

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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PUCO

In the Matter of the Commission's Review of)
Chapter 4901:1-14 of the Ohio Administrative) Case No. 08-178-GA-ORD
Code.)

REPLY COMMENTS OF
OHIO GAS COMPANY

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I. INTRODUCTION

On March 12, 2008, the Public Utilities Commission of Ohio ("PUCO") issued an Entry regarding the PUCO's ordinary five year review of its purchased gas adjustment clause rules that govern gas cost recovery ("GCR") rates for local distribution companies ("LDC").¹ The Entry proposed no changes to the rules, but still invited comments on the current rules in order to assist in the five year review as well as the evaluation of administrative rules required by Governor Strickland's Executive Order entitled "Implementing Common Sense Business Regulation." On April 21, 2008, the Ohio Consumers' Counsel ("OCC") filed comments making various recommendations for substantive and non-substantive changes to the rules.² Subsequently, the Attorney Examiner in this case issued an Entry permitting interested persons the opportunity to reply to OCC's comments, setting a due date of May 16, 2008. Ohio Gas Company ("Ohio Gas") hereby submits its Reply Comments to the PUCO regarding the OCC's comments.

¹ *In the Matter of the Commission's Review of Chapter 4901:1-14, Ohio Administrative Code*, Entry (March 12, 2008).

² *In the Matter of the Commission's Review of Chapter 4901:1-14, Ohio Administrative Code*, Comments of the Ohio Consumers' Counsel (April 21, 2008).

II. COMMENTS

Ohio Gas is a natural gas company providing service to customers located in Northwest Ohio. Although Ohio Gas serves approximately 45,000 total customers, nearly all of Ohio Gas' residential customers are served through Community Energy Partnership ("CEP") program arrangements and do not pay the GCR rate. Through the CEP program, Ohio Gas coordinates with local governments to implement governmental aggregation programs. The migration of customers from GCR service to CEP transportation service is nearly complete, with only approximately 13 GCR customers remaining on Ohio Gas' system.

Ohio Gas generally objects to OCC's suggestions. Specifically, Ohio Gas opposes OCC's proposal to require all natural gas utilities to file information at the PUCO indicating the cost to include weather data on customer bills as well as OCC's suggested revision to the GCR rules mandating such information be included on customer bills. Ohio Gas also opposes OCC's proposal to incorporate temperature data when allocating different GCR rates during a billing cycle rather than simply applying a weighted average GCR rate when the GCR rate changes during a billing cycle.

OCC's proposals would impose burdensome costs and those costs, which ultimately would be shouldered by customers, would not be worth the purported benefits to LDCs serving relatively few GCR customers. OCC's suggested rule modifications related to temperature data on bills as well as the calculation of GCR rates when the rate changes during a billing cycle would necessarily require expensive changes to billing software. In the case of LDCs who serve small numbers of GCR customers, the costs of the billing software changes would outstrip the benefits derived from the rule

modifications. Further, these proposed amendments would require bill format changes, thereby imposing additional costs to implement the changes.

Should the proposed amendments that would require billing software and bill format changes be accepted, Ohio Gas respectfully asks the PUCO to exempt natural gas companies with fewer than 15,000 GCR customers from those changes to the GCR rules. GCR rules or requirements should not be applicable to all customer populations³ and this limitation would recognize the economy of scale necessary to cost-justify requiring an LDC to make these costly changes. Additionally, this constraint would be consistent with the Governor's Executive Order.⁴ Pursuant to the Executive Order, administrative agencies should "make exceptions to rules and provide exemptions for small businesses."⁵ Ohio Gas and other LDCs serving small numbers of GCR customers are essentially small businesses in this regard. The Executive Order also mandates that administrative agencies strike "a reasonable balance between the underlying regulatory objectives and the burdens imposed by regulatory activity."⁶ Granting Ohio Gas' request would achieve a proper balance between the regulatory objectives sought to be achieved by such changes while also acknowledging the magnitude of the burdens imposed by the proposed rule modifications upon LDCs with less than 15,000 GCR customers.

³ Section 4905.302(A)(2), Revised Code, requires PUCO Staff ("Staff") (instead of an outside consultant paid for by the company) to conduct GCR audits of natural gas companies with less than 15,000 customers and limits the circumstances in which the PUCO may charge for conducting those audits. Section 4905.302(A)(3), Revised Code, also restricts the PUCO to conducting only financial audits of the GCR mechanism for companies with less than 15,000 customers unless good cause is shown. An exemption for companies with small GCR customer populations to whom such rules would otherwise apply is similar to, and consistent with, the common-sense relief provided by these code sections.

⁴ Executive Order, Implementing Common Sense Business Regulation (February 12, 2008).

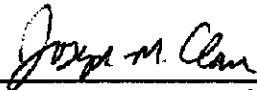
⁵ Id. at 3 (paragraph 4g).

⁶ Id. at 2 (paragraph 4c).

III. CONCLUSION

Ohio Gas appreciates the opportunity to make these comments. Ohio Gas respectfully urges the PUCO to reject OCC's proposed changes to the GCR rules, specifically those discussed in these comments, or establish appropriate exemptions for LDCs serving less than 15,000 GCR customers.

Respectfully submitted,



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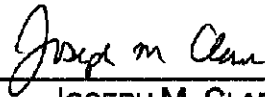
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Reply Comments of Ohio Gas Company* were served upon the following parties of record this 16th day of May 2008, via first class mail, postage prepaid.



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