

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
East Ohio Gas Company d/b/a)
Dominion East Ohio for Approval of a) Case No. 07-1224-GA-EXM
General Exemption of Certain Natural)
Gas Commodity Sales Services or)
Ancillary Services.)

FINDING AND ORDER

The Commission finds:

- (1) The East Ohio Gas Company d/b/a Dominion East Ohio (Dominion) is a public utility as defined in Section 4905.02, Revised Code, and, as such, is subject to the jurisdiction of this Commission.
- (2) By Opinion and Order issued June 18, 2008, the Commission approved a stipulation between most of the parties in this case¹ and authorized Dominion to conduct a series of auctions for the pricing of its wholesale and retail natural gas supplies.
- (3) On February 9, 2010, an auction was conducted to establish rates for both Standard Service Offer (SSO) customers, as well as Standard Choice Offer (SCO) customers. The SSO auction results would apply to percentage of income payment plan (PIPP) and Choice-ineligible customers and the SCO results would apply to Choice-eligible customers that are not currently being served by a Choice provider or through an aggregation program. Separate auctions were conducted to establish the SSO and SCO rates. Both auctions took place via the internet with nine bidders participating in the SSO auction and twelve bidders participating in the SCO auction. Dominion contracted for the services of World Energy Solutions, Inc. (World Energy) as the manager of the auctions. The auctions were jointly monitored by Dominion, Staff, and the Office of the Ohio Consumers' Counsel.

¹ The stipulation was executed by Dominion, Staff, and all of the intervenors in this case, with the exception of Industrial Energy Users-Ohio and Ohio Partners for Affordable Energy.

- (4) The SSO auction was conducted as a descending clock auction in which three wholesale supply tranches were bid, with each bidder limited to a maximum of one tranche. The auction participants bid a Retail Price Adjustment (RPA) in the form of an adder to the monthly New York Mercantile Exchange (NYMEX) settlement price for natural gas futures. The RPA is a fixed dollar amount over the 12-month term of the SSO period and reflects the bidders' estimate of their incremental cost to deliver the required amount of gas from the Henry Hub (which is priced at NYMEX) to Dominion's city gate. The SSO auction ended after six rounds when exactly three tranches were bid at an RPA of \$1.20 per thousand cubic feet (Mcf).
- (5) The SCO auction also started as a descending clock auction with nine tranches of retail supply to be bid. Each bidder was limited to a maximum of three tranches. During each round, the bids were in the form of tranches each bidder would be willing to supply at an announced rate. That rate was also an RPA which, as with the SSO, is in the form of an adder to the monthly NYMEX settlement price. The auction was conducted as a descending clock auction in a fashion similar to the SSO auction until the SCO RPA equaled the SSO RPA. The SCO auction ended after five rounds when exactly nine tranches were bid at an RPA of \$1.20 per Mcf. Because the SCO auction resulted in an RPA equal to the SSO RPA at the exact number of tranches available, there was no need to proceed to the ascending auction envisioned in the auction rules. The ascending auction was required only in the event that there were more tranches bid than were available at the point that the SCO RPA equaled the SSO RPA.
- (6) On February 9, 2010, Staff filed a post-auction report (Staff Report) detailing the results of the SSO and SCO auctions. That report contained descriptions of the auctions and a conclusion by Staff that, based on its observation, the auctions were fair and devoid of any indications of collusion or other anomalies. The results of the auctions were RPAs of \$1.20 per Mcf for both the SSO and SCO. The Staff Report recommended that the Commission approve the auction results and allow Dominion to continue to serve its customers at the new RPA rate upon the expiration of the existing SSO/SCO period on March 31, 2010.

- (7) On February 9, 2010, the Office of the Ohio Consumers' Counsel (OCC) filed a letter in this docket restating their support for the SSO auction process and their opposition to the SCO auction process. According to the OCC, the SCO auction has not been demonstrated to provide benefits to customers beyond those achieved through the SSO process.

On February 10, 2010, Dominion filed a letter in response to the OCC letter. In it, they point out that the issues OCC is now raising were all part of the April 10, 2008 Stipulation and Recommendation that OCC agreed to and signed. According to Dominion, OCC's criticism of an auction format that it agreed to is disingenuous.

- (8) The Commission has reviewed the Staff Report and the auction results and agrees with Staff's conclusion that the auction results are reasonable and should be approved. Therefore, the Commission finds that Dominion should be authorized to replace its current SSO and SCO rates upon expiration of the existing rates on March 31, 2010, based on the RPA of \$1.20 per Mcf and to enter into the necessary agreements with the winning bidders of both auctions. The monthly SSO/SCO price should be calculated as the sum of the NYMEX settlement price for the prompt month plus the RPA of \$1.20 per Mcf. Accordingly, Dominion is further authorized to file the final tariffs necessary to implement the terms of this entry.
- (9) Unless otherwise ordered by the Commission, the new SSO and SCO rates are approved for the period April 1, 2010, through March 31, 2011. During that time, the Commission reserves all authority to exercise its oversight and specifically reserves the right to terminate the SSO and SCO rates and to return Dominion to a regulated pricing regime at any time, if circumstances warrant.
- (10) In order to judge the impact of the SCO on Choice program participation, we direct Staff to work with Dominion to develop information on SCO customer migration from the SCO to a direct contractual relationship with a Choice provider. Staff

shall file a report summarizing its findings by December 1, 2010.

- (11) The Staff Report filed on February 9, 2010, was filed without identifying the names of the participating or winning bidders. The Staff Report stated that this was done in order to protect the bidders' positions in negotiations with pipelines for the incremental capacity necessary to meet their obligations as SSO and/or SCO suppliers. The Staff Report requests that the Commission continue to treat the bidders' names as confidential for a period of 45 days from this Entry. The Commission believes this request is reasonable and should be granted.

It is, therefore,

ORDERED, That Dominion be authorized to replace its current SSO and SCO rates consistent with findings (8) and (9) above. It is, further,

ORDERED, That Dominion be authorized to file four complete copies of tariffs, in final form, consistent with this entry. Dominion shall file one copy in this case docket and one copy in its TRF docket (or may make such filing electronically, as directed in Case No. 06-900-AU-WVR). The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,


ORDERED, That the effective date of the new tariffs shall be a date not earlier than April 1, 2010. The new tariffs shall be effective for bills rendered on or after such effective date. It is, further,

ORDERED, That the identities of the participating SSO and/or SCO bidders be treated as confidential for a period of 45 days. It is, further,

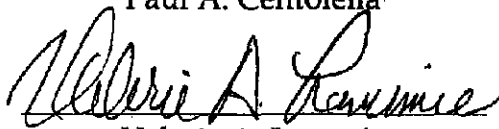
ORDERED, That a copy of this Entry be served upon all parties in this proceeding.

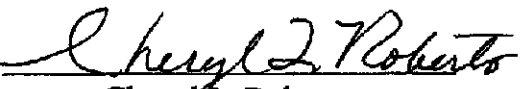
THE PUBLIC UTILITIES COMMISSION OF OHIO


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Entered in the Journal

FEB 11 2010


Renee J. Jenkins
Secretary