stipulation must pass a "close scrutiny" test. The Commission hopefully will apply that test in this case which further supports the position of the Citizens; Coalition that calls for the PUCO to reject this Stipulation. If the Commission fails to follow its own "smell test" of "close scrutiny," hopefully the Commission will state why it does not choose to apply the "close scrutiny" in this case.

In conclusion, even if the PUCO should not apply its own newly discovered "close scrutiny" test, this Stipulation must be rejected by the PUCO because it fails to satisfy any of the Three Requirements for a proper Stipulation.

IV. BASED UPON THE OVERALL FINDING BY THE LIBERTY CONSULTING GROUP AND THE VARIOUS "BABY ENRON SCAMS" UNCOVERED BY THE OCC, NOT ONLY SHOULD THE COMMISSION PROVIDE THE GCR CUSTOMERS WITH A RECONCILIATION ADJUSTMENT TOTALING \$14.218 MILLION AND NOT ONLY SHOULD THE COMMISSION REQUIRE AN INDEPENDENT AUDIT OF DEO'S AFFILIATE TRANSACTIONS DATING BACK TO 1996 TO DETERMINE IF GCR CUSTOMERS WERE FURTHER HURT, BUT ALSO THE COMMISSION SHOULD DISALLOW ALL DEO GAS COSTS FOR GCR RECOVERY. SUCH A DRASTIC RULING WOULD INSURE THAT ALL UTILITY COMPANIES IN OHIO INCLUDING DEO WOULD TAKE SERIOUSLY THE NEED TO HAVE STRONG INTERNAL ACCOUNTING AND MANAGEMENT OVERSIGHT CONTROLS AND WOULD PROTECT ALL CUSTOMERS FROM COMPLACENT, NEGLECTFUL, AND SLIPSHOD UTILITY COMPANY PRACTICES. ALL FUNDS SAVED BY SUCH A COMMISSION ORDER SHOULD BE REFUNDED TO CUSTOMERS SO THEY CAN BETTER DEAL WITH THEIR EXCESSIVE UPCOMING WINTER GAS BILLS.

In a very well-structured and persuasive Initial Brief, the OCC has spelled out a whole series of gas purchasing, sales, and accounting scams that are reminiscent of what the Enron Company did in California with its purchases and sales schemes for electricity. These "Baby Enron Scams" include the "straddle arrangements" (pages 4

to10 of "Initial Brief by the Office of the Ohio Consumers' Counsel."); the "wash arrangements" (pages 11 and 12 of "Initial Brief by the Office of the Ohio Consumers' Counsel."); the Twenty-One "park loan and exchange transactions (see pages 12 to 15 of "Initial Brief by the Office of the Ohio Consumers' Counsel."), and DEO's transactions with its own affiliates (see pages 22 to 31 of "Initial Brief by the Office of the Ohio Consumers' Counsel"). Moreover, DEO was aware that these transactions might not pass "a smell test" with regulators and consumer advocates. So DEO through "wash arrangements" involving third parties sought to conceal what it was doing (see pages 31 and 32 of "Initial Brief by the Office of the Ohio Consumers' Counsel"),

Based upon all of this evidence, OCC concludes that at least \$14.218 million (composed of \$4.177 million for affiliate transactions plus \$10.041,050 million for lost off-system sales revenues) should be disallowed and refunded to customers. At the same time, the OCC is calling for a grand audit of "all the of the transactions DEO had with Dominion Hope and all of the transactions that DEO had with third parties with which Dominion Hope also had transactions." (See page 33 of "Initial Brief by the Office of the Ohio Consumers' Counsel.") The Liberty Consulting Group also recommended similar audits. (See page 33 and 34 of "Initial Brief by the Office of the Ohio Consumers' Counsel.")

The Citizens Coalition supports these factual findings of amounts to be disallowed and then refunded to the customers as well as the need for a "grand audit" of the company and its various partners and affiliates and fellow companies.

However, the OCC has not gone far enough.

Based on the findings and audit conclusion of Liberty Consulting Group, this Commission must boldly and resolutely disallow the entire GCR gas cost. Such a far-reaching measure will provide a signal that at least the Public Utilities Commission of Ohio is serious about accounting and management failures, neglectful actions, slipshod practices, and complacency found in any utility company.

Let us once again review what the Liberty Consulting Group concluded. According to the Liberty Consulting Group, here is a list of ways in which DEO's gas procurement practices were unreasonable

- * Internal controls, including procedures and documentation, were weak;
- * The organization structure within LDC Gas Supply does not adequately separate the activities of the three LDCs:
- * Senior management oversight is weak;
- * There are weaknesses in the internal auditing of LDC Gas Supply;
- * There were specific allegations of wrongdoing in the lawsuit which, if true, would have affected the costs for customers of Dominion East Ohio;; and
- * Dominion has been unable to provide evidence of management or supervisory review, exclusive of what it may be doing with respect to the lawsuit, that would have properly evaluated whether the existing controls would have tended to prevent activities of the type alleged from taking place, or if they did, would have tended to detect such activities.

(See Commission Ordered Exhibit 4, the M/P Audit Report at ES-5.)

Any one of these conclusions would be damning in itself. East Ohio and Dominion East Ohio are not some new companies that are just learning how to operate their businesses with proper management and accounting controls. . Their executives have not just graduated "wet behind the ears" from business schools. Any and all of the

DEO management, their executives, and their various directors should be able to perceive and understand these "danger signs" of internal problems.

But even worse from an accounting and ethical standpoint was the conclusion of Liberty Consulting Company:

"Therefore, Liberty is unable to conclude that DEO's gas supplies were purchased at the lowest reasonable cost."

(See Commission Ordered Exhibit 4, the M/P Audit Report at ES-5.) Who is Liberty Consulting Group? Isn't this the Commission's own witness? (One wonders why the PUCO Staff seemed to distance themselves from the Commission's own witness. The Staff's failures regarding Liberty Consulting Group's Audit provide further reasons to call into question the Staff's involvement with the Stipulation. It certainly reflects upon the Staff's capability and knowledge, as well the staff's commitment to protecting DEO customers.)

Of course, DEO made every legal effort to overcome the findings and conclusions of the Audit of Liberty Consulting Group. At this time, however, when accounting and ethical issues in businesses are subject to "closer scrutiny" by the public, by government officials, and even by the business world itself, more than legal maneuvering and argumentation is needed to respond to the conclusions of the Liberty Consulting Group.

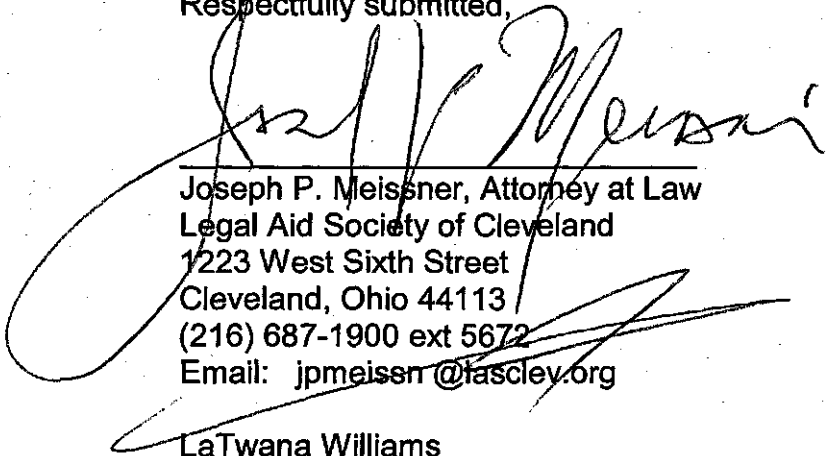
The findings and conclusion of Liberty Consulting Group are without precedent in Ohio utility history. These are damning statements of massive internal problems and failures at East Ohio, DEO, and these other "business partners." Something must be done, besides calling for more audits. That is why the Citizens Coalition is calling for the PUCO to act courageously and disallow any GCR costs for DEO. To the extent

customers have been charged these, DEO should be required to provide appropriate credits for all their residential gas customers to be applied against this winter's gas bills. Such a forthright step would insure that all public utility companies in Ohio pay attention to proper management, accounting, and ethical principles. Furthermore, this would provide some relief to DEO gas customers who have suffered so much the past few years from the excessive increases in their gas rates.

V. CONCLUSION

The Citizens Coalition calls upon the PUCO to reject the DEO-authored Stipulation. Further, the Coalition requests that the PUCO disallow for recovery the \$14.218 million as set forth in the OCC brief. Finally, the Coalition urges the Commission to reject any recovery for GCR of natural gas costs by DEO because of its failures, neglect, and slipshod practices. Instead, appropriate credits should be provided by DEO on all the gas bills of its residential customers for this upcoming cold winter season.

Respectfully submitted,



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THE EMPOWERMENT CENTER OF
GREATER CLEVELAND

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News Opinion

Heating Costs Suck: Rising natural gas prices draining millions from Ohio

By Bill Callahan

I READ THE GAS BILL today, oh boy. Despite warm weather and new storm windows, Dominion's little chart says our natural gas use in January was almost identical to a year ago. But this time it costs \$415. For *one month*.

That's \$15 per thousand cubic feet (MCF). A year ago it was \$11. Three years ago, it was less than \$8. That's a 90 percent jump in just three years. And we all thought our heating bills were out of line *then*.

You probably know the Big Story behind this: Growing use of natural gas in power plants, supply disruption caused by the Gulf Coast hurricanes, etc. But here's a part of the story you might not have thought about:

According to the census, there are about 500,000 homes in Cuyahoga County that heat with natural gas — each using, conservatively, about 100 MCF annually. Almost all of that gas arrives via the Dominion pipeline from outside Ohio.

So each dollar increase in natural gas prices removes *at least \$50 million a year* from the spending resources of county residents.

Even in a warm winter like this one, the average home burns 15 to 20 MCF in January. So the \$4 increase in Dominion's gas cost recovery since January 2005 is swiping an extra \$30-40 million from county residents' pockets in a single month. That's only the extra costs paid by *residential* users — not businesses, churches, schools or other public buildings.

Let's assume that Dominion's bills will settle down from the January peak, maybe to \$14 or even \$13 per MCF for the year. Even that very optimistic scenario would leave us paying \$5 per MCF more than we paid in 2003. And \$500-\$550 in higher annual gas bills per household, compared to three years ago, equals *an extra \$250-\$275 million a year* leaving Cuyahoga County for Texas, Oklahoma and other points south and southwest.

Do you hear a giant sucking sound coming from the Dominion East Ohio pipeline?

An interesting point of comparison: \$285 million is the annual spending the county can hope to gain from a new convention center, according to Convention Facilities Authority consultant Coopers and

A-2

Attachment A

Lybrand.

A lot of Cleveland business and political leaders are determined to spend hundreds of millions of tax dollars to make that happen. What would they do to keep the same amount of money from being sucked out of the local retail economy by natural gas costs?

Apparently, not much.

The City of Cleveland and the county each administer a Home Weatherization Assistance Program for lower-income households. It's all done with federal money, routed through the Ohio Department of Community Development. In Cleveland this year, the program's "delegate agencies" — the Housing Network, Community Housing Solutions and others — will do insulation and furnace repairs in about 700 homes. Outside the city, the county will weatherize another 400 or so.

The Housing Network runs a second weatherization program, Housewarming, with \$3.5 million this year from Dominion East Ohio. The program serves homes in a lot of counties, but the Network's Liz Hernandez says between 700 and 800 will be in Cuyahoga.

So public and utility programs may weatherize something like 1,500 Cuyahoga County households this year. If they succeed in reducing gas use in those homes by a third, the households' gas bills will fall back to 2004 levels, and the local economy will get to keep \$700,000 or so that would have been lost to the pipeline.

Hernandez says her office has been flooded with weatherization requests this year, 50 to 60 calls a day at times. But people applying now probably have a year or more to wait. The number of local units in the annual HWAP and Housewarming budgets hasn't increased for years — in fact, it's down a little from five years ago — and no increased effort is expected from the feds, the state or Dominion.

No *local* effort is expected at all. No city or county leaders, as far as I can discover, have proposed any new ideas to control the region's gusher of energy dollars, or even raised the issue for discussion.

Are there ways to double or triple our investment in weatherizing older homes? Are there new technologies at hand — in insulation, furnace design, alternative fuels — that would be cost-effective retrofits for Cleveland's existing homes? Is there *anything* we can do about our Energy Dollar Drain?

At the moment, all is silence ... except for that giant sucking sound.

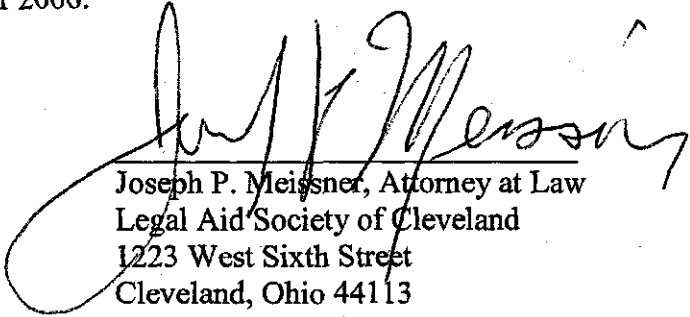
Read Bill Callahan's blog at cleveland.diary.blogspot.com.

March 7, 2006

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Brief and Comments was served upon the address of all the parties in this proceeding, by ordinary first class mail, postage prepaid, on this 3th day of November 2006.



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