

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's Review)
of the Uniform Purchased Gas Adjustment) Case No. 13-1132-GA-ORD
Clause Rules Contained in Chapter 4901:1-)
14 of the Ohio Administrative Code.)

FINDING AND ORDER

The Commission finds:

- (1) Section 119.032, Revised Code, requires all state agencies to conduct a review, every five years, of their rules and to determine whether to continue their rules without change, amend their rules, or rescind their rules. At this time, the Commission is reviewing the uniform purchased gas adjustment clause rules contained in Chapter 4901:1-14, Ohio Administrative Code (O.A.C.).
- (2) Section 119.032(C), Revised Code, requires that the Commission determine:
 - (a) Whether the rules should be continued without amendment, be amended, or be rescinded, taking into consideration the purpose, scope, and intent of the statute under which the rules were adopted;
 - (b) Whether the rules need amendment or rescission to give more flexibility at the local level;
 - (c) Whether the rules need amendment to eliminate unnecessary paperwork; and
 - (d) Whether the rules duplicate, overlap with, or conflict with other rules.
- (3) In addition, on January 10, 2011, the governor of the state of Ohio issued Executive Order 2011-01K, entitled "Establishing the Common Sense Initiative," which sets forth several factors to be considered in the promulgation of rules and the review of existing rules. Among other things, the Commission must review its rules to determine the impact that a rule has on

small businesses; attempt to balance the critical objectives of regulation and the cost of compliance by the regulated parties; and amend or rescind rules that are unnecessary, ineffective, contradictory, redundant, inefficient, or needlessly burdensome, or that have had negative, unintended consequences, or unnecessarily impede business growth.

- (4) Additionally, in accordance with Section 121.82, Revised Code, in the course of developing draft rules, the Commission must evaluate the rules against the business impact analysis (BIA). If there will be an adverse impact on businesses, as defined in Section 107.52, Revised Code, the agency is to incorporate features into the draft rules to eliminate or adequately reduce any adverse impact. Furthermore, the Commission is required, pursuant to Section 121.82, Revised Code, to provide the Common Sense Initiative (CSI) office the draft rules and the BIA.
- (5) On June 18, 2013, the Commission held a workshop in this proceeding to enable interested stakeholders to propose revisions to the rules found in Chapter 4901:1-14, O.A.C., for the Commission's consideration. Representatives of four interested stakeholders attended the workshop, although no comments were offered.
- (6) The Commission's Staff (Staff) evaluated the rules contained in Chapter 4901:1-14, O.A.C., and recommended a new provision in Rule 4901:1-14-02, O.A.C., addressing rule waivers, as well as other minor, nonsubstantive changes throughout the chapter to improve clarity or update cross-references.
- (7) On July 31, 2013, the Commission issued an entry seeking comments on Staff's proposed amendments and sending Staff's recommended changes and the BIA to CSI for review and recommendations in accordance with Section 121.82, Revised Code. No comments were filed in response to the entry.
- (8) Upon review of Staff's recommended changes, the Commission finds that the recommendations are reasonable and should be adopted. However, with respect to Rule 4901:1-14-07(D)(2), O.A.C., we note that Staff had proposed to remove the requirement that a management/performance

audit ascertain whether a gas or natural gas company's procurement planning is consistent with the company's long-term strategic supply plan submitted pursuant to paragraph (H) of Rule 4901:5-7-02, O.A.C., or paragraph (H) of Rule 4901:5-7-05, O.A.C., as these rules were amended effective February 16, 2012, and the referenced paragraphs no longer exist. The Commission finds that Staff's proposed amendment should be modified, such that only the reference to Rules 4901:5-7-02 and 4901:5-7-05, O.A.C., is removed. The Commission's modification of Staff's proposal is intended to clarify that a management/performance audit must continue to ascertain whether a gas or natural gas company's procurement planning is consistent with the company's long-term strategic supply plan and that the recent amendment of Rules 4901:5-7-02 and 4901:5-7-05, O.A.C., should have no impact on this requirement.

- (9) In making the determinations required by Section 119.032(C), Revised Code, the Commission considered the matters set forth in the executive order and in Sections 119.032(C) and 121.82, Revised Code, as well as the continued need for the rules, the nature of any complaints or comments received concerning the rules, and any factors that have changed in the subject matter area affected by the rules. With these factors in mind, and upon consideration of Staff's recommendations, the Commission concludes that Rules 4901:1-14-01, 02, 03, 04, and 07, O.A.C., should be amended and that no change should be made to Rules 4901:1-14-05, 06, 08, and 09, O.A.C.
- (10) The rules are posted at: www.puco.ohio.gov/puco/rules. To minimize the expense of this proceeding, the Commission will serve a copy of this finding and order only. All interested persons are directed to download the rules from the above website, or to contact the Commission's Docketing Division to be sent a paper copy.

It is, therefore,

ORDERED, That attached amended Rules 4901:1-14-01, 02, 03, 04, and 07, O.A.C., be adopted. It is, further,

ORDERED, That existing Rules 4901:1-14-05, 06, 08, and 09, O.A.C., be adopted with no changes. It is, further,

ORDERED, That the adopted rules be filed with the Joint Committee on Agency Rule Review, the Secretary of State, and the Legislative Service Commission, in accordance with Divisions (D) and (E) of Section 111.15, Revised Code. It is, further,

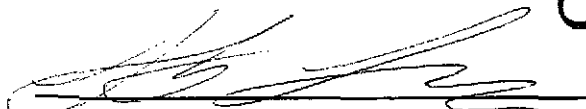
ORDERED, That the final rules be effective on the earliest date permitted by law. Unless otherwise ordered by the Commission, the five-year review date for Chapter 4901:1-14, O.A.C., shall be in compliance with Section 119.032, Revised Code. It is, further,


ORDERED, That a copy of this finding and order be sent to the gas-pipeline industry list serve. It is, further,

ORDERED, That a hard copy of this finding and order be served upon all regulated gas and natural gas companies, all competitive retail gas suppliers, the Ohio Consumers' Counsel, the Ohio Gas Association, the Ohio Petroleum Council, and the Ohio Oil and Gas Association, and all other interested persons of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman


Steven D. Lesser


Lynn Slaby

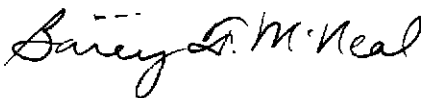

M. Beth Trombold


Asim Z. Haque

SJP/dah

Entered in the Journal

NOV 13 2013



Barcy F. McNeal
Secretary

*****DRAFT - NOT FOR FILING*****

4901:1-14-01 Definitions.

For purposes of this chapter:

- (A) "Ccf" means a unit of gas equal to one hundred cubic feet.
- (B) "Commission" means the public utilities commission of Ohio.
- (C) "Commodity rate" means the portion of gas costs billed by a gas or natural gas company's suppliers (expressed in dollars and cents per Mcf, dekatherm, or BTU), which relates volumetrically to the cost of the units of gas obtained by the company for sale to its customers. For purposes of the calculations required under rule 4901:1-14-05 of the Administrative Code, "commodity rate" means the average of the commodity rates expected to be in effect during the period the new gas cost recovery rate will be in effect.
- (D) "Customer" means each billing account of a gas or natural gas company.
- (E) "Current direct cost of production" means the production and gathering expenses associated with utility production volumes from old wells which are included in accounts 750 through 769 of the "Uniform System of Accounts for Class A and B Gas Utilities," and accounts 710, 711, 713, 714, 715, 716, 717, and 719 of the "Uniform System of Accounts for Class C and D Gas Utilities."
- (F) "Demand and service charges" means the portion of gas costs billed by a gas or natural gas company's suppliers or other service providers (expressed in dollars and cents per Mcf, dekatherm, or BTU), which relates to the cost of demand, capacity reservation or use, transportation, storage, balancing, gathering and other related services which are costs to the company of obtaining the gas that it sells prior to and including the physical delivery of the gas to the company's own system to the extent such charges are not included in the "commodity rate" as defined in paragraph (C) of this rule. For purposes of the calculations required under rule 4901:1-14-05 of the Administrative Code, "demand and service charges" mean the average of the demand charges expected to be in effect during the period the new gas cost recovery rate will be in effect.
- (G) "Expected gas cost (EGC)" means the weighted average cost of primary gas supplies, utility production from old wells, and includable propane expressed in dollars and cents per Mcf and determined in accordance with the appendix to rule 4901:1-14-05 of the Administrative Code.

*****DRAFT - NOT FOR FILING*****

- (H) "Gas" means any vaporized fuel transported or supplied to consumers by a gas or natural gas company, including, but not limited to, natural gas, synthetic gas, liquefied natural gas, and propane.
- (I) "Gas company" and "natural gas company" have the meanings set forth in section 4905.03 of the Revised Code.
- (J) "Gas costs" or "cost of gas" means the cost to a gas or natural gas company of obtaining the gas which it sells to its customers. The cost of gas shall include demand, capacity, reservation or use, transportation, storage, balancing, gathering, and other related costs to the company for services rendered or supplies provided by others prior to and including the physical delivery of the gas to the company. The cost of gas does not include the cost of utility storage otherwise recovered in base rates.
- (K) "Gas cost recovery rate (GCR)" means the quarterly update, or other periodic update as approved by the ~~Commission~~commission, of the gas cost adjustment determined in accordance with the appendix to rule 4901:1-14-05 of the Administrative Code.
- (L) "Includable gas supplies" means primary gas supplies, includable propane, and utility production volumes.
- (M) "Includable propane" means propane used for peak shaving purposes, and propane used for volumetric purposes at the end of a supply period to avoid monetary penalties.
- (N) "Jurisdictional sales" means total historic, forecasted, and/or weather-normalized historic sales, less sales to customers under municipal ordinance rates, except sales under municipal ordinances which have adopted, by reference or otherwise, rates established by the commission.
- (O) "Mcf" means a unit of gas equal to one thousand cubic feet.
- (P) "New well" is either a well where drilling commenced after December 4, 1982, or an old well which is completed to a different pool after December 4, 1982.
- (Q) "Old well" is a well where drilling commenced before December 4, 1982.
- (R) "Pool" has the meaning set forth in paragraph ~~(A)(8)~~(A)(35) of rule 1501:9-1-01 of the Administrative Code.

*****DRAFT - NOT FOR FILING*****

- (S) "Primary gas supplies" means historic, forecasted, and/or weather-normalized historic:
- (1) Supplies of natural gas or liquefied natural gas obtained from producers, interstate pipelines, brokers/marketers, or other suppliers;
 - (2) Supplies of synthetic gas purchased under agreements approved by the commission under section 4905.303 of the Revised Code, and other supplies of synthetic gas, except short-term supplies, purchased under contracts approved by the commission;
 - (3) Supplies of gas obtained from other gas or natural gas companies;
 - (4) Supplies of gas, other than utility production volumes from old wells, obtained from Ohio producers;
 - (5) Supplies of gas made available to a gas or natural gas company under self-help arrangements;
 - (6) Special purchases of natural gas not included in short-term supplies; and
 - (7) Utility production volumes from new wells provided that such volumes are priced no higher than the price currently being paid by the utility to independent Ohio producers for gas from like wells.
- (T) "Production unit cost" means the current direct cost of production expressed in dollars and cents per Mcf.
- (U) "Purchased gas adjustment clause" has the meaning set forth in section 4905.302 of the Revised Code.
- (V) "Reconciliation adjustment" means a positive or negative adjustment to future gas cost recovery rates ordered by the commission pursuant to this chapter.
- (W) "Supplier refund" means a refund from an interstate pipeline company ordered by the federal energy regulatory commission, or from any other supplier or service provider, including interest where appropriate, where such refund is received as one lump-sum payment or credit.
- (X) "Self-help arrangement" means an arrangement between a gas or natural gas company and a customer providing for the transportation of gas owned by the customer from the point of production to the point of consumption.

*****DRAFT - NOT FOR FILING*****

- (Y) "Short-term supplies" means all special purchases of gas, to the extent that those purchases decrease the level of curtailment to any customer or class of customers, except special purchases approved by the commission under section 4905.303 of the Revised Code. For purposes of this chapter, a special purchase decreases curtailment to a class of customers if curtailment of that class is reduced, maintained at the same level, or increased to a lesser degree as a result of the special purchase.
- (Z) "Special purchase" has the meaning set forth in section 4905.302 of the Revised Code.
- (AA) "Synthetic gas" means gas formed from feedstocks other than natural gas, including, but not limited to, coal, oil, or naphtha.
- (BB) "Total sales" means all historic, forecasted, and/or weather-normalized historic sales of includable gas supplies to retail customers. "Total sales" does not include volumes transported to consumers under self-help arrangements. For purposes of recovery of the balance adjustment, actual adjustment, and reconciliation adjustment, "total sales" does not include sales to customers for which the reverse migration rider applies.
- (CC) "Unaccounted-for gas" means the difference between the measured volume of total gas supply, which includes gas purchased, gas produced by the company, and gas received by the company on behalf of specific customers for redelivery; and the measured volume of gas disposition, which includes gas billed or redelivered to customers and gas for company use. For the purpose of this rule, unaccounted-for gas should be calculated on an annual basis for the twelve months ended August thirty-first of each year, or such other date as the company may show to be more appropriate for its system. The percentage of unaccounted-for gas should be calculated by taking the volumes of unaccounted-for gas as specified above, divided by the volume of total gas supply.
- (DD) "Unit book cost" means the cost of total sales expressed in dollars and cents per Mcf as calculated using standard accounting methods acceptable to the commission and the gas or natural gas company's independent auditors submitting the certificate of accountability as required under paragraph (C) of rule 4901:1-14-07 of the Administrative Code.
- (EE) "Utility production volumes" means all volumes of gas, other than synthetic gas,

*****DRAFT - NOT FOR FILING*****

produced by a gas or natural gas company, or by a subsidiary or affiliate of a gas or natural gas company, unless the rates or charges for such production are subject to the jurisdiction of the federal energy regulatory commission.

- (FF) "Utility storage" means storage facilities operated and maintained by a gas or natural gas company, or by a subsidiary or affiliate of a gas or natural gas company, unless the charges for such facilities are incorporated in commodity rates or monthly demand charges filed with or approved by the federal energy regulatory commission or by the commission, provided, however, that no gas or natural gas company shall reflect charges for its own storing facilities or service in its own gas cost recovery rate.

4901:1-14-02 Purpose and scope.

- (A) The purpose of this chapter is to establish a uniform purchased gas adjustment clause to be included in the schedules of gas and natural gas companies subject to the jurisdiction of the commission. The provisions of this chapter establish a gas cost recovery process, which is designed to separate the cost of gas from all other costs incurred by gas or natural gas companies, to provide for each company's recovery of the cost of its includable gas supplies from its customers by means of the quarterly update (or other periodic update as approved by the commission) of the gas cost recovery rate and other provisions of this chapter and to balance the interest of retail sales customers with those of transportation customers. The provisions of this chapter also establish investigative procedures and proceedings, including periodic reports, audits, and hearings, to examine the arithmetic and accounting accuracy of the gas costs reflected in each company's gas cost recovery rate, and to review each company's gas production and purchasing policies to the extent that those policies affect the gas cost recovery rate.
- (B) The commission may, upon an application or a motion filed by a party, waive any requirement of this chapter, other than a requirement mandated by statute, for good cause shown.
- ~~(B)~~ ~~(C)~~ The rules of this chapter supersede any inconsistent provisions, terms, and conditions of the gas or natural gas company's tariffs.

*****DRAFT - NOT FOR FILING*****

4901:1-14-03 Applicability.

The provisions of this chapter shall apply to all gas and natural gas companies subject to the jurisdiction of the commission except as provided in ~~division~~divisions ~~(C)(3)~~(C)(4) and (D) of section 4905.302 of the Revised Code, with respect to all schedules of rates established or approved by the commission, including, but not limited to, rate schedules approved or established under sections 4905.31, 4909.19, and 4909.39 of the Revised Code. The provisions of this chapter shall not apply to municipal ordinance rates established under section 743.26 or 4909.34 of the Revised Code or Article XVIII, Section 4 of the Ohio Constitution, except in instances where a municipal ordinance adopts, by reference or otherwise, rates established by the commission.

4901:1-14-04 Reports.

Each gas or natural gas company subject to the provisions of this chapter shall file with the commission's docketing division quarterly gas cost recovery reports. With commission approval, the gas or natural gas company may revise the expected gas cost component of the gas cost recovery report on a monthly basis. Unless otherwise determined by the commission, the expected gas cost component may be revised, as market conditions warrant, and filed with the commission's docketing division no later than fourteen days prior to the effective date of the gas cost recovery rate. The filing interval for each such report shall be established by the commission. Each gas cost recovery report shall contain:

- (A) An updated gas cost recovery rate, determined in accordance with rule 4901:1-14-05 of the Administrative Code and its appendix;
- (B) The data and calculations used to determine the updated gas cost recovery rate;
- (C) Where appropriate, notations indicating the use of weather-normalized or forecasted sales volumes in the gas cost recovery report and/or updates;
- (D) The frequency of revisions to the expected gas cost component, the effective dates, and the dates such revisions will be filed with the commission; and
- (E) Such other information as the commission requires.

*****DRAFT - NOT FOR FILING*****

4901:1-14-05 Gas cost recovery rate.

- (A) The gas cost recovery rate equals:
- (1) The gas or natural gas company's expected gas cost for the upcoming quarter, or other period as approved by the commission, pursuant to paragraph (K) of rule 4901:1-14-01 of the Administrative Code, plus or minus;
 - (2) The supplier refund and reconciliation adjustment, which reflects:
 - (a) Refunds received from the gas or natural gas company's interstate pipeline suppliers or other suppliers or service providers plus ten per cent annual interest; and
 - (b) Adjustments ordered by the commission following hearings held pursuant to rule 4901:1-14-08 of the Administrative Code, plus ten per cent annual interest, plus or minus;
 - (3) The actual adjustment, which compensates for differences between the previous quarter's, or other commission-approved period's, expected gas cost and the actual cost of gas during that period, plus or minus; and
 - (4) The balance adjustment, which compensates for any under- or overcollections which have occurred as a result of prior adjustments, plus or minus.
- (B) The gas cost recovery rate shall be calculated on a companywide basis, except as provided in paragraph (C) of this rule, in accordance with the appendix to this rule.
- (C) The commission may, upon the request of any party or upon its own initiative, permit the company to calculate different gas cost recovery rates for different geographical areas. In determining whether to do so, the commission shall consider:
- (1) Whether the geographical areas involved are contiguous;
 - (2) Whether the cost of obtaining gas for each of the geographical areas involved can be separately identified;

*****DRAFT - NOT FOR FILING*****

- (3) The manner in which the geographical areas involved have been treated in the past; and
- (4) Such other factors as the commission considers appropriate.

Appendix to Rule 4901:1-14-05
Gas Cost Recovery Rate Calculation

The Gas Cost Recovery Rate (GCR) shall be determined in accordance with the formulas set forth in this appendix. For purposes of these calculations, the following subscripts shall be used:

- (1) "q" means the quarter which contains the three monthly accounting periods immediately prior to the most recently ended monthly accounting period.
- (2) "m" means each monthly accounting period in q.
- (3) "y" means the period containing the twelve monthly accounting periods immediately prior to the most recently ended monthly accounting period.
- (4) "p" means the time period between the effective date of the current Gas Cost Recovery Rate and the effective date of the Gas Cost Recovery Rate in effect immediately prior to the current rate.
- (5) "z" means the time period between the effective date of the current Gas Cost Recovery Rate and the effective date of the Gas Cost Recovery Rate in effect approximately one year prior to the current rate.
- (6) "s" means each source of primary gas supplies.

Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the company expects the volumes to change substantially, the company may make appropriate adjustments in its calculations and shall fully describe any adjustments in the quarterly Gas Cost Recovery Report to be reviewed in a subsequent audit. All bulk supply volumes shall be corrected to standard temperature and pressure.

*****DRAFT - NOT FOR FILING*****

Appendix to Rule 4901:1-14-05
Gas Cost Recovery Rate Calculation (Continued)

(A) EXPECTED GAS COST

The Expected Gas Cost (EGC), expressed in dollars and cents per Mcf, shall be determined as follows ("V" denotes variable):

- (1) V1 = Commodity Rate for each source of Primary Gas Supplies.
- (2) V2 = Volumes Purchased from each source of Primary Gas Supplies
- (3) V3 = Demand and Service Charges for each source of Primary Gas Supplies and each supplier of demand, capacity reservation or use, transportation, storage, balancing, gathering or other related services rendered prior to and including the physical delivery of the gas to the company's own system to the extent such charges are not included in the commodity rate as defined in paragraph (C) of rule 4901:1-14-01 of the Administrative Code.
- (4)
$$V4 = \sum_{s=1}^j [(V1_s \times V2_{sy}) + (V3_s)]$$

("j" equals the total number of primary gas suppliers)
- (5) V5 = Production Unit Cost
- (6) V6 = Utility Production Volumes from old wells
- (7) $V7 = V5 \times V6_y$
- (8) V8 = Book Cost of Includable Propane
- (9) V9 = Gallons of Includable Propane
- (10) $V10 = V8 \times V9_y$
- (11) V11 = Total Sales

*****DRAFT - NOT FOR FILING*****

$$(12) \text{ EGC} = (V4 + V7 + V10) \div V11_y$$

(B) SUPPLIER REFUND AND RECONCILIATION ADJUSTMENT

The Supplier Refund and Reconciliation Adjustment (RA), expressed in dollars and cents per Mcf, shall be determined as follows:

$$(13) \text{ V12} = \text{Reconciliation Adjustments ordered by the commission during } q$$

$$(14) \text{ V13} = \text{Supplier Refunds received during } q$$

$$(15) \text{ V14} = \text{Jurisdictional Sales}$$

$$(16) \text{ V15} = 1.0550 [V12 + (V13 \times (V14_y \div V11_y))]$$

$$(17) \text{ V16} = V15 \div V14_y$$

$$(18) \text{ V17} = V16 \text{ as used in computing the currently effective GCR}$$

$$(19) \text{ V18} = V16 \text{ as used in computing the GCR in effect one quarter prior to the currently effective GCR}$$

$$(20) \text{ V19} = V16 \text{ as used in computing the GCR in effect two quarters prior to the currently effective GCR.}$$

$$(21) \text{ RA} = V16 + V17 + V18 + V19$$

(C) ACTUAL ADJUSTMENT

The Actual Adjustment (AA), expressed in dollars and cents per Mcf, shall be determined as follows:

$$(22) \text{ V20} = \text{Unit Book Cost of Total Sales}$$

$$(23) \text{ V21} = \text{EGC in effect during each period } m \text{ (if the EGC changed during any period } m, \text{ weighted average EGC shall be used for that period)}$$

*****DRAFT - NOT FOR FILING*****

$$(24) \ V22 = \sum_{m=1}^3 [(V20_m - V21) \times V14_m] \pm V33$$

$$(25) \ V23 = V22 \div V14_y$$

$$(26) \ V24 = V23 \text{ as used in computing the currently effective GCR}$$

$$(27) \ V25 = V23 \text{ as used in computing the GCR in effect one quarter prior to the currently effective GCR}$$

$$(28) \ V26 = V23 \text{ as used in computing the GCR in effect two quarters prior to the currently effective GCR}$$

$$(29) \ AA = V23 + V24 + V25 + V26$$

(D) BALANCE ADJUSTMENT

The Balance Adjustment (BA), expressed in dollars and cents per Mcf, shall be determined as follows:

$$(30) \ V27 = V22 \text{ as used to compute the GCR in effect four quarters prior to the currently effective GCR}$$

$$(31) \ V28 = V23 \text{ as used to compute the GCR in effect four quarters prior to the currently effective GCR}$$

$$(32) \ V29 = V27 - (V28 \times V14_z)$$

$$(33) \ V30 = V15 \text{ as used to compute the GCR in effect four quarters prior to the currently effective GCR}$$

$$(34) \ V31 = V16 \text{ as used to compute the GCR in effect four quarters prior to the currently effective GCR}$$

$$(35) \ V32 = V30 - (V31 \times V14_z)$$

*****DRAFT - NOT FOR FILING*****

(36) $V33 = V29 + V32$

(E) GAS COST RECOVERY RATE

The Gas Cost Recovery Rate (GCR) shall be determined as follows:

(37) $GCR = EGC + RA + AA$

4901:1-14-06 Customer billing.

- (A) Unless otherwise ordered by the commission, the quarterly updated gas cost recovery rate filed in accordance with rule 4901:1-14-04 of the Administrative Code shall become effective on or after the thirtieth day following the filing date or as otherwise established by the commission. Revisions to the expected gas cost component must be filed no later than fourteen days prior to the gas cost recovery rate effective date and such revisions do not affect the effective date of the gas cost recovery rate. The new gas cost recovery rates may be applied to customer accounts on a service-rendered or bills-rendered basis, at the option of the gas or natural gas company. The commission may at any time order a reconciliation adjustment as a result of errors or erroneous reporting.
- (B) Except as provided in paragraph (C) of this rule, if the gas cost recovery rate changes during a customer's billing cycle and the gas or natural gas company elects to bill on a service-rendered basis, the gas or natural gas company shall apply a weighted average gas cost recovery (WGCR) rate to its customer bills. The WGCR rate shall be determined in accordance with the following:
- (1) GCR1 equals the gas cost recovery rate in effect during the first part of the billing cycle.
 - (2) GCR2 equals the gas cost recovery rate in effect during the latter part of the billing cycle.
 - (3) V34 equals a variable representing the total number of days in the billing cycle.
 - (4) V34.1 equals a variable representing the total number of days in the billing cycle when GCR1 was in effect.
 - (5) V34.2 equals a variable representing the total number of days in the billing

*****DRAFT - NOT FOR FILING*****

cycle when GCR2 was in effect.

(6) $WGCR = [GCR1 \times (V34.1 \div V34)] + [GCR2 \times (V34.2 \div V34)]$.

- (C) If the gas cost recovery rate changes during a customer's billing cycle, and the gas or natural gas company elects to bill on a service-rendered basis, and if the customer's actual daily consumption is known by the gas or natural gas company, the company may, instead of applying a weighted average gas cost recovery rate, apply each gas cost recovery rate which was effective during the billing cycle to the volumes actually consumed when that rate was in effect.
- (D) Each gas or natural gas company shall indicate on each customer bill:
- (1) The gas cost recovery rate expressed in dollars and cents per Mcf or Ccf; and
 - (2) The total charge attributable to the gas cost recovery rate expressed in dollars and cents.

4901:1-14-07 Audits.

- (A) The commission shall conduct, or cause to be conducted, periodic financial and management/performance audits of each gas or natural gas company subject to the provisions of this chapter and division ~~(C)(3)~~(C)(4) of section 4905.302 of the Revised Code. Unless otherwise ordered by the commission, the audits shall be conducted annually. Except as provided in paragraph (B) of this rule and division (C) of section 4905.302 of the Revised Code, and unless otherwise ordered by the commission, each audit shall be conducted by a qualified independent auditing firm selected according to paragraphs (C) and (D) of this rule. The cost of each such audit shall be paid by the gas or natural gas company.
- (B) The commission may, upon the request of any party or upon its own initiative, conduct the audits required under this rule. In determining whether to do so, the commission shall consider:
- (1) The number of customers served by the company;
 - (2) The cost of employing an independent auditor;
 - (3) The availability of the commission staff to conduct the required audits; and
 - (4) Such other factors as the commission considers appropriate.

*****DRAFT - NOT FOR FILING*****

- (C) Each independent auditor shall file, with the commission, a certificate of accountability as described in paragraph (E) of this rule. The certificate of accountability shall attest to the accuracy of financial data pertaining to the period of the gas cost recovery rate activity designated by the commission and reference any errors or deviations from the calculations prescribed within Chapter 4901:1-14 of the Administrative Code. Pursuant to this rule, the independent auditor shall assure the commission that:
- (1) The costs reflected in the gas or natural gas company's gas cost recovery rates were properly incurred by the company;
 - (2) The gas cost recovery rates were accurately computed by the gas or natural gas company;
 - (3) The gas cost recovery rates were accurately applied to customer bills; and
 - (4) If the company utilized weather-normalized historic and/or forecasted volumes, the auditor shall verify that the company has reasonably applied such approach throughout the audit period.
- (D) Each gas or natural gas company, so designated by the commission, shall engage an independent auditor and/or consulting firm to conduct a management/performance audit of the company's compliance with the provisions of Chapter 4901:1-14 of the Administrative Code. The commission shall develop a request for proposal (RFP) designed to solicit responses for conducting a management/performance audit. The commission shall have the sole responsibility for sending out and accepting all responses to the RFP and shall select the company's management/performance auditor for the designated audit period. The management/performance audit report shall identify and evaluate the specific organizational structure, management policies, procedures, and reasoning of the company's existing or proposed procurement strategy. The report shall also contain management recommendations based on an evaluation of the company's performance during the audit period pertaining to those areas designated by the commission. The management/performance audit shall review any specific areas of investigation as designated by the commission and selected aspects of the company's gas production and purchasing policies to ascertain whether:
- (1) Company purchasing policies were designed to meet objectives of the company's service requirements;

*****DRAFT - NOT FOR FILING*****

- (2) Procurement planning is sufficient to ensure reliable service at optimal prices and is consistent with the company's long-term strategic supply plan ~~submitted pursuant to paragraph (H) of rule 4901:5-7-02 or paragraph (H) of rule 4901:5-7-05 of the Administrative Code; and~~
- (3) The company has reviewed existing and potential supply sources.
- (E) The certificate of accountability required by paragraph (C) of this rule shall read as follows:

We have examined the periodic filings of (insert gas or natural gas company name) which support the gas cost recovery (GCR) rates for the periods ended (insert effective ending dates of GCR periods being audited) for conformity in all material respects with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Administrative Code. Our examination for this purpose was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did/did not make a detailed examination such as would be required to determine that each transaction has been recorded in accordance with the financial procedural aspects of Chapter 4901:1-14 and related appendices of the Administrative Code.

In our opinion, (insert gas or natural gas company name) has/has not fairly determined the GCR rates for the periods ended (insert effective ending dates of GCR periods being audited) in accordance with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14 and related appendices of the Administrative Code and properly applied the GCR rates to customer bills.

(If applicable) specific findings presented for the attention of the commission are attached in a separate "memorandum of findings."

4901:1-14-08 Hearings.

- (A) At least sixty days after the filing of each audit report required under paragraph (C) of rule 4901:1-14-07 of the Administrative Code, the commission shall hold a public hearing to review:
- (1) The audit findings, conclusions, and recommendations; and

*****DRAFT - NOT FOR FILING*****

- (2) Such other matters relating to the gas or natural gas company's gas cost recovery rates as the commission considers appropriate.
- (B) The gas or natural gas company shall demonstrate at its purchased gas adjustment hearing that its gas cost recovery rates were fair, just, and reasonable and that its gas purchasing practices and policies promote minimum prices consistent with an adequate supply of gas. The commission shall consider, to the extent applicable:
 - (1) The results of the management/performance audit;
 - (2) The results of the financial audit;
 - (3) Compliance by the gas or natural gas company with previous commission performance recommendations;
 - (4) The efficiency of the gas or natural gas company's gas production policies and practices; and
 - (5) Such other practices, policies, or factors as the commission considers appropriate.
- (C) The gas or natural gas company shall publish notice of the hearing required under paragraph (A) of this rule throughout its service area at least fifteen and not more than thirty days prior to the scheduled date of hearing by:
 - (1) Display ad in a newspaper or newspapers of general circulation;
 - (2) Bill message on or bill insert included with the customer bills; or
 - (3) Separate direct mailing to customers.
- (D) At least sixty days prior to the scheduled date of hearing, the gas or natural gas company shall file such facts, data, or information relating to its gas cost recovery rates as the commission requires.
- (E) Following the conclusion of the hearing, the commission shall issue an appropriate order containing:
 - (1) A summary of the audit findings, conclusions, and recommendations; and
 - (2) Such other information or directives as the commission considers appropriate.

*****DRAFT - NOT FOR FILING*****

- (F) The commission may adjust the company's future gas cost recovery rates by means of a reconciliation adjustment as a result of:
- (1) Errors or erroneous reporting;
 - (2) Unreasonable or imprudent gas production or purchasing policies or practices;
 - (3) Unaccounted-for gas above a reasonable level. It shall be presumed that unaccounted-for gas above five per cent, calculated pursuant to paragraph (CC) of rule 4901:1-14-01 of the Administrative Code, is unreasonable, and the burden shall be on the company to prove otherwise; or
 - (4) Such other factors, policies, or practices as the commission considers appropriate.

4901:1-14-09 Tariffs.

Each gas or natural gas company subject to the provisions of this chapter shall file tariffs with the commission which incorporate this chapter in its entirety.