

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Cin-)
cinnati Gas & Electric Rates for Gas Service) 95-656-GA-AIR
to All Jurisdictional Customers.)

ENTRY ON REHEARING

The Commission finds:

- (1) On July 2, 1997, the Commission issued a supplemental opinion and order which approved, with certain modifications, two stipulations involving issues that were deferred from the initial opinion and order issued on December 12, 1996 in The Cincinnati Gas & Electric Company's (CG&E or company) gas rate case. The first stipulation addressed proposed interruptible balancing service (IBS) tariffs and the second stipulation offered proposed tariffs for a pilot Customer Choice program for small commercial and residential firm transportation customers.
- (2) On August 1, 1997, the Ohio Consumers' Counsel (OCC) filed an application for rehearing regarding the Commission's approval of the IBS stipulation. No party sought rehearing with respect to the firm transportation program agreement. OCC's application for rehearing alleges that the Commission erred in finding that the IBS tariffs adequately addressed the findings of the management performance auditor in CG&E's 1995 GCR case (Case No. 95-218-GA-GCR) and by determining that CG&E, and not GCR customers, should be held harmless with respect to the applicability of the IBS tariffs and the level of revenue collected under the tariffs. CG&E filed a memorandum contra OCC's application for rehearing on August 11, 1997.
- (3) In its first assignment of error, OCC argues that the stipulated IBS rates do not fully compensate GCR customers for balancing costs imposed by interruptible customers. OCC contends that the IBS rates approved by the Commission fail to take into account the system balancing costs associated with special contract customers, principally AK Steel. According to OCC, the Commission's adoption of the stipulation failed to address OCC's concerns, as identified in the 1995 GCR case, with respect to subsidization by GCR customers of balancing costs caused by interruptible customers.

As indicated in the supplemental opinion and order, an extensive record was developed on the IBS tariff during the course of the hearings in this case through the presentation of direct testimony and exhibits, as well as through the filing of comments following submission of the IBS stipulation. We believe the negotiated settlement fairly recognizes actual costs and provides for a meaningful contribution to fixed costs associated with CG&E's pipeline balancing service. As noted in the order, interruptible transportation (IT) customers taking service under these tariffs are required to choose monthly balancing service (Rate IMBS) or they will, by default, be deemed to have elected daily balancing service (Rate IDBS) (Supplemental Opinion and Order at 8). In either instance, the concerns identified by the auditor in the 1995 GCR case (regarding GCR subsidization of balancing costs) have been addressed by the requirement that, on a going-forward basis, IT customers must balance usage and deliveries on a daily or monthly basis. Given the fact that the IBS cost issues, which were to have been the subject of the report cited by OCC, have been extensively litigated and negotiated since the 1995 GCR case, requiring CG&E to submit such a report at this time would not serve any meaningful purpose. The GCR auditor did not prescribe any specific means of determining the appropriate costs for balancing services and, indeed, various "costing" methodologies could be employed to support any number of IBS rate proposals. However, we believe the stipulated rate provides a reasonable compromise of the interruptible balancing costs imposed on the CG&E system. As explained in the supplemental order, we will not disturb the existing AK Steel contract, and will recognize all the terms of that contract, but may review the rates associated with that customer, including the applicability of the IBS tariff, should the situation involving this customer change from the facts set forth in the record in this base rate case. Rehearing on this issue is denied.

- (4) OCC's second assignment of error alleges that the Commission erred in adopting the provision of the stipulation that would hold CG&E harmless with respect to the applicability of the IBS tariffs and the level of revenue collected under the tariffs. OCC claims that the regulatory lag until the company's next base rate proceeding means that GCR customers will continue to subsidize balancing services in the interim and that a "delta revenue" will be created during this

interim period to the extent that balancing charges are not assessed to interruptible special contract customers. OCC argues that CG&E should not be held harmless if it fails to recover costs of providing balancing services from the customers causing such costs (i.e., IT special contract customers).

We disagree with OCC's arguments. As indicated in the supplemental order, the "hold harmless" provision of the stipulation recognizes that CG&E does not profit from the balancing and cash-out provisions of the IBS tariffs and thus strikes an appropriate balance between base rates and GCR rates. Indeed, GCR customers will receive an immediate benefit from the new IBS tariffs because, in accordance with the stipulation submitted in the 1995 GCR case, the revenue collected from the balancing charges and cash-out provision will be credited to the GCR. As pointed out by CG&E in its memorandum contra, the purpose of the hold harmless provision is to recognize and reconcile the timing differences between the GCR audit periods and the rates CG&E collects during that period pursuant to its IBS tariffs. OCC's second assignment of error is denied.

- (5) OCC has not raised any issues in its application for rehearing that were not previously considered and, for the reasons set forth in the supplemental opinion and order and this entry on rehearing, OCC's application for rehearing is denied.
- (6) As set forth in the Customer Choice stipulation (paragraph 4) and in the supplemental opinion and order (page 20), the firm transportation development cost (FTDC) rider issue was specifically deferred by the parties for subsequent consideration. At the hearing held on August 11, 1997, a stipulation was presented to resolve this issue by CG&E, the staff, and OCC (Attachment 1). At the hearing, the staff represented that all other parties were aware of, and had been served with, the agreement, and do not oppose its adoption by the Commission. The stipulation provides for CG&E to recover from RS, RFT, GS, and FT customers a temporary surcharge of 0.15 cents per 100 cubic feet to allow CG&E to recover the incremental costs which the company incurred for system development, informational and educational advertising expenses, program roll out expenses, and incremental regulatory and administrative expenses associated with establishing and promoting its Customer Choice firm transportation program (Stipulation at paragraph 3 and Exhibit 1). The FTDC

rider will remain in effect until CG&E has fully recovered these costs, which are estimated at \$951,700 (*Id.* at Exhibit 3). The stipulation also provides for CG&E to recover, through a firm transportation maintenance cost (FTMC) rider, a surcharge of 0.01 cents per 100 cubic feet for ongoing incremental computer system maintenance expense related to the Customer Choice firm transportation programs. The annual FTMC costs are projected to be \$49,500 (*Id.* at Exhibits 1 and 3). A further provision of the stipulation includes an agreement to hold a meeting of the parties, at the earlier of enrollment of 15,000 customers or December 15, 1997, to discuss the status of the deferrals described above, the success of the program with respect to opportunities for CG&E to turn back unused pipeline capacity, and related issues, including the possibility of a second roll out of the program in the Spring of 1998 and extension of the deferral period to account for such costs. Finally, the stipulation requires CG&E to file a report in this docket providing detailed information on the costs deferred and revenues collected under the FTDC rider for purposes of apprising the Commission and other parties of the status of the deferrals and recoveries under the rider (*Id.* at paragraphs 6 and 7).

- (7) We find the unopposed stipulation submitted by CG&E, the staff, and OCC to be a reasonable compromise of the FTDC rider issue deferred from the prior stipulation and the supplemental opinion and order. The agreement permits CG&E to recover, on a temporary basis, a modest assessment for purposes of rolling out the Customer Choice pilot program for small commercial and residential customers. As indicated in the supplemental order, we expect CG&E to undertake extensive public educational efforts, including the use of both network and cable television advertising, in order to give this pilot program the best possible opportunity for success. We also believe the FTMC rider is reasonable under the circumstances of this case in order to allow CG&E to recover the ongoing incremental computer system maintenance associated with operating the Customer Choice programs. The stipulation shall, therefore, be approved.

We wish to make clear, however, that the December 15/15,000 customer meetings described in paragraph 5 of the stipulation do not relieve the parties from compliance with all existing regulatory requirements associated with the customer choice

program. We also reiterate that the December 15/15,000 customer mark is, as stated in the supplemental order, relevant only for evaluating the company's turn-back of pipeline capacity in April 1998 but "will not be used for limiting participation in the customer choice program" (Supp. Opinion and Order at 19, note 20). The Commission's full review of the program will occur in the Spring of 1998, as indicated in the supplemental opinion and order. Finally, we expect CG&E to provide a notice to affected customers, in the next available billing cycle, of the FTDC rider in a form acceptable to the staff. A proposed notice should be submitted to the staff within three business days of the issuance of this entry.

It is, therefore,

ORDERED, That OCC's application for rehearing is denied. It is, further,

ORDERED, That the stipulation submitted on August 11, 1997 to resolve the deferred firm transportation development cost rider issue is approved as described herein. It is, further,

ORDERED, That a copy of this entry on rehearing be served on all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Craig A. Glazer, Chairman

Jolynn Barry Butler

Ronda Hartman Fergus

David W. Johnson

Judith A. Jones

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