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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO 2010 JUL 19 PM 3:43

PUCO

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services.))))

Case No. 07-1224-GA-EXM

DOMINION EAST OHIO'S RESPONSE TO COMMENTS OF THE OHIO GAS MARKETERS GROUP

Pursuant to Rule 4901-1-12(B)(2), Ohio Administrative Code ("O.A.C."), The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO") responds to the Comments of the Ohio Gas Marketer Group ("OGMG"), filed on July 2, 2010.

RESPONSE

As indicated in its Comments, OGMG has reviewed the various filings in this proceeding since Office of Ohio Consumers' Counsel ("OCC") filed a motion for special management performance ("M/P") audit and long term forecast report ("LTFR") on May 18, 2010. OGMG indicates that it has also followed the FERC proceeding in which DEO and Dominion Transmission, Inc. ("DTI") seek approval of the storage lease agreement that gives rise to the various filings in this proceeding over the past few months. OGMG does not support OCC's motion and does not object to the proposed DEO/DTI lease arrangement, subject to certain recommendations. By and large, DEO agrees with OGMG's recommendations. They are certainly more constructive suggestions than OCC's recommendations for an M/P audit and LTFR.[1]

[1] Citizens Coalition filed a "me too" request for an M/P audit and LTFR on June 28, 2010, which relies almost entirely on OCC's motion. DEO has already demonstrated in prior filings why OCC presents no legal or factual basis for the Commission to order an M/P audit or LTFR. Having already refuted OCC's contentions, there is no need to address them again in response to Citizens Coalition. Moreover, it should go without saying that even if the

OGMG's Comments begin by describing the nature of DEO's on-system storage and its role in serving DEO's intrastate market. DEO's ability to utilize its on-system storage capacity is limited by the market demand, or outlet, of that storage. If DEO were to inject volumes equal to historical maximum capacity levels without sufficient outlet, the storage fields would experience higher pressures throughout the winter season due to the reduced withdrawals. Those higher pressures would in turn increase the tendency for gas to migrate away from the storage fields in the lower pressure surrounding areas. The need to adjust storage inventory levels to reflect the level of demand was discussed in the GCR management performance audits performed in Case Nos. 05-219-GA-GCR and 07-219-GA-GCR. OGMG's comments are consistent with the auditors' findings in those cases.

Rather than support OCC's proposal to initiate an M/P audit and LTFR processes from which DEO is now exempt, OGMG makes two recommendations: (1) DEO should confirm the historical storage capacity and peak day withdrawal volumes and (2) DEO should be required to make available displacement storage service consistent with the Phase I lease arrangement until such time as Phase II begins. DEO will commit to these recommendations.[2]

Using information provided in previous GCR M/P audits, DEO confirms that the storage capacity available to its intrastate market after the decommissioning of the Columbiana storage field is 58,704 MMcf. That figure is supported by Table II.13 of the Liberty Consulting Group audit report filed in Case No. 05-219-GA-GCR, which shows that the historical storage capacity

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Commission were to grant the relief requested by OCC or Citizens Coalition, an M/P audit or LTFR would not address telephone deregulation, "Wall Street's greedy activities," "BP's oil drilling in the Gulf," or any of the other numerous, irrelevant topics discussed in Citizens Coalition's pleading. (Citizens Coalition Pleading, p. 5.) For all the reasons that OCC's motion should be denied, Citizens Coalitions' motion should be denied as well.

[2] While DEO agrees with the substance of those recommendations, it does not believe it is necessary (or proper) to require affidavits or tariff provisions to verify or memorialize them as further recommended by OGMG. As already discussed at length in response to OCC's motion, there is no basis to re-open or supplement the record in this proceeding.

of the remaining storage fields are 56,541 MMcf for the Stark-Summit field, 1,857 MMcf for the Chippewa field, and 306 MMcf for the Gabor field. (p. II-11) The same auditor confirms that the design day deliverability of DEO's on-system storage system is 1,080 MMcf. (p. II-12)

Should DEO's market demand return to historical levels predating the long term decline documented on page 45 of the Staff Report submitted in DEO's last rate case, Case Nos. 07-829-GA-AIR et al., DEO will commit to providing up to 58,704 MMcf of storage capacity to its Ohio market. To ensure that the storage capacity made available to the market will adjust proportionately with market demand, DEO will retain the existing factors used to allocate storage capacity to Energy Choice, Standard Service Offer and Standard Choice Offer suppliers unless and until the Commission finds that DEO should do otherwise.

OGMG's second recommendation is equally straightforward to address. DEO will make available displacement storage service consistent with the Phase I lease arrangement until such time as Phase II begins. To be more precise, DEO will provide storage service to marketers on a non-discriminatory basis consistent with the terms specified for the Phase 1 lease arrangement, including the requirement that all withdrawal volumes will be delivered off-system on an interruptible basis via displacement.

With regard to the "procedural questions" mentioned by OGMG, DEO does not believe that these questions are as complex as OGMG suggests. In particular, the question of whether the Commission retains general supervisory authority of alternative rate plans pursuant to R.C. 4905.05 and .06 is easily answered, and the answer is "no." R.C. 4929.04(A) provides that upon the application of a natural gas company and for good cause shown, the Commission "shall exempt" any commodity sales service or ancillary service "from all provisions of Chapter 4905, with the exception of section 4905.10."[3] Had the General Assembly intended the Commission to retain general supervisory authority over alternative rate plans, it would also have also included R.C. 4905.05 and .06 as exceptions. It did not. The exemption granted in the Phase 2 Order is consistent with R.C. 4929.04 in that it exempts DEO's commodity sales service from all provisions of Chapter 4905, with the exception of R.C. 4905.10. (Order, pp. 3, 21.)

Although the Commission lacks general supervisory authority over approved rate plans, there are other tools at the Commission's disposal to police such plans. R.C. 4929.08 provides that the Commission, after notice and a hearing, may abrogate or modify an exemption order if "the commission determines that the findings upon which the order was based are no longer valid and that the abrogation or modification is in the public interest." R.C. 4929.08(A)(1). The Commission may also modify an exemption order if it finds that the natural gas company "is not in substantial compliance with state policy," "is not in compliance with its alternative rate plan," or "alternative regulation is affecting detrimentally the integrity or safety of the natural gas company's distribution system or the quality of any of the company's regulated services." R.C. 4929.08(B). But instituting M/P audits or LTFRs outside the statutory process for modifying an exemption order is not part of the Commission's tool kit. With all of this said, DEO wholeheartedly agrees that "there is no need to explore whether management performance audits or long term forecasts are appropriate in this matter because the actual controversy does not necessitate such relief." (OGMG Comments, p. 5.)

[3] R.C. 4905.10 requires public utilities to pay an annual assessment to help fund the Commission.

Dated: July 19, 2010

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Response to Comments of the Ohio Gas Marketers Group was served by email to the parties listed below on July 19, 2010.

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