BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for Approval of a General Exemption of Certain Natural Gas Commodity Sales Services or Ancillary Services	)))))	**Case No. 21-0903-GA-EXM**
In the Matter of the Application of Duke Energy Ohio, Inc. for Tariff Approval	))	**Case No. 21-0904-GA-ATA**
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods	)))	**Case No. 21-0905-GA-AAM**

DIRECT TESTIMONY OF JOSEPH BIRD
IN SUPPORT OF THE STIPULATION
ON BEHALF OF
INTERSTATE GAS SUPPLY, LLC
AND
THE RETAIL ENERGY SUPPLY ASSOCIATION

August 29, 2023

Q.1. Please state your name, title, and business address.

A.1. My name is Joseph Bird. I am employed by Interstate Gas Supply, LLC (formerly Interstate Gas Supply, Inc.) as a Gas Supply Manager. My business address is 6100 Emerald Parkway, Dublin, Ohio 43016.

Q.2. What is your experience and educational background?

A.2. I received a Bachelor of Science in Business Administration with a specialization in Logistics from The Ohio State University in 2007. Upon graduation, I started with Interstate Gas Supply, LLC ("IGS") as a Gas Supply Analyst. I became a lead natural gas scheduler for several LDCs and interstate pipelines in Ohio and surrounding states. I have extensive knowledge and experience of gas movement in the Appalachian region. In 2018, I was promoted to Gas Supply Manager, and am responsible for a team that purchases physical natural gas supplies, schedules the gas to market, and risk management for IGS gas customers in Ohio.

Q.3. Have you previously testified before the Public Utilities Commission of Ohio?

A.3. No, although I prefiled testimony in these proceedings last year before a partial settlement was reached.

Q.4. On whose behalf are you testifying?

A.4. I am testifying on behalf of IGS and the Retail Energy Supply Association ("RESA").

Q.5. What is the purpose of your testimony?

A.5. My testimony supports the Stipulation and Recommendation ("Stipulation") filed in these proceedings on August 25, 2023, specifically Section IV.A and related tariff changes in Attachments C and F of the Stipulation related to the balancing fees for storage.

Q.6. Can you explain how Duke assigns upstream capacity and storage assets to competitive retail natural gas service suppliers today?

A.6. Yes. Per the tariff rate Full Requirements Aggregation Service ("FRAS"), a pro rata portion of Duke's upstream capacity assets is assigned to competitive retail natural gas service ("CRNGS") suppliers based upon market share. This is accomplished on the upstream pipeline operators' electronic bulletin board using the FERC capacity release process. Duke does not release its storage assets to CRNGS suppliers on upstream pipelines. Rather, it assigns the costs of such assets through the Enhanced Firm Balancing Service ("EFBS") tariff. While Duke retains physical control and ownership of the storage assets (i.e., the underground storage facilities), it provides a storage bank to CRNGS suppliers that closely resembles the storage service provided to Duke on the upstream pipeline.

Q.7. How are storage assets used to balance the system today?

A.7. Duke provides CRNGS suppliers a Target Supply Quantity ("TSQ") for each day. Suppliers nominate gas to specified Duke city gates each day equal to the TSQ. If a supplier delivers less than the TSQ, Duke pulls gas that the supplier has purchased and owns from storage and reduces that supplier's EFBS storage bank. If a supplier delivers more than the TSQ, Duke adds the supplier's gas to the supplier's EFBS storage bank. City gate imbalances between aggregate nominations and actual aggregate demand are reconciled with Duke's storage assets, or similar no-notice service and operational balancing agreements.

Q.8. Does Duke offer CRNGS suppliers any other balancing services today?

A.8. Yes, suppliers whose pools are over a maximum daily quantity ("MDQ") of 6,000 dekatherms per day are required to take service under EFBS. The Commission made this determination in Case No. 15-50-GA-UNC. However, suppliers with an MDQ between 1,000 or less than 6,000 may take either EFBS or Firm Balancing Service ("FBS"). Suppliers under 1,000 receive service under FBS. Under FBS, a supplier must simply deliver gas based upon the TSQ, without an obligation to cycle Duke's storage assets or otherwise comply with the requirements under the EFBS tariff. Suppliers pay Duke for service under the EFBS and FBS schedules.

Q.9. How does Duke currently allocate storage costs to gas cost recovery customers today?

A.9. Under the gas cost recovery ("GCR"), the storage costs are technically a pass through of upstream costs net of payments from suppliers that take service under FBS and EFBS. If Duke undercollects its storage costs, Duke increases the GCR rate to account for the undercollection. Conversely, if Duke overcollects its storage costs, it decreases the GCR rate to address the overcollection.

Q.10. Have you reviewed the Stipulation filed on August 25, 2023 in these proceedings?

A.10. Yes, I have.

Q.11. Would you describe Section IV.A of the Stipulation?

A.11. The Signatory Parties agree to modify the current methodology for assessing the balancing fees such that these fees will be charged directly to customers regardless of their shopping/non-shopping status. This stipulated change promotes a level playing field between default service and CRNGS suppliers.

Section IV.A has three parts:

- IV.A.1 Timing and Notification: The Signatory Parties agreed that the transition to the new balancing fee assessment methodology will be effective as of April 1, 2025, which allows time to inform customers that these charges will be billed directly to customers. Duke will notify the customers via bill messages, and will notify all CRNGS providers of the change and require each CRNGS supplier must submit a statement/affidavit to Duke confirming that it has modified its customer rates accordingly. Duke will work with Staff on the wording of the notices to customers and CRNGS suppliers, and Duke will notify Staff if a CRNGS supplier does not provide the statement/affidavit.
- III.A.2 Collection under New Rider: The Signatory Parties agreed that all storage and balancing charges will be included in the new nonbypasable Storage Balancing Charge Rider ("Rider SBC"), which will be charged to the customers. Revenue from Rate IMBS and any pipeline penalties related to storage that are passed on to suppliers will be credited to Rider SBC. Penalties from the interstate pipeline storage providers will be allocated and billed to the supplier(s) which caused the penalties, and the revenue will be credited to the SBC rider.
- III.A.3 Corresponding Revisions to Other Existing Tariffs: Duke Energy Ohio agreed to modify several existing tariffs:
    - Withdraw and cancel Rider FBS, thereby eliminating the balancing service charge applied to the CRNGS suppliers taking FBS.

- Revise Rate FRAS to clarify that any supplier not currently participating in Rider EFBS will be required to match deliveries to the TSQ, and that any supplier whose MDQ exceeds 6,000 Dth on March 7th for the gas year starting the following April 1 will be required to take service under Rider EFBS.
- Revise Rider EFBS to remove the charges applied to the CRNGS suppliers taking EFBS, and to clarify which CRNGS suppliers can take EFBS (only CRNGS suppliers who are taking EFBS service as of the date the Commission approves this Stipulation; and any CRNGS suppliers whose MDQ is equal to or greater than 6,000 Dth on March 7th for the gas year starting the following April 1st.

Q.12. Was the Stipulation, including Section IV.A, the product of serious bargaining?

A.12. Yes. RESA and IGS were active participants in the settlement discussions related to the Stipulation. Parties to these proceedings were invited to the discussions related to the issues and the Stipulation. Numerous settlement meetings were held, issues were debated, and the Stipulation, including the final language in Section IV.A of the Stipulation is the result of those negotiations.

Q.13. Do RESA and IGS see benefits to Section IV.A in the Stipulation?

A.13. Yes, Section IV.A provides several benefits. First, the Stipulation will create competitive parity with the balancing fees changes – allocating all storage-related demand costs to a single charge directly imposed to customers. Thus, the Stipulation will treat the suppliers and customers the same as relates to storage and balancing costs regardless of whether the customers are taking default service or CRNGS.

Second, the Stipulation will eliminate the disparate imposition of risks and obligations related to balancing storage fees that the Application could have caused (namely, the proposal to eliminate risks and obligations from default service suppliers while leaving the same set of risks and obligations on CRNGS suppliers).

Third, the stipulated change alleviates an issue regarding EFBS service that arose in Duke's most recent audit report in Case No. 21-218-GA-GCR. In that case, the Auditor recommended that EFBS charges should be reconciled to actual upstream costs. Such a reconciliation, however, is currently very difficult in many instances. For example, there can be timing differences between the EFBS rate and effective date of upstream costs components of that rate. Given the differing supplier product mix, contract mix, hedging strategies, and regulatory rules, attempting to reconcile such cost and revenue differences on a retroactive basis is akin to attempting to unscramble an egg. By moving the recovery of storage-related demand costs to a customer charge for both the SSO and CRNGS suppliers, it will be much easier to reconcile revenues to costs in the future.

Q.14. Do you believe that Section IV.A supports a finding that the Stipulation is in the public interest?

A14. Yes. Section IV.A is in the public interest. It amicably resolves supplier concerns and the debate about the proposed exemption framework and tariff changes in these cases. Additionally, Section IV.A is in the public interest because suppliers and their customers will not create competitive disparity. The stipulated terms also ensure that implementation will occur with ample lead time, with vetted messaging to both customers and suppliers, and with confirmation so that customers are not double-charged for balancing storage costs.

Q.15. Do you believe that Section IV.A supports a finding that the Stipulation does not violate regulatory principles and practices?

A.15. Yes, to my knowledge, Section IV.A does not violate any regulatory principle and practices.

Q.16. Does this conclude your direct testimony in support of the Stipulation?

A.16. Yes, but I reserve the right to supplement this testimony.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket cards who have electronically subscribed to the case. In addition, the undersigned certifies that a courtesy copy of the foregoing document is also being served (via electronic mail) on this 29th day of August 2023 upon all persons listed below:

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