

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for Recovery) Case No. 13-778-GA-UNC
of Base Chip Transition Costs.)

**COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

On April 1, 2013, Columbia Gas of Ohio, Inc. (“Columbia” or “the Utility”) filed an Application for authority to recover approximately \$8.2 million in base chip transition costs from customers.¹ The base chip transition costs were identified in Columbia’s 1980 Gas Cost Recovery (“GCR”) Case, in which the Public Utilities Commission of Ohio (“Commission” or “PUCO”) determined that the \$8.2 million in base chip transition costs² were attributable to normal cyclical unbilled base volumes.³ The Office of the Ohio Consumers’ Counsel (“OCC”) filed a motion to intervene in this case on May 8, 2013. OCC is now submitting these Comments pursuant to an Attorney Examiner entry dated May 3, 2013, on behalf of Columbia’s approximately 1.2 million residential utility customers.

³ *In the Matter of the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedules of Columbia Gas of Ohio, Inc. and Related Matters*, Case No. 80-212-GA-GCR, Opinion and Order at 7-8 (April 14, 1981) (“1980 GCR Case”).

II. COLUMBIA'S APPLICATION IS PREMATURE

Almost thirty years ago, the PUCO determined that the base chip transition costs were attributable to normal cyclical unbilled base volumes.⁴ These transition costs arose because of the accounting-related mechanics involved in the transition from the Purchased Gas Adjustment ("PGA") mechanism to the GCR mechanism. The PUCO reviewed the transition and in the 1980 GCR Case, the Commission ruled that Columbia could recover the costs associated with these unbilled base volumes at some point in the future when the GCR mechanism ends or when the Utility goes out of business.⁵ The PUCO stated:

Finally, the Commission recognizes that should the GCR mechanism continue until such time when the Company goes out of business, some provision will have to be made to account for recovery of the base chip if the Company is to be made whole for its incurred gas costs. **However, the appropriate time to address the question of the collection of the base chip is when that event occurs.**⁶

A review of Ohio law,⁷ the PUCO's current gas purchase rules⁸ and Columbia's current operations, demonstrates that the GCR is still a viable gas cost recovery mechanism. Furthermore, Columbia has not ceased operation or gone out of business in Ohio. Thus, none of the criteria set forth by the PUCO in the 1980 GCR Opinion and Order have been met; therefore, Columbia's Application is premature.

⁴ 1980 GCR Case, Opinion and Order at 5 (April 14, 1981).

⁵ Id. at 9.

⁶ Id. Emphasis added.

⁷ R.C. 4905.302.

⁸ Ohio Admin. Code 4901:1-14.

When the 1980 GCR Case Opinion and Order was issued, there was no Standard Choice Offer (“SCO”) and the Utility did not obtain natural gas for customers through the use of an auction process. As a result of the transition from the GCR to the SCO auction process, Columbia is now arguing that because it has held a number of successful SCO auctions, the time has come to declare that the GCR has ended and is no longer an option for the PUCO to consider as a gas purchase mechanism for customers.⁹

However, such a declaration completely contradicts the Commission’s stated position with regard to the GCR mechanism inasmuch as the PUCO has specifically reserved the right to return to the GCR as a possible pricing alternative to the SCO auction should it become necessary to use an alternative pricing mechanism.¹⁰

In each Entry accepting the SCO auction results for not only Columbia, but also for Dominion East Ohio Gas Company d/b/a/Dominion East Ohio (“Dominion”) and Vectren Energy Delivery of Ohio (“Vectren”), the PUCO has consistently stated it can return the Utility and customers to the GCR mechanism for ratemaking:

During that time [the annual SCO period], the Commission reserves the right to terminate the SCO and DSS mechanisms and to implement an alternative pricing methodology at any time, if circumstances warrant.¹¹

To date, the PUCO has not permitted Columbia or any Ohio gas utility to exit the

⁹ Columbia Application (April 1, 2013).

¹⁰ For example, see: *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*, Case No. 08-1344-GA-EXM, Finding and Order at 3 (February 27, 2013); *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services*, Case No. 07-1285-GA-EXM, Finding and Order at 3 (January 16, 2013); *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, Finding and Order at 3 (February 20, 2013).

¹¹ *Id.*

merchant function. Moreover, the GCR remains viable in Ohio law and PUCO rules as an alternative pricing methodology that might be used in the future. Thus any action that would impact the GCR at this time by Columbia is premature.

Columbia's Application is also premature because, of the three Local Distribution Companies ("LDCs") that use the SCO auction process to purchase gas for their customers, Columbia is the most recent to make the transition. Columbia has only been operating under the SCO for three years. Although the SCO auction process has produced positive results for customers to date, the process has not necessarily been tested sufficiently to declare the GCR terminated.

Columbia refers to the Amended Stipulation and Recommendation in Case No. 12-2637-GA-EXM which states:

At the end of the initial term of the Stipulation (March 31, 2013), if a pattern of auctions has taken place so that it appears that Columbia **will not be returning to the GCR mechanism** * * *.¹²

Columbia's argument that it "appears" it will not be returning to the GCR is insufficient to support collection from customers at this time of the base chip costs. The decision turns on whether a return to the GCR mechanism at some point in the future remains a possibility in the future. The PUCO has continually and consistently addressed this possibility in the SCO auction Orders, as noted above by reserving the right to return the Utility back to the GCR mechanism.

Columbia's Application also fails because it does not address the financial burden that the base chip costs would place on customers -- a factor that the PUCO addressed in the 80-212-GA-GCR Opinion and Order:

¹² Columbia Memorandum Contra at 3, citing 2009 Stipulation at 16. (May 23, 2013) (Emphasis added).

Staff witness Pavalko testified this roll-over effect would have continued under the old PGA mechanism and does continue under the GCR mechanism until such time when the Company goes out of business. Thus **the Staff indicates that the Company never intended to collect today for these base unbilled volumes because that recovery was intended to be picked up when the Company ceased operations and suspended sales of gas to its customers. The Staff believes that today's ratepayers should not have to bear the burden of the recovery of the base portion of unbilled volume which occurred because of the switch-over from one clause to another.** Further, Mr. Pavalko stated that the attempt of the Company to recover anything more than the current cost of gas plus any seasonal variations to those costs is an attempt to become whole as if the Company had ceased operations and suspended sales of gas to its customers. (Staff Ex. 1 at 7, 8; Tr. II 113).¹³

Through this language the PUCO made it clear that the transition from the PGA mechanism to the GCR mechanism should not cause a financial harm or burden to customers. Similarly, the transition from the GCR to the SCO should provide customers the same manner of protection. Current customers should not be burdened with this extra cost.

Columbia's Application also raises the question of whether the Utility's actions constitute the first step in an exit from the Merchant function. Under the terms of the Amended Stipulation and Recommendation in Case No. 12-2637-GA-EXM, there are very specific timelines and criteria under which Columbia may proceed with an attempt to exit the merchant function. Among other things those steps include 1) an expiration of the five year term of the Amended Stipulation and Recommendation, 2) an exit from the merchant function for non-residential customers, 3) the participation rate for CHOICE – eligible residential customers must be at least 70% for three consecutive months, 4)a

¹³ 1980 GCR Case, Opinion and Order at 8 (April 14, 1981) (Emphasis added).

Utility Application and evidentiary hearing.¹⁴ To date, none of those steps have occurred. Nonetheless, Columbia's Application to collect the base chip costs constitutes the Utility's belief that it is on the path to an exit from the merchant function by eliminating the GCR as a fall back option for the PUCO in the event the Commission determines that the SCO auction process is inadequate.

Inasmuch as Columbia is still in business and the PUCO has retained the right to reinstate the GCR, the events contemplated by the PUCO in the 1980 GCR Case have not yet occurred. Thus, the Utility Application is premature at this time, and the PUCO should deny Columbia's request.

III. ALLOCATION OF BASE CHIP COSTS

In the event that the PUCO were to determine that Columbia should be permitted to collect the base chip costs, then the PUCO should not use the Choice Standard Service Reconciliation Rider ("CSRR") as proposed by the Utility because the CSRR would unfairly burden residential and other Choice-eligible customers while permitting transportation customers who took service under the PGA in 1980 to avoid the charge. Instead the charge, if allowed should be applicable to all customer rate schedules who took PGA service in 1980. Had the PUCO authorized collection of the base chip in 1980, then many current transportation customers, who were previously PGA customers, would have paid their share of the costs. Those customers should be required to pay their share of those costs now.

¹⁴ *In the Matter of the Joint Motion to Modify the December 2, 2009 Opinion and Order and the September 7, 2011 Second Opinion and Order in Case No. 08-1344-GA-EXM*, Amended Stipulation and Recommendation at 6-12 (November 27, 2013) ("Amended Stipulation").

OCC is urging the PUCO to deny Columbia's Application to collect the \$8.2 million in base chip costs at this time. Secondly, if the PUCO permits base chip cost recovery, then OCC urges the PUCO to use a cost recovery mechanism that properly allocates base chip costs so as to include all customers, including transportation customers, who were PGA customers at that time.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these *Comments* was served on the persons stated below *via* electronic service this 31st day of May 2013.

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Summary: Comments Comments by the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Serio, Joseph P.