

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, Rider FRAS, and )  
Rider ~~GTS~~ )

FINDING AND ORDER

The Commission finds:

- (1) Duke Energy Ohio, Inc. (Duke or Company) is a public utility as defined in R.C. 4905.02 and a natural gas company under R.C. 4905.03 and, as such, is subject to the jurisdiction of this Commission.
- (2) On March 21, 2007, in Case No. 05-732-EL-MER, et al., the Commission approved a stipulation, which, inter alia, set the rate of Duke's firm balancing service rider (Rider FBS). *In re Cinergy Corp.*, Case No. 05-732-EL-MER, et al. (*Merger Case*), Entry (Mar. 21, 2007). Rider FBS is a mechanism that enables Duke to recover the estimated portion of storage costs associated with daily balancing from choice suppliers and aggregators, and the charges collected by the Company are then applied as a credit to the gas cost recovery (GCR) mechanism. As a result of the stipulation in the *Merger Case*, Duke participated in a collaborative that resulted in the proposal of Duke's enhanced firm balancing service rider (Rider EFBS). The current rates of Rider FBS and Rider EFBS were approved in *In re Duke Energy Ohio, Inc.*, Case No. 12-1685-GA-AIR, et al., Opinion and Order (Nov. 13, 2013).
- (3) On January 15, 2015, in the above-captioned proceeding, Duke filed, pursuant to R.C. 4909.18, an application to adjust Rider FBS and Rider EFBS. For both riders, Duke seeks approval to update the inputs used to calculate the rider rates. With respect to Rider FBS, Duke notes that, as of April 1, 2015, the demand charge that the Company pays to Columbia Gas Transmission (TCO) for transportation into and out of storage will increase from \$4.451 per dekatherm (dth) to \$5.170 per dth. Duke, therefore, proposes to increase the Rider FBS rate from \$0.173 per thousand cubic feet (Mcf) to \$0.194 per Mcf. Addressing Rider EFBS, Duke points out that the increase in the demand charge paid to TCO

for storage services would cause the most significant impact to the rider. Duke proposes to increase the demand rate for Rider EFBS from \$6.28 per dth to \$6.76 per dth. Duke notes that, as a result of its proposed update to the calculation of Rider EFBS, the volumetric rate would decrease from \$0.021 per Mcf to \$0.016 per Mcf.

- (4) Further, Duke proposes to modify the terms under which gas suppliers and aggregators choose either firm balancing service or enhanced firm balancing service. Duke also seeks to modify certain terms under its full requirements aggregation service (FRAS) and gas trading service (GTS) tariffs to coincide with the changes requested for Rider FBS and Rider EFBS. In the application, Duke notes that the number of gas suppliers and aggregators electing enhanced firm balancing service has declined, which has resulted in difficulty for Duke in managing storage balances within interstate pipeline tariff requirements. Duke, therefore, proposes to make enhanced firm balancing service mandatory for gas suppliers and aggregators that have a maximum daily quantity (MDQ) greater than or equal to 20,000 dth/day, while gas suppliers and aggregators with an MDQ over 1,000 dth/day and under 20,000 dth/day would continue to elect either type of balancing service. Duke requests that the proposed tariff revisions take effect on April 1, 2015.
- (5) By Entry dated January 22, 2015, the attorney examiner established a procedural schedule for this case. Motions to intervene and initial comments were due on February 12, 2015. Reply comments were due on February 19, 2015.
- (6) On February 5, 2015, the Retail Energy Supply Association (RESA) filed a motion to intervene, comments, and request to adjust the procedural schedule. In its memorandum in support, RESA notes that some of its members provide competitive retail natural gas service in Duke's service area and will be adversely affected by the Company's proposed changes to Rider FBS and Rider EFBS. RESA submits that it meets the intervention criteria set forth in R.C. 4903.221 and Ohio Adm.Code 4901-1-11. Additionally, RESA requests that the procedural schedule be modified to allow for discovery, the filing of a Staff report, a prehearing conference, and, if needed, testimony and a hearing.
- (7) On February 5, 2015, Interstate Gas Supply, Inc. (IGS) filed a motion to intervene and motion to revise the procedural

schedule. Alternatively, IGS filed a motion to consolidate. IGS states, in its memorandum in support, that it currently serves natural gas customers in Duke's service territory. IGS asserts that it satisfies the Commission's intervention criteria, because, inter alia, IGS has a substantial interest in this proceeding, given that it may impact the balancing service that IGS is required to take from Duke. IGS further asserts that Duke's application appears to be unjust and unreasonable and, therefore, this matter should be set for hearing. Specifically, IGS proposes specific dates for the filing of testimony and an evidentiary hearing, which would be held if a settlement agreement is not reached among the parties. In the alternative, IGS requests that the Commission consolidate consideration of the application with Duke's upcoming GCR and management/performance audit proceeding.

- (8) On February 9, 2015, Duke filed a memorandum contra the motions filed by RESA and IGS. Duke argues that the requests of RESA and IGS to revise the procedural schedule should be denied and that this matter should be expeditiously resolved. Duke adds that, if the Commission decides to alter the schedule to delay implementation of the proposed changes to the tariffs, the Commission should, nevertheless, approve the changes for rates effective April 1, 2015, in order to coincide with the timing of an increased demand charge that the Company will pay to TCO for storage service. Duke also requests that, if changes to the tariffs are not approved pursuant to its application, any incremental costs incurred during the ensuing year for managing storage be recovered from choice customers through an appropriate mechanism, in order to prevent subsidization.
- (9) On February 12, 2015, Direct Energy Services, LLC, Direct Energy Small Business, LLC, and Direct Energy Business Marketing, LLC (collectively, Direct Energy) filed a motion to intervene in this proceeding. Direct Energy explains that, as a provider of service to retail natural gas customers in Duke's service territory, Direct Energy has a real and substantial interest in the potential changes to the Company's balancing services. Direct Energy adds that it otherwise meets the criteria for intervention.
- (10) The Ohio Consumers' Counsel (OCC) filed a motion to intervene in this case on February 12, 2015. In support of its motion, OCC

states that it represents Duke's residential utility customers and that this proceeding may adversely affect the interests of the Company's GCR customers, given the Company's claim that such customers would pay additional costs if the application is not approved. OCC submits that its participation will not unduly prolong or delay the proceeding and that its advocacy will significantly contribute to the full development and equitable resolution of the issues.

- (11) In accordance with the established procedural schedule, initial comments were filed on February 12, 2015, by Direct Energy, RESA, and IGS.
- (12) On February 17, 2015, replies were filed by RESA and IGS in support of their motions to revise the procedural schedule.
- (13) Reply comments were filed by OCC and Duke on February 19, 2015.
- (14) The Commission finds that the motions to intervene in this proceeding filed by RESA, IGS, Direct Energy, and OCC are reasonable and should be granted. Additionally, the Commission has reviewed Duke's application and the parties' initial and reply comments. We find that Duke's proposed rate adjustments to Rider FBS and Rider EFBS are unopposed, reasonable, and in the public interest. As the Commission has previously stated, the adjustments are based on an increase to the underlying storage costs charged to Duke by TCO, which affords the Company the ability to offer its balancing services, and, therefore, it is appropriate to pass those costs on to the suppliers and aggregators that receive the benefit of those services. We also recognized that the revenues from Rider FBS and Rider EFBS flow through to the GCR customers that initially fund the storage services provided to Duke by TCO. *In re Duke Energy Ohio, Inc.*, Case No. 12-1474-GA-RDR, Finding and Order (May 30, 2012) at 3; *In re Duke Energy Ohio, Inc.*, Case No. 10-241-GA-RDR, Finding and Order (July 14, 2010) at 3. We again find that Duke's request to adjust its rates for Rider FBS and Rider EFBS is based on a pass through of costs. Accordingly, the Commission finds that the application does not constitute an increase in rates, is not unjust or unreasonable, and should be approved to the extent set forth herein.

- (15) Although we approve Duke's proposed rate adjustments to Rider FBS and Rider EFBS, the Commission finds that further review is necessary regarding the other tariff modifications proposed in the Company's application. Upon review of the motions to revise the procedural schedule filed by RESA and IGS, as well as the initial and reply comments filed by the parties, the Commission finds that the motions should be granted to the extent set forth below. In light of the issues raised in the parties' comments with respect to Duke's proposal to modify the terms under which gas suppliers and aggregators choose either firm balancing service or enhanced firm balancing service, and the Company's related proposal to modify the FRAS and GTS tariffs, the Commission finds that it is appropriate to establish a hearing date and to allow additional time for the parties to conduct discovery and pursue a stipulation for the Commission's consideration. Accordingly, the following procedural schedule should be established:

- (a) All testimony to be offered by Duke shall be filed by July 14, 2015.
- (b) All testimony to be offered by intervenors and Staff shall be filed by July 21, 2015.
- (c) In the event that some or all of the parties enter into a stipulation resolving some or all of the remaining issues in this case, the parties must file such stipulation with the Commission, by 9:00 a.m., on August 3, 2015.
- (d) A hearing shall commence on August 4, 2015, at 10:00 a.m., at the offices of the Commission, 180 East Broad Street, 11th floor, Hearing Room 11-D, Columbus, Ohio 43215.

It is, therefore,

ORDERED, That the motions to intervene filed by RESA, IGS, Direct Energy, and OCC be granted. It is, further,

ORDERED, That Duke's application to adjust its Rider FBS and Rider EFBS rates be approved to the extent set forth herein. It is, further,

ORDERED, That Duke is authorized to file tariffs, in final form, consistent with this Finding and Order. Duke shall file one copy in this case docket and one copy in its TRF docket. It is, further,

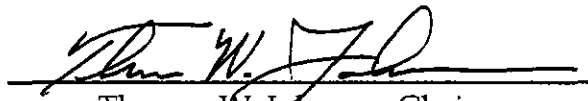
ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

ORDERED, That the motions to revise the procedural schedule filed by RESA and IGS be granted to the extent set forth in finding (15). It is, further,

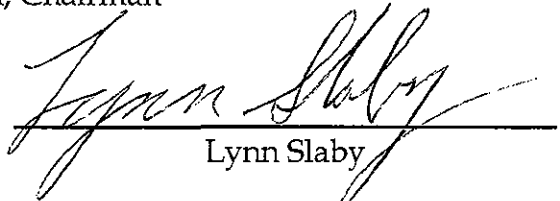
ORDERED, That the procedural schedule set forth in finding (15) be adopted. It is, further,

ORDERED, That a copy of this Finding and Order be served upon all parties of record.


THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Thomas W. Johnson, Chairman

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Steven D. Lesser

  
Lynn Slaby

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M. Beth Trombold

  
Asim Z. Haque

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Entered in the Journal

**MAR 25 2015**

  
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Barcy F. McNeal  
Secretary