

**Columbia Gas of Ohio, Inc.**  
**Standard CHOICE Offer and Auction Process Overview**

The purpose of this document is to provide a general overview of the process and timeline for implementing the Columbia Gas of Ohio, Inc. ("Columbia") gas supply auction and related Standard CHOICE Offer ("SCO"), and to allow potential bidders in that auction to better understand the purpose of the other documents posted for their review on the website. This Overview is provided for informational purposes and is not intended as a replacement for the official documents filed with the Public Utilities Commission of Ohio ("Commission") by Columbia pertaining to its auction and SCO program.

Columbia intends to conduct this SCO Auction on the date specified in the timeline for the upcoming April 1<sup>st</sup> through March 31<sup>st</sup> time period ("SCO Period"). The auctioned supply requirements will consist of all SCO customers' estimated annual volume requirements plus the estimated annual volume requirements of Columbia's Default Sales Service ("DSS") customers (customers not eligible for CHOICE or in transition). Suppliers will be able to bid on between one and four "tranches" of the total annual requirements. Each tranche will be equal to approximately one sixteenth of the total. Following the Auction, each winning bidder will be assigned individual SCO customers through an allocation process based on the tranches won by the winning bidder. In addition, each winning bidder will be assigned the responsibility to serve a proportionate share of the aggregate demand of the DSS customers again based on the tranches won by the bidder.

Winning SCO Suppliers will be obligated to deliver gas to Columbia at its city gates to serve the respective demand requirements beginning April 1<sup>st</sup> following the auction. To accomplish this, SCO Suppliers will schedule volumes each day equal to the daily volumes identified by the temperature-driven Demand and Supply Curves provided by Columbia. The Demand and Supply Curves as well as the capacity to be released to SCO Suppliers will be adjusted every month to reflect changes in customers due to customer CHOICE migration and changes in demand of the DSS customers. To account for variances between the Demand Curves and actual customer requirements, Columbia will provide a balancing service and a peaking service to CHOICE and SCO Suppliers.

A Supplier Education Presentation will be posted to the website providing detailed information about the auction process, capacity allocation and assignment, demand and supply curves, and billing and payment. Additional information will be posted on the website as it becomes available.

Suppliers interested in becoming a bidder in Columbia's SCO Auction must submit 1) a Retail Natural Gas Suppliers Registration Application, 2) a \$50 check to cover the credit evaluation, 3) two executed copies of a confidentiality agreement and 4) financial information to Columbia no later than 5:00 pm Eastern Standard Time ("EST") on the date specified in the timeline. Columbia will review each applicant's financial information and provide a confidential notification to each applicant of the amount of unsecured credit to be extended to the applicant by Columbia.

The next step in the process will be the submission by the applicant of a Bidder Registration form. The deadline for the submission of this form is 5:00 pm EST on the date specified in the timeline. In the Bidder Registration form, the applicant will identify the number of tranches that they wish to have an ability to bid upon and must provide their Commission certification information. If an applicant is not certified at this point, they will not be allowed to participate in the Auction.

Based on the number of tranches selected and the unsecured credit level previously provided by Columbia, the applicant, through completion of the Bidder Registration form, identifies any financial security required. Such security must be submitted to Columbia along with the Bidder Registration form on the date specified in the timeline. In addition to dealing with the number of tranches and financial security requirements, the Bidder Registration form also addresses a number of certifications and understandings required for the applicant's participation in the auction. Based on the information and financial security presented by the applicant with the Bidder Registration form, Columbia will inform individual registered bidders of the maximum number of tranches on which they will be allowed to bid.

During this time period, Columbia will provide several pieces of information to applicants via the web site. This information will include the final estimate of tranche size, the initial auction price, and the fixed price portion of the Local Gas Purchase Price. Columbia will also inform registered bidders of the weighted average Btu conversion factor to be used for the upcoming SCO Period and indicate the percentage of peak day demand that will be served via Columbia's peaking service.

Columbia has arranged for World Energy to act as the auctioneer for the auction. World Energy has experience with similar auctions that have been conducted in Ohio over the past few years and their web based bidding system will be used for Columbia's auction. An on-line conference session will be held on the date specified in the timeline to review the actual on-line auction process and to conduct a "trial auction" so that registered bidders have a chance to become familiar with the auction tool.

The planned date of Columbia's auction is specified in the timeline. All bids in the auction shall be binding. Once the auction has been completed successfully, the results will be submitted to the Commission for its approval. If the Commission approves the auction results, winning bidders will then be required to execute the SCO Supplier Agreement within one week of such approval. The winning bidders in the auction will also be required to 1) provide a letter of credit to Columbia in the form set forth on the website (SCO Default Fee Letter of Credit) by **March 1<sup>st</sup>** in the amount of fifty cents per Mcf multiplied by the initial estimated annual supply requirements for the SCO period of the tranches won by that SCO Supplier, 2) provide a cash deposit to Columbia by **March 1<sup>st</sup>** in the amount of six cents per Mcf multiplied by the initial estimated annual supply requirements and 3) provide a \$250 Registration Fee to Columbia if the Supplier has not previously been a Choice or SCO Supplier on Columbia's system.

On or about March 19<sup>th</sup>, Columbia will provide the demand and supply curves on the website and begin the process of releasing upstream capacity to SCO Suppliers for their use during the month of April.

On April 1<sup>st</sup>, SCO Suppliers will begin deliveries to Columbia pursuant to the curves provided. The SCO Suppliers from the previous SCO Period will sell and transfer storage quantities to the winners of the auction on April 1<sup>st</sup>, as required with such quantities being equivalent to 2% of the storage SCQ assigned to the winners of the auction on April 1<sup>st</sup>.