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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of the East Ohio)
Gas Company for Approval of a Supplier for)
Percentage of Income Payment Plan Customers)
and for a Waiver of the Applicable Provisions of)
Rule 4901:1-14, Ohio Administrative Code)

Case No. 99 - 1737 GA-UNC

APPLICATION

The East Ohio Gas Company ("East Ohio" or "Company") requests that the Commission approve East Ohio's choice of a supplier to provide gas supplies for all of its Percentage of Income Payment Plan ("PIPP") customers, and that it grant a waiver of the provisions of Rule 4901:1-14, Ohio Administrative Code ("O.A.C."), as necessary to enable East Ohio to obtain those gas supplies. In support of this application, East Ohio states as follows:

1. On November 15, 1999, East Ohio sent Requests for Proposal ("RFP") to 43 marketers requesting proposals to supply natural gas to East Ohio for the purpose of serving PIPP customers for the period January 1, 2000 through March 31, 2001. The structure, terms and conditions of the RFP were developed through discussions with Commission Staff and the Ohio Consumers' Counsel ("OCC") and are consistent with the applicable directives contained in the December 2, 1999 Finding and Order issued in Case Nos. 98-593-GA-COI et al. The RFP was structured as a two phase proposal to outsource PIPP supply responsibility from January 1, 2000 through April 30, 2000 for the approximately 40,000 PIPP customers not already included in the current PIPP supply outsourcing program, and then to outsource the entire PIPP customer class of approximately 43,500 customers for the subsequent period from May 1, 2000 through March 31, 2001. The RFP provided that the marketer could specify a price as a fixed percentage below East Ohio's expected gas cost ("EGC") or propose some other pricing method capped at East Ohio's EGC throughout the contract term. The RFP stated that East Ohio would award the contract on the basis of the total savings for the PIPP customers, the sufficiency of the supplier's comparable capacity, and supplier creditworthiness.

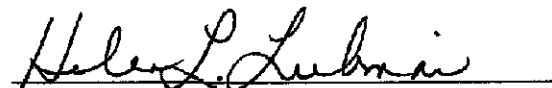
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2. On December 6, 1999, East Ohio received three responses to the RFP, all from suppliers that met the creditworthiness standards. Due to inconsistencies in the responses received, and after discussions with Commission Staff and the OCC, East Ohio requested additional bids be returned by December 10, 1999. East Ohio received two conforming bids at that time from FirstEnergy Services Corporation and CNG Retail Services Corporation based on closing market conditions as of that day, which the Company again reviewed with Commission Staff and the OCC. East Ohio requests that the Commission approve the choice of CNG Retail Services Corporation as the PIPP Choice supplier on the basis of its lower bid price, which equated to an approximate 16% reduction from the current EGC.

3. Rule 4901:1-14, O.A.C., contemplates that local distribution companies will obtain gas supplies for all of its supply customers at an average price, without designating particular supplies for particular customers or groups of customers. East Ohio has worked closely with the Commission Staff and the OCC throughout the entire aggregate bidding process, from the development of the RFP document to the selection of the supplier, and requests that the Commission grant whatever waivers of Rule 4901:1-14 are required to permit East Ohio to obtain gas supplies specifically for the PIPP customers as described in the RFP.

WHEREFORE, East Ohio respectfully requests that the Commission approve the selection of CNG Retail Services Corporation as the supplier for its PIPP customers from January 1, 2000 through March 31, 2001 and grant the appropriate waivers of Rule 4901:1-14, O.A.C.

Respectfully submitted,



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