

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE REVIEW OF
THE UNIFORM PURCHASED GAS
ADJUSTMENT CLAUSE RULES IN CHAPTER
4901:1-14 OF THE OHIO ADMINISTRATIVE
CODE.

CASE NO. 18-1291-GA-ORD

ENTRY

Entered in the Journal on October 10, 2018

I. SUMMARY

{¶ 1} The Commission directs that all interested persons or entities wishing to file comments or reply comments with the Commission regarding the uniform purchased gas adjustment clause rules in Ohio Adm.Code Chapter 4901:1-14 do so no later than November 9, 2018, and November 26, 2018, respectively.

II. DISCUSSION

{¶ 2} R.C. 111.15(B) and R.C. 106.03(A) require 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 in Ohio Adm.Code Chapter 4901:1-14.

{¶ 3} R.C. 106.03(A) requires that the Commission determine whether the rules:

- (a) Should be continued without amendment, be amended, or be rescinded, taking into consideration the purpose, scope, and intent of the statute under which the rules were adopted;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) Need amendment or rescission to give more flexibility at the local level;
- (c) Need amendment or rescission to eliminate unnecessary paperwork;

- (d) Incorporate a text or other material by reference and, if so, whether the text or other material incorporated by reference is deposited or displayed as required by R.C. 121.74, and whether the incorporation by reference meets the standards stated in R.C. 121.71, 121.75, and 121.76;
- (e) Duplicate, overlap with, or conflict with other rules;
- (f) Have an adverse impact on businesses, as determined under R.C. 107.52;
- (g) Contain words or phrases having meanings that in contemporary usage are understood as being derogatory or offensive; and
- (h) Require liability insurance, a bond, or any other financial responsibility instrument as a condition of licensure.

{¶ 4} 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.

{¶ 5} Additionally, in accordance with R.C. 121.82, 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 R.C. 107.52, 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 R.C. 121.82, to provide the Common Sense Initiative (CSI) office the draft rules and the BIA.

{¶ 6} On September 4, 2018, the Commission held a workshop in this proceeding to enable interested stakeholders to propose revisions to the rules in Ohio Adm.Code Chapter 4901:1-14 for the Commission's consideration. Representatives of five interested stakeholders attended the workshop, although no comments were offered.

{¶ 7} Staff has evaluated the rules contained in Ohio Adm.Code Chapter 4901:1-14 and, following its review, proposes only minor changes to Ohio Adm.Code 4901:1-14-03 and 4901:1-14-08(A), which are intended to provide clarity and correct typographical errors.

{¶ 8} Attached to this Entry are the proposed amendments to Ohio Adm.Code Chapter 4901:1-14 (Attachment A) and the BIA (Attachment B), which are also posted on the Commission's Docketing Information System website at <http://dis.puc.state.oh.us>. To minimize the expense of this proceeding, the Commission will serve a paper copy of this Entry only. All interested persons are directed to input case number 18-1291 into the Case Lookup box to view this Entry, as well as the proposed rules and the BIA, or to contact the Commission's Docketing Division to request a paper copy.

{¶ 9} The Commission requests comments from interested persons to assist in the review required by R.C. 111.15, R.C. 106.03, and Executive Order 2011-01K. Comments should be filed, via electronic filing or in hard copy, by November 9, 2018. Reply comments should be filed by November 26, 2018.

III. ORDER

{¶ 10} It is, therefore,

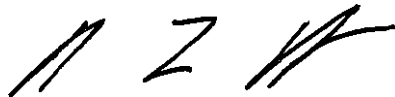
{¶ 11} ORDERED, That all interested persons or entities wishing to file comments or reply comments with the Commission regarding the proposed rules do so no later than November 9, 2018, and November 26, 2018, respectively. It is, further,

{¶ 12} ORDERED, That a copy of this Entry, with the rules and the BIA, be submitted to CSI, in accordance with R.C. 121.82. It is, further,

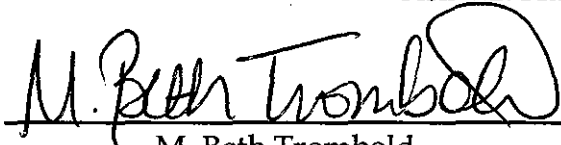
{¶ 13} ORDERED, That a copy of this Entry be sent to the gas-pipeline list-serve. It is, further,

{¶ 14} ORDERED, That a copy of this Entry be served upon all regulated gas and natural gas companies, the Ohio Consumers' Counsel, the Ohio Gas Association, the Ohio Oil and Gas Association, and all other interested persons of record.

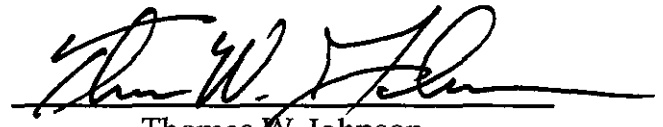
THE PUBLIC UTILITIES COMMISSION OF OHIO



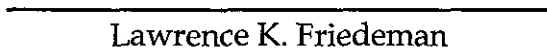
Asim Z. Haque, Chairman



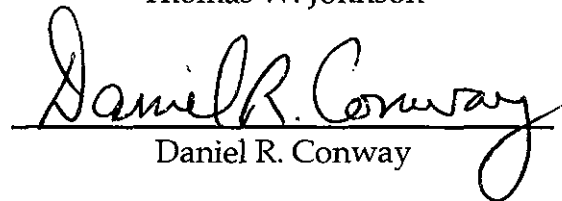
M. Beth Trombold



Thomas W. Johnson



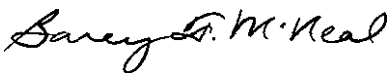
Lawrence K. Friedeman



Daniel R. Conway

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OCT 10 2018Barcy F. McNeal
Secretary

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NO CHANGE

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

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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.
- (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, 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.

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- (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)(35) of rule 1501:9-1-01 of the Administrative Code.
- (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.

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- (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.
- (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

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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, 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.

NO CHANGE

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

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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.
- (C) The rules of this chapter supersede any inconsistent provisions, terms, and conditions of the gas or natural gas company's tariffs.

AMENDED

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 divisions (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.

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NO CHANGE

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.

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NO CHANGE

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;

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- (2) Whether the cost of obtaining gas for each of the geographical areas involved can be separately identified;
- (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
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.

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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.

(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)
$$V4 = \sum_{j=1}^j [(V1s \times V2sy) + (V3s)]$$

("j" equals the total number of primary gas suppliers)
- (5) V5 = Production Unit Cost
- (6) V6 = Utility Production Volumes from old wells

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(7) $V7 = V5 \times V6y$

(8) $V8 = \text{Book Cost of Includable Propane}$

(9) $V9 = \text{Gallons of Includable Propane}$

(10) $V10 = V8 \times V9y$

(11) $V11 = \text{Total Sales}$

(12) $EGC = (V4 + V7 + V10) \div V11y$

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

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

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

(16) $V15 = 1.0550 [V12 + (V13 \times (V14y \div V11y))]$

(17) $V16 = V15 \div V14y$

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

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- (19) $V18 = V16$ as used in computing the GCR in effect one quarter prior to the currently effective GCR
- (20) $V19 = V16$ as used in computing the GCR in effect two quarters prior to the currently effective GCR.
- (21) $RA = V16 + V17 + V18 + V19$

(C) ACTUAL ADJUSTMENT

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

- (22) $V20 = \text{Unit Book Cost of Total Sales}$
- (23) $V21 = \text{EGC in effect during each period } m \text{ (if the EGC changed during any period } m, \text{ weighted average EGC shall be used for that period)}$
- (24)
$$V22 = \sum_{m=1}^3 [(V20m - V21) \times V14m] \pm V33$$
- (25) $V23 = V22 \div V14y$
- (26) $V24 = V23$ as used in computing the currently effective GCR
- (27) $V25 = V23$ as used in computing the GCR in effect one quarter prior to the currently effective GCR
- (28) $V26 = V23$ as used in computing the GCR in effect two quarters prior to the currently effective GCR

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(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) $V27 = V22$ as used to compute the GCR in effect four quarters prior to the currently effective GCR

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

(32) $V29 = V27 - (V28 \times V14z)$

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

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

(35) $V32 = V30 - (V31 \times V14z)$

(36) $V33 = V29 + V32$

(E) GAS COST RECOVERY RATE

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

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

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NO CHANGE

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 cycle when GCR2 was in effect.
 - (6) $WGCR = [GCR1 \times (V34.1 \div V34)] + [GCR2 \times (V34.2 \div V34)]$.

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- (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.

NO CHANGE

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)(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;

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- (3) The availability of the commission staff to conduct the required audits; and
 - (4) Such other factors as the commission considers appropriate.
- (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

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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;
 - (2) Procurement planning is sufficient to ensure reliable service at optimal prices and is consistent with the company's long-term strategic supply plan; 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.

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

AMENDED

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
 - (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.

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- (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.
- (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.

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NO CHANGE

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.

CSI - Ohio

The Common Sense Initiative

Business Impact Analysis

Agency Name: Public Utilities Commission of Ohio

Regulation/Package Title: Uniform Purchased Gas Adjustment Clause Rules

Rule Number(s): 4901:1-14-01, 4901:1-14-02, 4901:1-14-03, 4901:1-14-04,

4901:1-14-05, 4901:1-14-06, 4901:1-14-07, 4901:1-14-08,

and 4901:1-14-09

Date: October 10, 2018

Rule Type:

New

☒ 5-Year Review

Amended

Rescinded

The Common Sense Initiative was established by Executive Order 2011-01K and placed within the Office of the Lieutenant Governor. Under the CSI Initiative, agencies should balance the critical objectives of all regulations with the costs of compliance by the regulated parties. Agencies should promote transparency, consistency, predictability, and flexibility in regulatory activities. Agencies should prioritize compliance over punishment, and to that end, should utilize plain language in the development of regulations.

Regulatory Intent

1. Please briefly describe the draft regulation in plain language.

Please include the key provisions of the regulation as well as any proposed amendments.

Ohio Adm.Code Chapter 4901:1-14 establishes a uniform purchased gas adjustment clause to be included in the schedules of gas and natural gas companies subject to the jurisdiction of the Public Utilities Commission of Ohio (Commission). The provisions of the 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 the chapter and to balance the interest of retail sales customers with those of transportation customers. The provisions of the 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. Specifically, the rules address definitions (Ohio Adm.Code 4901:1-14-01), purpose and scope (Ohio Adm.Code 4901:1-14-02), applicability (Ohio Adm.Code 4901:1-14-03), reports (Ohio Adm.Code 4901:1-14-04), gas cost recovery rate (Ohio Adm.Code 4901:1-14-05), customer billing (Ohio Adm.Code 4901:1-14-06), audits (Ohio Adm.Code 4901:1-14-07), hearings (Ohio Adm.Code 4901:1-14-08), and tariffs (Ohio Adm.Code 4901:1-14-09).

The Commission proposes only minor changes to Ohio Adm.Code 4901:1-14-03 and Ohio Adm.Code 4901:14-08(A), which are intended to provide clarity and correct typographical errors.

2. Please list the Ohio statute authorizing the Agency to adopt this regulation.

Rule	Statutory Authority – Ohio Revised Code
4901:1-14-01, 4901:1-14-05, 4901:1-14-08	4905.302
4901:1-14-02, 4901:1-14-03, 4901:1-14-04, 4901:1-14-06, 4901:1-14-07, 4901:1-14-09	4905.04, 4905.05, 4905.06

3. Does the regulation implement a federal requirement? Is the proposed regulation being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program?

If yes, please briefly explain the source and substance of the federal requirement.

No rule in this chapter implements a federal requirement or is being adopted or amended to enable the state to obtain or maintain approval to administer and enforce a federal law or to participate in a federal program.

4. If the regulation includes provisions not specifically required by the federal government, please explain the rationale for exceeding the federal requirement.

These rules do not exceed any federal requirement.

5. What is the public purpose for this regulation (i.e., why does the Agency feel that there needs to be any regulation in this area at all)?

Ohio Adm.Code Chapter 4901:1-14 establishes a uniform purchased gas adjustment clause to be included in the schedules of gas and natural gas companies subject to the Commission's jurisdiction. The provisions of the 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 the chapter and to balance the interest of retail sales customers with those of transportation customers. Additionally, the chapter is specifically required by R.C. 4905.302.

6. How will the Agency measure the success of this regulation in terms of outputs and/or outcomes?

The Commission conducts periodic audits and hearings concerning its gas cost recovery process, which are used as a means to evaluate the rules.

Development of the Regulation

7. Please list the stakeholders included by the Agency in the development or initial review of the draft regulation.

If applicable, please include the date and medium by which the stakeholders were initially contacted.

On August 15, 2018, the Commission, in Case No. 18-1291-GA-ORD, ordered a workshop to take place on September 4, 2018, to allow stakeholders the opportunity to propose revisions to Ohio Adm.Code Chapter 4901:1-14. The entry scheduling the workshop was publicly filed in Case No. 18-1291-GA-ORD, as well as served on stakeholders, including all gas and natural gas companies, Ohio Consumers' Counsel, Ohio Gas Association, Ohio Oil and Gas Association, and other subscribers to the Commission's gas pipeline industry electronic mail list. In addition to Commission staff, representatives associated with five interested stakeholders were in attendance at the workshop on September 4, 2018, including representatives from Duke Energy Ohio, Dominion Energy Ohio, IDT Energy, Industrial

Energy Users-Ohio, and Northeast Ohio Public Energy Council. No comments were offered at the workshop by any of the stakeholders.

8. What input was provided by the stakeholders, and how did that input affect the draft regulation being proposed by the Agency?

Despite the opportunity, the Commission received no stakeholder input on Ohio Adm.Code Chapter 4901:1-14 at the workshop on September 4, 2018.

9. What scientific data was used to develop the rule or the measurable outcomes of the rule? How does this data support the regulation being proposed?

No scientific data was used to develop Ohio Adm.Code Chapter 4901:1-14. However, this chapter is specifically required by R.C. 4905.302 and has been in effect since 1978. Further, in adopting any changes to Ohio Adm.Code Chapter 4901:1-14, the Commission will take into account all feedback from stakeholders and the general public regarding the rules, including any scientific data that is provided. Stakeholder and public feedback can be made directly to the Commission by filed comments from residential, commercial, and industrial consumers, the Ohio Consumers' Counsel, regulated gas and natural gas companies, and any other person or entity.

10. What alternative regulations (or specific provisions within the regulation) did the Agency consider, and why did it determine that these alternatives were not appropriate? If none, why didn't the Agency consider regulatory alternatives?

No alternative regulations were considered or recommended. Further, Ohio Adm.Code Chapter 4901:1-14 is specifically required by R.C. 4905.302.

11. Did the Agency specifically consider a performance-based regulation? Please explain.
Performance-based regulations define the required outcome, but don't dictate the process the regulated stakeholders must use to achieve compliance.

No performance-based regulations were considered. Ohio Adm.Code Chapter 4901:1-14 is specifically required by R.C. 4905.302. The rules in the chapter are regulatory in nature as required by the Revised Code.

12. What measures did the Agency take to ensure that this regulation does not duplicate an existing Ohio regulation?

The Commission has widely publicized notice of the consideration of these rules to the natural gas industry, as well as other governmental organizations and interest groups. The Commission has reviewed other Ohio regulations and found no duplicate, nor has a duplicate regulation been identified by any stakeholder. Further, Ohio Adm.Code Chapter 4901:1-14 is specifically required by R.C. 4905.302.

13. Please describe the Agency's plan for implementation of the regulation, including any measures to ensure that the regulation is applied consistently and predictably for the regulated community.

Ohio Adm.Code Chapter 4901:1-14 is specifically required by R.C. 4905.302 and has been in effect since 1978 without complaints regarding inconsistent application of the chapter. The opportunity for continued feedback and input from the regulated community always exists through interaction with the Commission staff and better ensures that implementation of the rules in this chapter occurs consistently and predictably.

Adverse Impact to Business

14. Provide a summary of the estimated cost of compliance with the rule. Specifically, please do the following:

a. Identify the scope of the impacted business community;

Ohio Adm.Code Chapter 4901:1-14 establishes a uniform purchased gas adjustment clause to be included in the schedules of gas and natural gas companies subject to the Commission's jurisdiction. The provisions of the 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 the chapter and to balance the interest of retail sales customers with those of transportation customers. With regard to any impact of Ohio Adm.Code Chapter 4901:1-14 on the regulated gas companies, no charges are being required and the rules

have been in effect since the Ohio General Assembly mandated the gas cost recovery process in 1976. Additionally, the purpose of the rules is to protect customers and ensure that the gas cost recovery rates of the gas companies are prudent and appropriate.

b. Identify the nature of the adverse impact (e.g., license fees, fines, employer time for compliance); and

Any adverse impact takes the form of the time and expense associated with compliance. For example, Ohio Adm.Code 4901:1-14-04 requires that regulated gas and natural gas companies file quarterly gas cost recovery reports with the Commission. Ohio Adm.Code 4901:1-14-07 requires periodic financial and management/performance audits of regulated gas and natural gas companies. Ohio Adm.Code 4901:1-14-08 requires hearings before the Commission to review audit reports and other matters related to a regulated company's gas cost recovery rates. These rules may have an adverse impact in terms of the time and expense involved for compliance by regulated companies.

c. Quantify the expected adverse impact from the regulation.

The adverse impact can be quantified in terms of dollars, hours to comply, or other factors; and may be estimated for the entire regulated population or for a "representative business." Please include the source for your information/estimated impact.

The Commission staff works extensively with all regulated companies toward rule compliance involving the least amount of time and expense. Any adverse impact in terms of dollars and hours to comply should, in most instances, be minimal. For example, regulated companies are required under the rules to provide certain quarterly information related to the gas cost recovery process to the Commission, involving a nominal amount of time and expense to compile and report the necessary information. The rules have been reviewed in an effort to minimize any adverse impact on business, while complying with the requirements of R.C. 4905.302.

15. Why did the Agency determine that the regulatory intent justifies the adverse impact to the regulated business community?

The proposed changes to Ohio Adm.Code Chapter 4901:1-14 will result in no additional adverse impact to the regulated business community. Further, R.C. 4905.302 specifies that the Commission must promulgate a purchased gas adjustment rule in order to establish a uniform purchased gas adjustment clause to be included in the schedule of gas companies and natural gas companies subject to the Commission's jurisdiction. The Commission is vested with power and jurisdiction to supervise and regulate public utilities, including that such utilities furnish products and services in a manner that promotes the public interest. The Commission has worked with stakeholders over the years to develop a chapter that best serves these goals. The regulated community has not indicated that the rules in the chapter are particularly onerous and no comments were offered by stakeholders at the workshop held on September 4, 2018.

Regulatory Flexibility

16. Does the regulation provide any exemptions or alternative means of compliance for small businesses? Please explain.

Ohio Adm.Code Chapter 4901:1-14 is required by R.C. 4905.302, which provides a limited exemption for smaller regulated companies. Specifically, R.C. 4905.302(C)(4) provides that "Unless otherwise ordered by the commission for good cause shown either by an interested party or by the commission on its own motion, no natural gas company having fifteen thousand or fewer customers in this state shall be subject under the purchased gas adjustment rule to any audit or other investigation or any related hearing, other than a financial audit or, as necessary, any hearing related to a financial audit." Ohio Adm.Code 4901:1-14-03 and 4901:1-14-07 reflect the statutory exemption. Additionally, the Commission staff works extensively with all regulated companies, including the smaller ones, toward rule compliance.

17. How will the agency apply Ohio Revised Code section 119.14 (waiver of fines and penalties for paperwork violations and first-time offenders) into implementation of the regulation?

Ohio Adm.Code Chapter 4901:1-14 is intended to reflect the legislative intent of R.C. 4905.302 and to articulate Commission authority to enforce rules governing the gas cost recovery process for regulated gas and natural gas companies. The focus of the Commission's implementation of the gas cost recovery process is not on seeking penalties for first-time paperwork offenses. An adjustment to a regulated company's gas cost recovery rate may only be ordered after notice and a hearing, following an investigation and audit report. The Commission will fully comply with R.C. 119.14.

18. What resources are available to assist small businesses with compliance of the regulation?

The Commission staff routinely works with small regulated companies to assist them with understanding the rules found in Ohio Adm.Code Chapter 4901:1-14. In Case No. 18-1291-GA-ORD, stakeholders and the general public, including small businesses, were invited to participate in a workshop to discuss potential revisions to the rules in order to decrease or eliminate any adverse impact on the business community. Small businesses may contact the Commission at any time to voice their concerns and may file written comments on the rules during the comment period.