FILE

16

Duke Energy.

RECEIVED-DOCKETING DIV

2007 MAR 27 PM 5: 11

PUCO

155 East Broad St.
21st Floor
Columbus, OH 43215
Tel: 614-221-7551
Fax: 614-221-7556
Paul.Colbert@duke-energy.com

Paul A. Colbert
Associate General Counsel

VIA HAND AND REGULAR US MAIL

March 27, 2007

Renee Jenkins
Docketing
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215-3793

Re: Revised Attachments to DE-Ohio's Notice filed on Thursday, March 22, 2007, in Case Nos. 89-8002-GA-TRF, 02-2895-GA-ATA, 05-732-EL-MER

Dear Ms. Jenkins:

Attached for filing, please find Revised Exhibits A and B to the recently filed Notice of Amendment to DE-Ohio's Credit Worthiness Standard Components and Credit Collateral Formula (Notice), filed in the above styled proceedings on Thursday March 22, 2007. These Revised Exhibits represent minor corrections to typographical errors and clarifications as a result of comments received during the March 26, 2007 teleconference call referenced in the Notice. These revisions represent minor corrections and do not make substantive changes to the Exhibits.

Specifically, Revised Exhibit B contains corrections to minor typographical errors identified after filing. These typographical corrections occur in the definitions of the following components of Exhibit B: EBC, PDC and PMC.

Additionally, at the suggestion of one of the marketers who participated in the March 26, 2007, teleconference call, DE-Ohio has revised relevant portions of Revised Exhibits A and B to more accurately reflect the intent of the Parties of the gas collaborative process regarding security interests in supplier's pipeline capacity and gas commodities. These changes can be found in the second to last paragraph in Revised Exhibit A, and paragraph 6 of the Collateral Rules in Revised Exhibit B. Thank you.

Respectfully submitted,

Paul A. Colbert
Associate General Counsel
Rocco D'Ascenzo
Counsel
Duke Energy Ohio, Inc.
139 East Fourth Street, Rm 25 AT II
Cincinnati, OH 45201-0960
Telephone: (513) 287-4326
Fax: (513) 287-3810

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing pleading was served on the following either electronically or by first class U.S. mail, postage prepaid, upon the following, this 27th day of March 2007.

Paul A. Colbert

Thomas McNamee
Assistant Attorney General
Chief, Public Utilities Section
180 East Broad Street, 9th Floor
Columbus, Ohio 43215-3793

Michael Dortch
Baker & Hostetler
65 E. State Street, Suite 2100
Columbus, Ohio 43215

Michael L. Kurtz
Counsel for The Kroger Co.
Boehm, Kurtz, & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

Steven Sherman
Counsel for Proliance Energy, LLC
One Indiana Square, Suite 2800
Indianapolis, Indiana 46204

Albert E. Lane
7200 Fair Oaks Drive
Cincinnati, Ohio 45237

Ann M. Hotz
Office of Consumers' Counsel
10 W. Broad Street, Suite 1800
Columbus, Ohio 43215

Eric Stephens
Dir. Govt. & Regulatory Affairs
Direct Energy Services Inc.
5400 Frantz Road, Suite 250
Dublin, Ohio 43106

Dane Stinson
William A. Adams
Counsel for Direct Energy Services LLC.
10 West Broad Street, Suite 2100
Columbus, Ohio 43215

Samuel C. Randazzo
Counsel for Industrial Energy Users Ohio
McNees Wallace & Nurick LLC.
21 East State Street, 17th Floor
Columbus, Ohio 43215

David F. Boehm
Counsel for Ohio Energy Group Inc.
Boehm, Kurtz, & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

David Rinebolt
Counsel for Ohio Partners for Affordable Energy
237 South Main Street, 4th Floor, Suite 5,
P.O. Box 1793
Findlay, Ohio 45839-1793

Bobby Singh
CHESTER, WILLCOX & SAXBE LLP
65 E. State St., SUITE 1000
Columbus, OH 43215

Revised Exhibit A

DE-Ohio's Credit Worthiness Standards

DE-Ohio shall use debt ratings from rating agencies and consider tangible net worth based on financial information to determine the amount of unsecured credit, if any, to grant a certified retail natural gas supplier. DE-Ohio shall use the lowest debt rating from rating agencies to determine a potential maximum unsecured credit limit. If a debt rating is unavailable or does not exist, DE-Ohio shall establish a debt rating based upon DE-Ohio's financial model containing supplier-specific data. DE-Ohio shall also establish a potential maximum unsecured credit limit based on tangible net worth. DE-Ohio shall use the lower potential maximum unsecured credit limit determined by debt ratings or tangible net worth to assign an amount of unsecured credit, if any, available to a certified retail natural gas supplier.

A supplier shall satisfy its creditworthiness requirement and receive an unsecured, but not unlimited, credit limit in accordance with the above criteria by demonstrating that it has, and maintains, investment grade senior unsecured debt ratings from both of the following rating agencies:

Agency	Senior Securities Rating (Bonds)
Standard & Poors	BBB- or higher
Moody's Investors' Services	Baa3 or higher

If a debt rating is unavailable or does not exist, DE-Ohio's financial model must assign an investment grade senior unsecured debt rating in order for the supplier to be considered for unsecured credit per the aforementioned criteria. The supplier will provide DE-Ohio with its or its parent's most recent independently-audited financial statements, (if applicable) and, it or its parent's most recent Form 10-K and Form 10-Q (if applicable).

DE-Ohio shall make reasonable alternative credit arrangements with a supplier that is unable to meet the aforementioned criteria and with those suppliers whose credit requirements exceed their allowed unsecured credit limit. DE-Ohio will accept, in a form and format acceptable to DE-Ohio, a parental guarantee of payment or an irrevocable Letter of Credit; a cash deposit; or other mutually agreeable security or arrangement. The amount of the security required must be and remain commensurate with the financial risks placed on DE-Ohio by that supplier.

When the dollar amount of the unsecured credit is determined, DE-Ohio shall reduce the result of the credit collateral equation set forth in Stipulation Exhibit B as follows:

When DE-Ohio has a first secured interest in the supplier's receivables:

Supplier Collateral Requirement shall = (CB per "X" MDQ block) + PRC – EBC - Unsecured Credit (payable as of the first Mcf enrolled per MDQ block).

When DE-Ohio does not have a first secured interest in the supplier's receivables:

Supplier Collateral Requirement shall = (CB per "Y" MDQ block) + PRC – EBC - Unsecured Credit (payable as of the first Mcf enrolled per MDQ block).

Supplier shall also grant DE-Ohio a present and continuing security interest in and a general first priority lien upon and a right to setoff against any and all of the interstate pipeline capacity and gas commodities held by the supplier in connection with and in equal or greater value to its delivery obligations to DE-Ohio, including all products and proceeds thereof, unless a mutually agreeable alternative security or arrangement has been established to satisfy this requirement.

Deleted: in,

Deleted: ,

Deleted: supplier's

Deleted: supply

Deleted: contracts used for serving the supplier's customers in DE-Ohio's service area.

All terms used in Exhibit A have the same definition as those terms defined in Exhibit B and such definitions are incorporated herein by reference.

Revised Exhibit A

DE-Ohio's Credit Worthiness Standards

DE-Ohio shall use debt ratings from rating agencies and consider tangible net worth based on financial information to determine the amount of unsecured credit, if any, to grant a certified retail natural gas supplier. DE-Ohio shall use the lowest debt rating from rating agencies to determine a potential maximum unsecured credit limit. If a debt rating is unavailable or does not exist, DE-Ohio shall establish a debt rating based upon DE-Ohio's financial model containing supplier-specific data. DE-Ohio shall also establish a potential maximum unsecured credit limit based on tangible net worth. DE-Ohio shall use the lower potential maximum unsecured credit limit determined by debt ratings or tangible net worth to assign an amount of unsecured credit, if any, available to a certified retail natural gas supplier.

A supplier shall satisfy its creditworthiness requirement and receive an unsecured, but not unlimited, credit limit in accordance with the above criteria by demonstrating that it has, and maintains, investment grade senior unsecured debt ratings from both of the following rating agencies:

Agency	Senior Securities Rating (Bonds)
Standard & Poors	BBB- or higher
Moody's Investors' Services	Baa3 or higher

If a debt rating is unavailable or does not exist, DE-Ohio's financial model must assign an investment grade senior unsecured debt rating in order for the supplier to be considered for unsecured credit per the aforementioned criteria. The supplier will provide DE-Ohio with its or its parent's most recent independently-audited financial statements, (if applicable) and, it or its parent's most recent Form 10-K and Form 10-Q (if applicable).

DE-Ohio shall make reasonable alternative credit arrangements with a supplier that is unable to meet the aforementioned criteria and with those suppliers whose credit requirements exceed their allowed unsecured credit limit. DE-Ohio will accept, in a form and format acceptable to DE-Ohio, a parental guarantee of payment or an irrevocable Letter of Credit; a cash deposit; or other mutually agreeable security or arrangement. The amount of the security required must be and remain commensurate with the financial risks placed on DE-Ohio by that supplier.

When the dollar amount of the unsecured credit is determined, DE-Ohio shall reduce the result of the credit collateral equation set forth in Stipulation Exhibit B as follows:

When DE-Ohio has a first secured interest in the supplier's receivables:

Supplier Collateral Requirement shall = (CB per "X" MDQ block) + PRC – EBC - Unsecured Credit (payable as of the first Mcf enrolled per MDQ block).

When DE-Ohio does not have a first secured interest in the supplier's receivables:

Supplier Collateral Requirement shall = (CB per "Y" MDQ block) + PRC – EBC - Unsecured Credit (payable as of the first Mcf enrolled per MDQ block).

Supplier shall also grant DE-Ohio a present and continuing security interest in and a general first priority lien upon and a right to setoff against any and all of the interstate pipeline capacity and gas commodities held by the supplier in connection with and in equal or greater value to its delivery obligations to DE-Ohio, including all products and proceeds thereof, unless a mutually agreeable alternative security or arrangement has been established to satisfy this requirement.

All terms used in Exhibit A have the same definition as those terms defined in Exhibit B and such definitions are incorporated herein by reference.

Revised Exhibit B

DE-Ohio's Credit Collateral Formula

Introduction:

A description of DE-Ohio's Credit Collateral Formula is that DE-Ohio takes three days of the gas marketer's maximum daily quantity usage multiplied by a rate that considers both the pipeline penalty rate for overruns and DE-Ohio's propane production rate plus the remaining 27 days of peak monthly usage at the greater of DE-Ohio's highest delivered city gate cost of gas in the last three (3) years, the current forward NYMEX price, or DE-Ohio's equivalent replacement cost of vaporized propane. In addition, the formula includes provisions for pipeline reservation charges and credits for "banked" gas. The specific credit collateral formula follows.

The Credit Collateral Formula for Utility Consolidated Billing:

Supplier Collateral Requirement shall = (CB per "X" MDQ block) + PRC – EBC or CB (whichever is higher)

Where:

- Collateral is payable as of the first Mcf enrolled per MDQ block; and
- DE-Ohio has a first secured interest in the supplier's receivables.

The Credit Collateral Formula for Dual Billing:

Supplier Collateral Requirement shall = (CB per "Y" MDQ block) + PRC – EBC or CB (whichever is higher)

Where:

- Collateral is payable as of the first Mcf enrolled per MDQ block; and
- This equation also applies to utility consolidated billing situations where DE-Ohio does not have a first secured interest in the supplier's receivables.

Definitions:

Input = any change in value to a variable.

Mcf = 1,000 cubic feet of natural gas.

MDQ = Maximum Daily Quantity. The expected peak day natural gas usage for a supplier's pool of customers on DE-Ohio's system design peak day measured in Mcf.

CB = Collateral Block. DE-Ohio currently requests collateral in $50,000 blocks.

X = (CB divided by Z) x (PDC).

Y = (CB divided by W) x (PDC).

PRC = Pipeline Reservation Charges. These charges are associated with DE-Ohio's release of interstate pipeline capacity to a supplier per the "Upstream Capacity Requirements" section of DE-Ohio's Rate FRAS and are based on the Dekatherms (Dth) of interstate pipeline capacity DE-Ohio releases to a supplier times the price per Dth paid by DE-Ohio for the capacity. These charges are not applicable to this Credit Collateral Formula if the applicable pipeline company releases DE-Ohio from liability for the supplier's pipeline reservation charges.

EBC = Enhanced (Firm) Balancing Credit. The winter credit is based on 54% of a supplier's Bank Contract Quantity (BCQ), as defined in DE-Ohio's Rider EFBS, times DE-Ohio's inventory-weighted average cost of natural gas with its storage provider, plus 3 times the supplier's MDDQ times the Penalty Gas Rate (PGR) used in the winter collateral calculation. The summer credit is based on 50% of the supplier's BCQ times the Commodity Rate (CR) used in the summer collateral calculation. This credit is only applicable to a supplier who selects Rider EFBS for its pool(s).

Deleted: MDQ

PDC= Peak Day Consumption for DE-Ohio's system average customer. Currently, the DE-Ohio winter average is 1.037 Mcf for residential and 5.099 Mcf for commercial.* The summer averages are 0.507 Mcf for residential and 3.5 Mcf for commercial.

Deleted: 25

Deleted: 1.0

* The commercial consumption data (per day, month, or year) used in this Credit Collateral Formula is an average for all of DE-Ohio's non-residential customers (commercial, industrial, and other public authority (OPA) customers).

Z = DE-Ohio's exposure per customer under utility consolidated billing with a first secured interest in the supplier's receivables, and is calculated as follows:

Z_{winter} = (PDC x PG% x PGR x PGD) + (PDC x PR% x PRR x PGD) + [PMC – (PGD) (PDC)] (CR) – (PMC) (SSR) (1 – RD%).

Z_{summer} = [PMC x CR] – (PMC) (SSR) (1 – RD%).

W = DE-Ohio's exposure per customer under dual billing or under utility consolidated billing without a first secured interest in the supplier's receivables, and is calculated as follows:

W_{winter} = (PDC x PG% x PGR x PGD) + (PDC x PR% x PRR x PGD) + [PMC - (PGD) (PDC)] (CR).

W_{summer} = [PMC x CR].

Where:

PG% = Penalty Gas Percentage. The percent of PDC served by penalty gas. DE-Ohio's current estimate is 80% or a factor of 0.8.

PGR = Penalty Gas Rate. DE-Ohio's current estimate is $15.00 per Mcf.

PGD = Penalty Gas Days. DE-Ohio shall use three days of penalty gas where any additional penalty gas shall be recovered through DE-Ohio's GCR.

PR% = Propane Percentage. The percent of PDC served by propane gas. DE-Ohio's current estimate is 20% or a factor of 0.2.

PRR = Propane Rate. DE-Ohio currently estimates the replacement cost of vaporized propane to be $15.88 per Mcf.

PMC = Peak Month Consumption for DE-Ohio's system average customer. Currently, the DE-Ohio winter average is 15 Mcf for residential and 81.4 Mcf for commercial. The summer averages are 9.1 Mcf for residential and 59.5 Mcf for commercial. Average annual consumption is 89.7 Mcf for residential and 483.1 Mcf for commercial.

Deleted: 4.1

Deleted: 30

CR = Commodity Rate. The city gate price DE-Ohio must pay to acquire gas when a supplier defaults during a peak month. DE-Ohio's current estimates are a winter rate of $10.02 per Mcf and a summer rate of $8.00 per Mcf. These estimates are based on the greater of the current NYMEX city gate cost, the highest delivered city gate cost of gas during the past three years, or DE-Ohio's equivalent replacement cost of vaporized propane.

SSR = Supplier Sales Rate. The rate DE-Ohio is billing the natural gas on behalf of the supplier. DE-Ohio's current estimate is $9.00 per Mcf.

RD% = Receivables Discount Percentage. DE-Ohio currently discounts the receivables credit in its collateral calculation by 2% or a factor of 0.02 to account for supplier uncollectables.

Collateral Rules:

1) DE-Ohio must receive a first secured interest in the receivables it bills on behalf of competitive retail natural gas suppliers. If not, the competitive retail natural gas supplier shall follow the dual billing collateral equation.

2) The input values for the variables in these equations will vary by supplier. The reason for variations include, but are not limited to, average use per customer of the actual customers served by the supplier, the mix of residential and commercial customers in the supplier's pool, different supplier rates for residential customers, different supplier rates for commercial customers, and the proportionate mix of utility consolidated billing and dual billing within the supplier's pool.

3) The values of any inputs to these equations may be changed without a notice filing to the PUCO.

4) The summer collateral period is April 1st thru September 30th.

5) The winter collateral period is October 1st through March 31st.

6) Supplier shall also grant DE-Ohio a present and continuing security interest in and a general first priority lien upon and a right to setoff against any and all of the interstate pipeline capacity and gas commodities held by the supplier in connection with and in equal or greater value to its delivery obligations to DE-Ohio, including all products and proceeds thereof, unless a mutually agreeable alternative security or arrangement has been established to satisfy this requirement.

Formatted: Indent: Left: 0.25", Hanging: 0.25", Tabs: Not at 0.63"

Formatted: Not Highlight

Deleted: Supplier shall also grant DE-Ohio a security interest and first priority lien in, and right to setoff against, the supplier's interstate pipeline capacity and gas supply contracts used for serving the supplier's customers in DE-Ohio's service area.

7) Failure to post the necessary collateral for the appropriate season subjects the supplier to the suspension and termination processes

described in the "Consequences of Supplier's Failure to Perform or Comply" section of DE-Ohio's tariffs.

Revised Exhibit B

DE-Ohio's Credit Collateral Formula

Introduction:

A description of DE-Ohio's Credit Collateral Formula is that DE-Ohio takes three days of the gas marketer's maximum daily quantity usage multiplied by a rate that considers both the pipeline penalty rate for overruns and DE-Ohio's propane production rate plus the remaining 27 days of peak monthly usage at the greater of DE-Ohio's highest delivered city gate cost of gas in the last three (3) years, the current forward NYMEX price, or DE-Ohio's equivalent replacement cost of vaporized propane. In addition, the formula includes provisions for pipeline reservation charges and credits for "banked" gas. The specific credit collateral formula follows.

The Credit Collateral Formula for Utility Consolidated Billing:

Supplier Collateral Requirement shall = (CB per "X" MDQ block) + PRC – EBC or CB (whichever is higher)

Where:

- Collateral is payable as of the first Mcf enrolled per MDQ block; and

- DE-Ohio has a first secured interest in the supplier's receivables.

The Credit Collateral Formula for Dual Billing:

Supplier Collateral Requirement shall = (CB per "Y" MDQ block) + PRC – EBC or CB (whichever is higher)

Where:

- Collateral is payable as of the first Mcf enrolled per MDQ block; and

- This equation also applies to utility consolidated billing situations where DE-Ohio does not have a first secured interest in the supplier's receivables.

Definitions:

Input = any change in value to a variable.

Mcf = 1,000 cubic feet of natural gas.

MDQ = Maximum Daily Quantity. The expected peak day natural gas usage for a supplier's pool of customers on DE-Ohio's system design peak day measured in Mcf.

CB = Collateral Block. DE-Ohio currently requests collateral in $50,000 blocks.

X = (CB divided by Z) x (PDC).

Y = (CB divided by W) x (PDC).

PRC = Pipeline Reservation Charges. These charges are associated with DE-Ohio's release of interstate pipeline capacity to a supplier per the "Upstream Capacity Requirements" section of DE-Ohio's Rate FRAS and are based on the Dekatherms (Dth) of interstate pipeline capacity DE-Ohio releases to a supplier times the price per Dth paid by DE-Ohio for the capacity. These charges are not applicable to this Credit Collateral Formula if the applicable pipeline company releases DE-Ohio from liability for the supplier's pipeline reservation charges.

EBC = Enhanced (Firm) Balancing Credit. The winter credit is based on 54% of a supplier's Bank Contract Quantity (BCQ), as defined in DE-Ohio's Rider EFBS, times DE-Ohio's inventory-weighted average cost of natural gas with its storage provider, plus 3 times the supplier's MDDQ times the Penalty Gas Rate (PGR) used in the winter collateral calculation. The summer credit is based on 50% of the supplier's BCQ times the Commodity Rate (CR) used in the summer collateral calculation. This credit is only applicable to a supplier who selects Rider EFBS for its pool(s).

PDC= Peak Day Consumption for DE-Ohio's system average customer. Currently, the DE-Ohio winter average is 1.037 Mcf for residential and 5.099 Mcf for commercial.* The summer averages are 0.507 Mcf for residential and 3.5 Mcf for commercial.

---

* The commercial consumption data (per day, month, or year) used in this Credit Collateral Formula is an average for all of DE-Ohio's non-residential customers (commercial, industrial, and other public authority (OPA) customers).

Z = DE-Ohio's exposure per customer under utility consolidated billing with a first secured interest in the supplier's receivables, and is calculated as follows:

Z_{winter} = (PDC x PG% x PGR x PGD) + (PDC x PR% x PRR x PGD) + [PMC – (PGD) (PDC)] (CR) – (PMC) (SSR) (1 – RD%).

Z_{summer} = [PMC x CR] – (PMC) (SSR) (1 – RD%).

W = DE-Ohio's exposure per customer under dual billing or under utility consolidated billing without a first secured interest in the supplier's receivables, and is calculated as follows:

W_{winter} = (PDC x PG% x PGR x PGD) + (PDC x PR% x PRR x PGD) + [PMC - (PGD) (PDC)] (CR).

W_{summer} = [PMC x CR].

Where:

PG% = Penalty Gas Percentage. The percent of PDC served by penalty gas. DE-Ohio's current estimate is 80% or a factor of 0.8.

PGR = Penalty Gas Rate. DE-Ohio's current estimate is $15.00 per Mcf.

PGD = Penalty Gas Days. DE-Ohio shall use three days of penalty gas where any additional penalty gas shall be recovered through DE-Ohio's GCR.

PR% = Propane Percentage. The percent of PDC served by propane gas. DE-Ohio's current estimate is 20% or a factor of 0.2.

PRR = Propane Rate. DE-Ohio currently estimates the replacement cost of vaporized propane to be $15.88 per Mcf.

PMC = Peak Month Consumption for DE-Ohio's system average customer. Currently, the DE-Ohio winter average is 15 Mcf for residential and 81.4 Mcf for commercial. The summer averages are 9.1 Mcf for residential and 59.5 Mcf for commercial. Average annual consumption is 89.7 Mcf for residential and 483.1 Mcf for commercial.

CR = Commodity Rate. The city gate price DE-Ohio must pay to acquire gas when a supplier defaults during a peak month. DE-Ohio's current estimates are a winter rate of $10.02 per Mcf and a summer rate of $8.00 per Mcf. These estimates are based on the greater of the current NYMEX city gate cost, the highest delivered city gate cost of gas during the past three years, or DE-Ohio's equivalent replacement cost of vaporized propane.

SSR = Supplier Sales Rate. The rate DE-Ohio is billing the natural gas on behalf of the supplier. DE-Ohio's current estimate is $9.00 per Mcf.

RD% = Receivables Discount Percentage. DE-Ohio currently discounts the receivables credit in its collateral calculation by 2% or a factor of 0.02 to account for supplier uncollectables.

Collateral Rules:

1) DE-Ohio must receive a first secured interest in the receivables it bills on behalf of competitive retail natural gas suppliers. If not, the competitive retail natural gas supplier shall follow the dual billing collateral equation.

2) The input values for the variables in these equations will vary by supplier. The reason for variations include, but are not limited to, average use per customer of the actual customers served by the supplier, the mix of residential and commercial customers in the supplier's pool, different supplier rates for residential customers, different supplier rates for commercial customers, and the proportionate mix of utility consolidated billing and dual billing within the supplier's pool.

3) The values of any inputs to these equations may be changed without a notice filing to the PUCO.

4) The summer collateral period is April 1st thru September 30th.

5) The winter collateral period is October 1st through March 31st.

6) Supplier shall also grant DE-Ohio a present and continuing security interest in and a general first priority lien upon and a right to setoff against any and all of the interstate pipeline capacity and gas commodities held by the supplier in connection with and in equal or greater value to its delivery obligations to DE-Ohio, including all products and proceeds thereof, unless a mutually agreeable alternative security or arrangement has been established to satisfy this requirement.

7) Failure to post the necessary collateral for the appropriate season subjects the supplier to the suspension and termination processes

described in the "Consequences of Supplier's Failure to Perform or Comply" section of DE-Ohio's tariffs.