***OCC EXHIBIT NO. \_\_\_\_\_\_***

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |  |  |
| --- | --- | --- |
| In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan. | )  )  ) | Case No. 18-0049-GA-ALT |
| In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Increase in Gas Rates.  In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan. | )  )  )  )  )  ) | Case No. 18-0298-GA-AIR  Case No. 18-0299-GA-ALT |

**DIRECT TESTIMONY**

**OF**

**Robert B. Fortney**

**On Behalf of**

**The Office of the Ohio Consumers’ Counsel**

*65 East State Street, 7th Floor*

*Columbus, Ohio 43215-4213*

**November 7, 2018**

**TABLE OF CONTENTS**

**PAGE**

I. INTRODUCTION 1

II. PURPOSE OF TESTIMONY 3

Attachment RBF-1 Qualifications and Prior Testimony Listing

# I. INTRODUCTION

***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

***A1.*** My name is Robert B. Fortney. My business address is 65 East State Street, Suite 700, Columbus, Ohio 43215. I am a Rate Design and Cost of Service Analyst for the Office of the Ohio Consumers’ Counsel (“OCC”).

***Q2. WHAT ARE YOUR RESPONSIBILITIES AS A RATE DESIGN AND COST OF SERVICE ANALYST?***

***A2***. I am responsible for investigating utility applications regarding rate and tariff activities related to tariff language, cost of service studies, revenue distribution, cost allocation, and rate design that impact the residential consumers of Ohio. My primary focus is to make recommendations to protect residential consumers from unnecessary utility rate increases and unfair regulatory practices.

***Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.***

***A3***. I earned a Bachelor of Science degree in Business Administration from Ball State University in Muncie, Indiana in 1971. I earned a Master of Business Administration degree from the University of Dayton in 1979.

***Q4. PLEASE SUMMARIZE YOUR PROFESSIONAL BACKGROUND AS IT RELATES TO UTILITY REGULATION.***

***A4.*** From July 1985 to August 2012, I was employed by the Public Utilities Commission of Ohio (“PUCO”). During that time, I held a number of positions (e.g., Rate Analyst, Rate Analyst Supervisor, Public Utilities Administrator) in various divisions and departments that focused on utility applications regarding rates and tariff issues. In August 2012, I retired from the PUCO as a Public Utilities Administrator 2, Chief of the Rates and Tariffs Division, which focused on utility rates and tariff matters. The role of that division was to investigate and analyze the rate- and tariff-related filings and applications of the electric, gas, and water utilities regulated by the PUCO and to make Staff recommendations to the PUCO regarding those filings. I joined the OCC in December of 2015.

***Q5. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUCO?***

***A5.*** Yes. I have testified on numerous occasions to advocate to the PUCO the positions of the PUCO Staff. Over the course of my career at the PUCO, I often recommended to the PUCO cost allocation methodologies needed to develop a reasonable distribution of revenues. I also was responsible for recommending reasonable rate designs needed to recover the revenue requirement, by class of service and in total. In addition, I testified for the OCC in five proceedings since joining its staff. A list of proceedings where I have submitted testimony to the PUCO is provided in Attachment RBF-1 to this testimony.

## II. PURPOSE OF TESTIMONY

***Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

***A6.*** The purpose of my testimony is to explain and support OCC’s position protecting residential customers as it relates to the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates (“Application”) filed by Vectren Energy Delivery of Ohio, Inc. (”VEDO” or the “Utility”) in case No. 18-298-GA-AIR.[[1]](#footnote-2) Specifically, I will provide the rationale for OCC’s position regarding one of the recommendations made by the PUCO Staff [[2]](#footnote-3) in the Staff Report[[3]](#footnote-4) filed in this proceeding~~.~~ I am recommending that the PUCO should deny VEDO’s request for its proposed Multi-Family Pilot Program. And I support the PUCO Staff’s recommendation to deny VEDO’s request. [[4]](#footnote-5)

***Q7. Please describe the Utility’s proposal for a Multi-Family Housing Pilot Program funded by all customers?***

***A7.*** In conjunction with its application for an increase in base rates (Case No. 18-0298-GA-AIR), VEDO filed an application for approval of an Alternative Rate Plan (Case No. 18-0299-GA-ALT). As part of its ALT filing, VEDO would provide financial contributions of up to $2,000 per individually metered dwelling towards the costs of the installation of indoor gas piping and venting. These contributions would be paid to builders and developers of multi-family apartments after verifying the actual costs of the installations. The annual cost of the program would be limited to $1 million and these costs would be included in base rates and collected from customers in VEDO’s next rate case. In a future rate case, VEDO would seek to capitalize these program costs and include them as rate base, requiring customers to pay for a return on (profit) and of (by depreciation expense) those financial contributions.

***Q8.******What did the PUCO Staff recommend?***

***A8****.* Staff has correctly concluded that the financial contributions as proposed by VEDO are not capital expenditures recoverable through rate base. The contributions are for piping and venting owned, operated, maintained, and inspected by the builder/developer. Therefore, they are not within VEDO’s ability to direct or dedicate in the service of its customers. I share these Staff positions.

Staff has also correctly found that the contributions are to offset the higher up-front costs of installing natural gas facilities in apartments and condominiums, which are traditionally built to utilize electric-only appliances, due to the lower construction costs. For this reason, Staff correctly does not endorse incentives that promote energy competition between utilities that, in the end, would be paid for by consumers. To my knowledge Staff’s position is consistent with the PUCO practice of rejecting promotional ads aimed at maintaining customer load and acquiring new customers. I share these Staff positions.

***Q9.*** **DO YOU HAVE ANY FURTHER RATIONALE TO SUPPORT STAFF’S RECOMMENDATION?**

***A9.*** Yes. The Pilot Program would provide funds designed to acquire new customers. In general, costs to be collected from consumers should include only those costs that are ordinary and necessary and used by the PUCO to determine total allowable revenues.[[5]](#footnote-6) The Staff normally removes general advertising expenses (i.e. promotional expenses) because they are deemed not appropriate to include for rate making purposes. The contributions proposed by VEDO to developers are similar to general advertising expenses designed expressly to acquire new customers and are not appropriate to include for rate making because they do not provide a direct and primary benefit to customers.

***Q10.*** ***What action do you recommend to the Commission?***

***A10.*** The PUCO Staff properly recommended in its Staff Report that the PUCO deny VEDO’s request for a Multi-Family Pilot Program. I also recommend that the PUCO deny VEDO’s request for a Multi-Family Pilot Program and I support Staff’s recommendation to reject the Utility’s proposal.

***Q11.*** ***Does that conclude your testimony?***

***A11.*** Yes, it does. However, I reserve the right to incorporate new information that may subsequently become available. I also reserve the right to supplement my testimony in the event the Utility, the PUCO Staff, or any other party submits new or corrected information in connection with this proceeding.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Direct Testimony of Robert B. Fortney on behalf of the Office of the Ohio Consumers’ Counsel* has been served upon those persons listed below via electronic service this 7th day of November 2018.

*/s/ William J. Michael\_\_\_*

William J. Michael

Counsel of Record

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**Attachment RBF-1**

**Page 1 of 2**

Robert Fortney

Proceedings with Testimony Submitted to the Public Utilities Commission of Ohio

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| --- | --- | --- |
| Company | Docket No. | Date |
| Cleveland Electric Illuminating Company | 85-675-EL-AIR | 1986 |
| Cleveland Electric Illuminating Company | 86-2025-EL-AIR | 1987 |
| Toledo Edison Company | 86-2026-EL-AIR | 1987 |
| Ohio Edison Company | 87-689-EL-AIR | 1987 |
| Cleveland Electric Illuminating Company | 88-170-EL-AIR | 1988 |
| Toledo Edison Company | 88-171-EL-AIR | 1988 |
| Ohio Edison Company | 89-1001-EL-AIR | 1990 |
| Cincinnati Gas & Electric Company | 91-410-EL-AIR | 1991 |
| Columbus Southern Power Company | 91-418-EL-AIR | 1992 |
| Cincinnati Gas & Electric Company | 92-1464-EL-AIR | 1993 |
| Ohio Power Company | 94-996-EL-AIR | 1994 |
| Toledo Edison Company | 94-1987-EL-CSS | 1995 |
| Cleveland Electric Illuminating Company | 94-1964-EL-CSS | 1995 |
| Toledo Edison Company | 95-299-EL-AIR | 1995 |
| Cleveland Electric Illuminating Company | 95-300-EL-AIR | 1996 |
| All Electric Companies (Rulemaking Proceeding) | 96-406-EL-COI | 1998 |
| Cleveland Electric Illuminating Company | 97-358-EL-ATA | 1998 |
| Toledo Edison Company | 97-359-EL-ATA | 1998 |
| Cleveland Electric Illuminating Company | 97-1146-EL-COI | 1998 |
| Toledo Edison Company | 97-1147-EL-COI | 1998 |
| FirstEnergy | 96-1211-EL-UNC | 1998 |
| Columbus Southern Power Company | 01-1356-EL-ATA | 2002 |
| Columbus Southern Power Company | 01-1357-EL-AAM | 2002 |
| Rulemaking Proceeding | 01-2708-EL-COI | 2002 |
| FirstEnergy | 01-3019-EL-UNC | 2002 |
| Ohio Power Company | 01-1358-EL-ATA | 2002 |
| Ohio Power Company | 01-1359-EL-AAM | 2002 |
| The Dayton Power and Light Company | 02-0570-EL-ATA | 2003 |
| Dayton Power and Light Company | 02-2364-EL-CSS | 2003 |
| Dayton Power and Light Company | 02-2879-EL-AAM | 2003 |
| Dayton Power and Light Company | 02-2779-EL-ATA | 2003 |
| FirstEnergy Corporation | 03-2144-EL-ATA | 2004 |
| Cincinnati Gas & Electric Company | 03-0093-EL-ATA | 2004 |
| Cincinnati Gas & Electric Company | 03-2079-EL-AAM | 2004 |
| Cincinnati Gas & Electric Company | 03-2081-EL-AAM | 2004 |
| Monongahela Power Company | 04-0880-EL-UNC | 2004 |

**Attachment RBF-1**

**Page 2 of 2**

|  |  |  |
| --- | --- | --- |
| Monongahela Power Company | 05-0765-EL-UNC | 2005 |
| Dayton Power and Light Company | 05-0276-EL-AIR | 2005 |
| FirstEnergy | 07-0551-EL-AIR | 2008 |
| FirstEnergy | 08-0936-EL-SSO | 2008 |
| FirstEnergy | 08-0935-EL-SSO | 2008 |
| Ormet Primary Aluminum Corporation | 09-0119-EL-AEC | 2009 |
| Cleveland Electric Illuminating Company | 08-1238-EL-AEC | 2009 |
| Columbus Southern Power Company | 09-0516-EL-AEC | 2009 |
| FirstEnergy | 10-0388-EL-SSO | 2010 |
| FirstEnergy | 10-0176-EL-ATA | 2011 |
| Columbus Southern Power Company | 11-0346-EL-SSO | 2011 |
| Ohio Power Company | 11-0348-EL-SSO | 2011 |
| Columbus Southern Power Company | 10-0343-EL-ATA | 2011 |
| Ohio Power Company | 10-0344-EL-ATA | 2011 |
| AEP Ohio | 10-2376-EL-UNC | 2011 |
| AEP Ohio | 10-2929-EL-UNC | 2011 |
| AEP Ohio | 11-4921-EL-RDR | 2011 |
| FirstEnergy | 12-1230-EL-SSO | 2012 |
| AEP Ohio | 14-1693-EL-RDR | 2015 |
| Aqua | 16-0907-WW-AIR | 2016 |
| Dayton Power and Light Company | 16-0395-EL-SSO | 2017 |
| AEP Ohio  Dayton Power and Light Company | 16-1852-EL-SSO  15-1830-EL-AIR | 2017  2017 |

1. See *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates,* Case No 18-0298-GA-AIR (March 30, 2018)(“Application”). [↑](#footnote-ref-2)
2. See Case No. 18-0298-GA-AIR, Objections to the PUCO Staff’s Report of Investigation by the Office of the Ohio Consumers’ Counsel (October 31, 2018), **page 6.** [↑](#footnote-ref-3)
3. See Case No. 18-0298-GA-AIR, Staff Report (October 1, 2018). [↑](#footnote-ref-4)
4. Staff Report, page 24. [↑](#footnote-ref-5)
5. 4909.151, ORC, Consideration of costs attributable to service. [↑](#footnote-ref-6)