

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Approval to Modify) Case No. 15-50-GA-RDR
Rider FBS, Rider EFBS, and Rider FRAS.)

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

I. INTRODUCTION

This case is important to residential customers who take service under Duke's Gas Cost Recovery ("GCR") because GCR customers could be asked to subsidize service for large Competitive Retail Natural Gas Suppliers ("CRNGS") if Duke's proposal is not adopted.¹ Duke has proposed to modify the rates and terms of service under its Firm Balancing Service ("FBS") and Enhanced Firm Balancing Service ("EFBS"). Duke's proposal will enable it to collect the higher rates charged to it by Columbia Gas Transmission Corporation ("TCO") for transportation into and out of storage, which underlies Duke's FBS and EFBS.²

In response to Duke's Application the Attorney Examiner issued an Entry on January 22, 2015, which established a deadline of February 12, 2015 for Motions to Intervene and Comments and February 19, 2015 for Reply Comments.³ OCC filed a Motion to Intervene on February 12, 2015. Initial Comments have been filed by the

¹ *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Modify Rider FBS, Rider EFBS, Rider FRAS, and Rider GTS*, Case No. 15-50-GA-RDR, Application at 2 (January 15, 2015) ("Duke FBS Application Case").

² Id.

³ Id.

Retail Energy Supply Association (“RESA”) and Direct Energy Services, LLC, Direct Energy Small Business, LLC, and Direct Energy Business Marketing, LLC (“Direct”). In addition, Interstate Gas Supply, Inc. (“IGS”) filed a Motion to Revise Procedural Schedule and In the Alternative Motion to Consolidate and Objections. OCC submits its Reply to those various Comments.

II. DISCUSSION

Duke is applying to modify the rates and terms of its services⁴ to collect increases in the cost of the underlying TCO transportation service. Because Duke does not own any natural gas storage facilities, the Utility gets storage service through a contract with interstate pipelines, including TCO.⁵ Duke’s EFBS service allows Suppliers to deliver more or less gas than their contractually obligated to deliver Total Supply Quality (“TSQ”), thus providing Suppliers with greater flexibility. The Suppliers’ TSQ is based on forecasted weather and ensuing customer needs. In almost every case, the TSQ differs from actual usage creating an imbalance. Duke explained that it manages the imbalances caused by Suppliers by over-delivering or under-delivering gas to the city gate from its available storage, which is paid for by Gas Cost Recovery (“GCR”) customers.⁶

However, there have been significant changes in Duke’s natural gas market, including significant growth in the Duke Choice Program and a decline in the number of Suppliers or aggregators that have chosen EFBS service. Instead the Suppliers are choosing the FBS service. In addition, the balance between flowing gas and gas from

⁴ FBS, EFBS, FRAS and GTS.

⁵ Id. at 4.

⁶ Id. at 2.

storage that Duke relies on has changed.⁷ These changes have significantly impacted Duke's ability to keep the entire system in balance by over delivering or under delivering gas from storage.⁸

As a result of these changes, Duke has noted that it might need to purchase additional gas in the spot market during colder than normal periods or sell gas into the spot market during warmer than normal periods.⁹ These actions could result in additional costs from the spot market purchases or sales that Duke could seek to collect from GCR customers.¹⁰ This would result in the GCR subsidizing the service that Suppliers are taking from Duke. Such a subsidy is inappropriate and unlawful.¹¹

The modifications proposed by Duke would make EFBS service mandatory for Suppliers that have a Maximum Daily Quantity greater than or equal to 20,000 Dth per day in order to better balance the system needs.¹² OCC does not object to Duke's Application. It would allow Duke to collect the costs of providing those services from the Suppliers. It would avoid an unlawful subsidy paid for by GCR to the users of the FBS service.¹³

With respect to the IGS Motion to Revise the Procedural Schedule¹⁴ and the

⁷ Id.

⁸ Id.

⁹ Id.

¹⁰ Id.

¹¹ See, R.C. 4905.22, 4909.22, 4909.302, 4929.02(A)(1) and (A)(9) and Ohio Admin. Code 4901:1-14-08(B).

¹² Duke FBS Application Case, Application at 5 (January 15, 2015).

¹³ Id. at 2.

¹⁴ Duke FBS Application Case, Motion to Intervene and Motion to Revise procedural Schedule and in the Alternative Motion to Consolidate and Memorandum in Support of IGS Energy (February 5, 2015).

RESA Request to Adjust Procedural Schedule¹⁵ OCC is concerned that any delay in this proceeding will expose GCR customers to additional costs.¹⁶ Duke could be forced to purchase spot market gas during colder than normal weather. Or Duke could be required to sell gas into the spot market during warmer than normal weather in order to keep the system in balance. A delay in the proceedings could expose the GCR to these risks during the 2015-2016 winter heating season and following summer storage injection season.

If the PUCO determines that additional time is needed to resolve this matter, the PUCO should order that GCR customers will not be held responsible for any of these additional costs. Any additional costs incurred by Duke to keep the system in balance as a result of the services provided to suppliers, should not be charged to GCR customers. Under the principles of cost causation, GCR customers should not pay additional costs associated non-GCR services provided to suppliers.

III. CONCLUSION

The PUCO should act in this case to make sure that GCR customers are not charged for additional gas purchase or sales costs incurred in order to keep the system in balance as a result of services provided to suppliers. Under the principles of cost causation, those suppliers, not GCR customers, should be responsible for those costs.

¹⁵ Duke FBS Application Case, Motion to Intervene, Comments and Request to Adjust Procedural Schedule of the Retail Energy Supply Association (February 5, 2015).

¹⁶ Duke FBS Application Case, Application at 2 (January 15, 2015).

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Reply Comments was served on the persons stated below *via* electronic service, this 19th day of February, 2015.

/s/ Joseph P. Serio

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