

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
Cincinnati Gas & Electric Company for a) Case No. 03-644-GA-UNC
Revision to its Gas Cost Recovery Rate.)

ENTRY

The Commission finds:

- (1) On January 27, 2003, The Cincinnati Gas & Electric Company (CG&E) filed its quarterly Gas Cost Recovery (GCR) rate for the effective period March 01, 2003 through May 31, 2003. The GCR provides for the dollar-for-dollar recovery of costs incurred by a natural gas company to purchase and deliver natural gas to its system.
- (2) Since the initial filing of its GCR rate, CG&E has experienced a significant increase in its projected purchase gas costs for gas obtained from the market for the period of April and May 2003. In January 2003 when CG&E calculated its Expected Gas Cost (EGC) component (a major component of its GCR), the market price of natural gas was in the range of approximately \$4.90 to 5.15 per decatherm (DTH) for natural gas deliveries in April and May of 2003. Based on March 5, 2003, NYMEX prices for April and May 2003, the prices of natural gas increased to approximately \$7.00 per DTH for April and \$5.90 per DTH for May. This is an increase of \$1.85 per DTH for April and \$1.00 per DTH for May.
- (3) On March 7, 2003, CG&E filed an application containing revised GCR schedules to incorporate the increase in the market price of gas in its EGC calculation for the months of April and May 2003.
- (4) In its application, CG&E requested approval to increase its January 27, 2003 filed GCR rate from \$5.988 per 1000 cubic feet (MCF) to \$7.740 per MCF. This is an increase of \$1.752 per MCF for the months of April and May 2003. The entire amount of the increase is reflected in the EGC rate, as the January 27 filing goes from \$5.955 per MCF to the March 7 proposed rate of \$7.707 per MCF. CG&E also requests waiver of the notice requirement contained within Section 4901:1-14-06(A) of the Ohio Administrative Code in order that the revised GCR rate proposed in the application can become effective on the proposed March 31, 2003 effective date.
- (5) On March 21, 2003, CG&E filed an amendment to its March 7, 2003, application. The amendment noted the downward movement of market prices since the filing of the application and requested that the proposed EGC rate of \$7.707 per MCF be

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revised down to \$6.572 per MCF. This is a reduction of \$1.135 per MCF from the EGC rate contained in the March 7 application. CG&E's GCR rate under the amended application would be \$6.605 per MCF.

- (6) Approval of CG&E's amended rate as filed on March 21, 2003 more closely matches revenues with expected costs and reduces the likelihood of a large future adjustment for any over-or under-recovery of its gas costs resulting from its January filed GCR rate or the proposed rate. Approval of this amended application will also more closely reflect the prevailing market prices of natural gas and pricing by natural gas suppliers participating in CG&E customer choice program.
- (7) On March 13, 2003, Shell Energy Services Company, LLC (Shell) and Energy America, LLC (Energy America) filed a Motion to Intervene in this proceeding along with a Motion for Commission-Ordered Investigation into the Gas Cost Recovery Rules. A motion was also filed to request Craig G. Goodman be permitted to practice *pro hac vice* in this proceeding. Both Shell and Energy America are certified natural gas retail suppliers in Ohio and serve customers in the Dominion East Ohio and Columbia Gas of Ohio service territories. In their motion, Shell and Energy America state that they do not oppose the Application but believe a more lasting solution to GCR price volatility must be found as opposed to, what they characterize as, the "routine application of ad hoc fixes to the current GCR process." Shell and Energy America believe that alternatives to the current GCR, including the possibility of moving to a monthly GCR, should be examined in a formal Commission investigation that would result in revised GCR rules prior to the next winter heating season.
- (8) On March 21, 2003, the National Energy Marketers Association (NEM) filed a Motion to Intervene and Comments in this proceeding. NEM is a national, non-profit trade association representing both wholesale and retail marketers of energy and energy-related products. NEM supports the comments filed by Shell and Energy America that call for a reform of the GCR process to make it more reflective of market conditions. It suggests that movement to a monthly GCR would be a first step toward that goal. NEM further states that the ultimate goal of the PUCO should be to facilitate utility exit from the merchant function.
- (9) On March 20, 2003, the Ohio Partners for Affordable Energy filed a Motion to Intervene and Memorandum in Support and a Motion Requesting the Commission Impose a Two Month Moratorium on Disconnections. A motion was also filed to

request David C. Rinebolt be permitted to practice *pro hac vice* in this proceeding. OPAE is a nonprofit organization that advocates on behalf of affordable energy policies for low and moderate income Ohioans. OPAE's membership includes more than 60 nonprofit organizations providing energy services to low-income customers throughout Ohio. In its memorandum in support, OPAE states it does not oppose the increases in the GCR rates requested in the application. They are concerned, however, with the impacts of these increases on the low-income customers served by their members. The price increase coming on top of already high prices and a colder than normal winter, will stretch many family budgets to the breaking point.

- (10) CG&E's amended application is reasonable and should be approved. The Commission believes that granting the amended application under the circumstances will be in the best interest of both CG&E and its customers.
- (11) In its Motion requesting a two month moratorium on disconnections OPAE argues that the rate increase requested in this application comes at a time when there are limited resources available to assist consumers facing these increases. The Emergency-HEAP season, ends March 31, 2003 and benefits will not be available to customers unable to afford their bills. OPAE requests the Commission issue the temporary moratorium for the months of April and May to allow OPAE the opportunity to work with federal, state and local governments, LDCs and other parties to make available additional resources to payment troubled households.
- (12) The Commission does not believe that the incremental increase requested in this application is significant enough to justify such a substantial change in our disconnection policies. This is particularly true since the increase is in effect only for the months of April and May when consumption is relatively low. We will deny the OPAE motion for a two month moratorium on disconnections.
- (13) The Commission agrees in principle with Shell, Energy America, NEM, and OPAE that alternatives to the current GCR mechanism should be explored. We will not at this point, however, open a formal docket to explore those alternatives. We will direct staff to meet informally with the local distribution companies and other interested parties to explore alternatives to the GCR process that could be implemented by the next heating season, including but not limited to, moving to monthly Expected Gas Cost adjustments. We further find that the motions to intervene filed by Shell, Energy America, NEM, and

OPAE should be denied since we are choosing not to conduct a hearing on the application at this time.

It is, therefore,

ORDERED, That the rate contained in the amended CG&E's application for its Gas Cost Recovery rate filed on March 21, 2003, shall be effective for bills rendered in April and May 2003. It is, further,

ORDERED that the request for waiver of the notice requirement contained within Section 4901:1-14-06(A) of the Ohio Administrative Code is approved. It is, further

ORDERED, That the motions to intervene of Shell, Energy America and National Energy Marketers Association and Ohio Partners for Affordable Energy are denied, and that the motion to open a commission ordered investigation is denied. It is, further,

ORDERED, That the motion of the Ohio Partners for Affordable Energy requesting a temporary moratorium on disconnections for the months of April and May 2003 is denied. It is, further

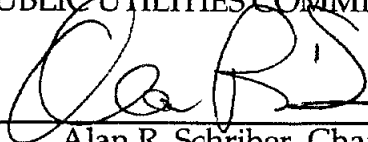
ORDERED, That the effect of this revision be reviewed during the annual financial audit of the Gas Cost Recovery mechanism which covers the effective period of these rates. It is, further,

ORDERED, That the motions to allow Craig G. Goodman and David C. Rinebolt to practice *pro hac vice* before the Commission in this proceeding is granted. It is, further

ORDERED, That this case be closed of record. It is, further,

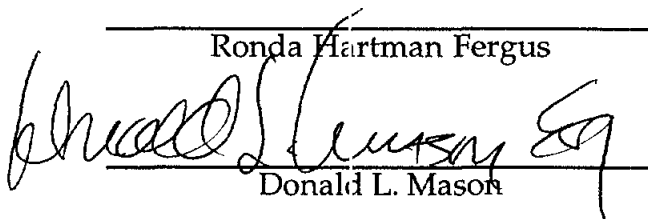
ORDERED, That a copy of this Entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman

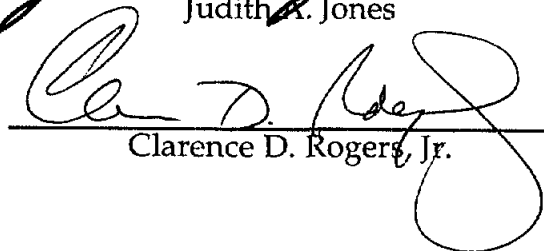
Ronda Hartman Fergus



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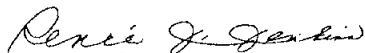


Clarence D. Rogers, Jr.

RS:ss

Entered in the Journal

MAR 25 2003



Renee J. Jenkins

Secretary

CASE NUMBER: 03-0644-GA-UNC
CASE DESCRIPTION: CINCINNATI GAS & ELECTRIC COMPANY
DOCUMENT SIGNED ON: 3/25/2003
DATE OF SERVICE: 03-25-03

PARTIES SERVED

PARTIES OF RECORD

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