

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for)
Approval of a General Exemption of)
Certain Natural Gas Commodity Sales)
Services or Ancillary Services from)
Chapters 4905, 4909, and 4935 except)
Sections 4905.10, 4935.01, and 4935.03,)
and from specified sections of Chapter)
4933 of the Revised Code.)

Case No. 08-1344-GA-EXM

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REPLY COMMENTS
OF COLUMBIA GAS OF OHIO, INC.

BACKGROUND

On January 30, 2009, as supplemented on March 26 and 31, 2009, Columbia filed an application pursuant to Section 4929.04, Revised Code, for approval of a general exemption of certain natural gas commodity sales services or ancillary services contained in Chapters 4905, 4909, and 4935, Revised Code.

On October 7, 2009, the parties filed a Stipulation. The Stipulation was signed by all of the parties, with the exception of JP Morgan, NJR Energy, and Sempra Energy Trading LLC, which stated that they do not oppose the Stipulation.

The Stipulation provided that Columbia will conduct two auctions in order to implement two consecutive one-year long Standard Service Offer ("SSO") periods, starting in April 2010 and April 2011. Through those auctions, Columbia will obtain commodity gas supplies from alternative suppliers for both its PIPP and SSO requirements and pass the price of the gas on to its sales customers at a monthly SSO rate. Bid winners of the SSO auctions will be assigned an undivided percentage of the standard service customers' demand. The Stipulation also provided that Columbia will conduct a third auction for the annual period beginning April 2012. This auction will be a Standard Choice Offer ("SCO") auction. Bid winners of the SCO auction will be assigned to individual customers.

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The Commission approved the Stipulation in an Opinion and Order dated December 2, 2009, and held, "We further find that the SSO and SCO auctions represent a reasonable structure through which to test the potential benefits of market-based pricing of the commodity sales by the company. Columbia is, therefore, authorized to proceed with the auctions."¹

On April 15, 2011, Columbia filed a Revised Program Outline, which reflects the operational changes necessary to implement the initial SCO auction in February 2012. By Entry dated April 27, 2011, the Commission directed that any party desiring to comment upon the Revised Program Outline do so by May 9, 2011. In addition, the Entry provides that any petitions/objections requesting that the SCO auction be suspended must also be filed by May 9, 2011.

On May 9, 2011, North Coast Gas Transmission, LLC ("NCGT") and the Ohio Gas Marketer's Group ("OGMG") filed comments objecting to specific portions of Columbia's Revised Program Outline.² Columbia hereby files its reply to those Comments, and urges the Commission to uphold the terms of the Stipulation and reject OGMG's and NCGT's comments.

THE MATTERS RAISED BY OGMG AND NCGT WERE AGREED TO IN THE JOINT STIPULATION ADOPTED BY THE COMMISSION, AND THAT AGREEMENT SHOULD BE HONORED FOR ITS ORIGINAL THREE-YEAR TERM

NCGT generally opposes the manner in which capacity is allocated while OGMG contests the cash collateral requirement for Suppliers. Both of these issues were agreed to by all parties for the initial three-year term of the Stipulation pursuant to the Stipulation and the original Program Outline. These provisions of the Program Outline are not changed in the Revised Program Outline, and are unaffected by the transition from an SSO auction to an SCO auction. NCGT and OGMG are now dissatisfied with the deal they struck and are seeking to address their concerns by revision of the original terms of the Stipulation and Program Outline.

NCGT COMMENTS REGARDING CAPACITY ASSIGNMENT SHOULD BE REJECTED

In its comments, NCGT expresses concern over what it characterizes as the "inefficient use of NCGT's firm transportation capacity" as a result of the way in which Columbia allocates capacity as detailed in Sections 18-20 in the Re-

¹ Opinion and Order (December 2, 2009) at 14-15.

² The Office of the Ohio Consumers' Counsel ("OCC") and the Ohio Partners for Affordable Energy ("OPAE") also filed comments; however those comments reflect on whether Columbia should proceed with an SCO auction at all. Pursuant to the April 27, 2011 Entry, Columbia will address OCC's and OPAE's comments through testimony as part of the formal hearing process.

vised Program Outline.³ This argument is in direct conflict with one of the cornerstones of what was embraced and specifically agreed to for the three-year period – a uniform allocation of capacity on a “level playing field basis” as detailed in Section 19 of the original and Revised Program Outline.. A future change in the allocation of capacity was not contemplated by the parties when the stipulation was signed and therefore should be rejected to maintain the original intent of the agreement. As the stakeholders discuss issues related to auctions beyond the end of the Stipulation’s three-year period, Columbia agrees that it would be appropriate at that time to include in those discussions the concerns raised in NCGT’s comments.

OGMG’S SUGGESTED USE OF LETTER OF CREDITS IN LIEU OF A CASH DEPOSIT SHOULD BE REJECTED

OGMG objects to that part of the original Program Outline and Revised Program Outline dealing with the issue of cash collateral. Pursuant to the Stipulation, Program Outline and Revised Program Outline, Columbia requires that all participating Suppliers in the SSO and SCO auctions post cross collateral in the form of a cash deposit. The purpose of this security is to back up the other suppliers in the event that any of the winning suppliers default in their load obligations. As such, this security must be readily available and all parties originally agreed that a cash deposit was the appropriate means of providing such security.

OGMG now argues that Suppliers should instead be able to post the cross collateral with a letter of credit or surety bond instead of cash.⁴ Use of letters of credit instead of cash would place Columbia at greater risk in the event of supplier failure. The use of surety bonds adds additional risk beyond that associated with letters of credit, and is totally unacceptable. Columbia is unwilling to accept this additional risk during the initial three-year term of the Stipulation.

The Stipulation and Program Outline, which was agreed to by the OGMG, was specific as to the use of cash for the cross collateral. The Revised Program Outline did not change the cash collateral requirement, and nothing about the transition to an SCO auction mandates any change in the collateral requirements. OGMG should be held to its agreement. For these reasons, OGMG’s request should be rejected. However, as the stakeholders discuss issues related to auctions beyond the end of the Stipulation’s three-year period, Columbia agrees that it would be appropriate at that time to include in those discussions the concerns raised in OGMG’s comments.

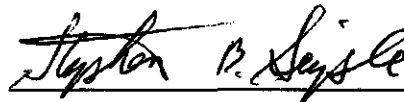
³ Comments of North Coast Transmission, LLC (May 9, 2011) at 1.

⁴ Ohio Gas Marketers’ Group Protest and Objection (May 9, 2011) at 3.

CONCLUSION

NCGT and OGMG seek to change provisions of the Stipulation and original Program Outline through their comments on the Revised Program Outline. Such changes, if adopted, would change the overall program as it was designed and agreed to, and thereby impact the agreed upon allocation of risks. The Commission should reject these attempts to modify the program mid-stream, and should instead hold parties to the bargain they made, which agreement was approved by the Commission. Therefore, the Commission should reject the comments filed by NCGT and OGMG.

Respectfully submitted,
COLUMBIA GAS OF OHIO, INC.



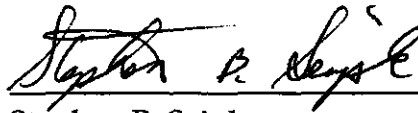
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Motion to Stay Discovery was served upon all parties of record by electronic mail this 16th day of May, 2011.



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