OCC EXHIBIT _____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Gas Rates.	)))	Case No. 07-589-GA-AIR
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of an Alternative Rate Plan for its Gas Distribution Service.	))))	Case No. 07-590-GA-ALT
In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods.	)))	Case No. 07-591-GA-AAM

REBUTTAL TESTIMONY

of

WILSON GONZALEZ

ON BEHALF OF THE
OFFICE OF THE OHIO CONSUMERS' COUNSEL
10 West Broad St., Suite 1800
Columbus, OH 43215

March 6, 2008

TABLE OF CONTENTS

ATTACHMENTS

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.

A1. My name is Wilson Gonzalez. My business address is 10 West Broad Street, Suite 1800, Columbus, Ohio, 43215-3485. I am employed by the Office of the Ohio Consumers' Counsel ("OCC" or "Consumers' Counsel") as a Senior Regulatory Analyst.

Q2. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE OHIO CONSUMERS' COUNSEL?

A2. Yes.

Q3. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A.3. I am responding to the recommendation to implement what Staff has characterized as a straight fixed variable ("SFV") rate design [1] that is in the prefiled testimony of Stephen E. Puican (who is testifying on behalf of the Staff of the Public Utilities Commission of Ohio ("Commission" or "PUCO") and in the supplemental testimony of Paul G. Smith, and Donald L. Storck (who are testifying on behalf of Duke Energy Ohio ("Duke" or "Company"). The SFV that the PUCO Staff recommends would require Duke's 392,599 residential consumers[2] to pay monthly rates that include a customer charge in the amount of

[1] Tr. Vol.__ (March 5, 2008) at __.

[2] OCC Interrogatory 095 (Rebuttal Attachment WG-1).

\$25.33 by year two of the stipulation instead of the current \$6.00 customer charge.

II. DECOUPLING MECHANISM COMPARED WITH SFV RATE DESIGN

Q4. MR. PUICAN STATES THAT THE SFV RATE DESIGN ACHIEVES THE "PROPER BALANCE" BETWEEN GRANTING UTILITIES MORE CERTAINTY IN RECOVERY OF THEIR AUTHORIZED RETURN AND REMOVING THE UTILITY DISINCENTIVE TO PROMOTE ENERGY EFFICIENCY TO ALLOW CONSUMERS SOME CONTROL OVER THEIR BILLS.[3] DO YOU BELIEVE THAT A SFV RATE DESIGN PROVIDES THE PROPER BALANCE ASSERTED BY STAFF?

A4. No. While it is true that a SFV rate design will stabilize utility revenue and remove the utility disincentive to promote energy efficiency, a properly designed decoupling mechanism, which should be implemented in conjunction with a low customer charge (i.e. \$6.00 per month), would accomplish these same two goals. The superiority of a decoupling mechanism to a SFV rate design, however, is that the decoupling mechanism also maintains the customer incentive to engage in energy conservation. The SFV rate design does not maintain the customer incentive to conserve and further mutes the price signal to the customer.

[3]Staff Ex. No. 3 (Puican) at 4.

Therefore, a decoupling mechanism provides more of a "proper balance" than a SFV rate design. I would recommend that the Commission allow adequate time for an evaluation of the current Vectren pilot decoupling rider[4] which was supported by the Staff before rushing to adopt the more extreme SFV rate design.

Q5. IS A SFV RATE DESIGN PREFERABLE TO DECOUPLING AS STATED IN PAGE 5 OF THE STAFF TESTIMONY?[5]

A5. No, and it is quite the contrary. A decoupling mechanism achieves the same goals of a SFV rate design without removing the price signal for the consumer to conserve. An SFV rate design presents the consumer with a *de facto* declining block rate as demonstrated in Exhibit WG - 2 of my direct testimony. This is not the price signal consumers should be getting as marginal commodity costs stand to increase over time, and distribution system costs continue to increase as the Company continues its AMRP main replacement program, replaces customer Risers and in the future potentially incurs costs by transitioning to an Automatic Meter Reading ("AMR") metering system. As further mentioned in my direct testimony, an SFV rate design also suffers from the following additional problems:[6]

1. SFV rate design is regressive on low usage and low income customers;
2. SFV rate design may cause very small usage customers to drop off the system;

[4] Vectren Energy Delivery of Ohio, Inc., Case No. 05-1444-GA-UNC.

[5] Staff Ex. No. 3 (Puican) at 5.

[6] OCC Ex. No. 5 (Gonzalez Direct Testimony) at 14-21.

3. SFV rate design violates the "gradualism" doctrine of rate design.

III. SFV RATE DESIGN AND LOW INCOME CUSTOMERS

Q6. IS A SFV RATE DESIGN MORE LIKELY TO BENEFIT LOW INCOME CUSTOMERS AS ALLEGED IN THE STAFF AND COMPANY TESTIMONY?[7]

A6. No. There are a number of legitimate questions concerning the Staff and Company witness arguments. First, they identify Percentage of Income Payment Plan ("PIPP") customers as representing the larger universe of low income customers in Duke's service territory. This is incorrect. The number of PIPP accounts for Duke is only 10,019[8] whereas a better estimate of the number of low income households (at 150% of the poverty level) in Duke's service territory can be as large as 100,000 of which over 66,000 reside in Hamilton County. This better estimate is based on the 2000 U.S. Census data and information contained on the PUCO's

[7] Staff Ex. No. 3 (Puican) at 5-6, Duke Ex. No. 22 (Storck) at 15, Duke Ex. No. 29 (Smith) at 6.

[8] OCC Ex. No. 15 (Company response to Staff Data Request 17-075).

website,[9] as demonstrated in Table 1 below.[10]

Ratio of Income to Poverty Level by Duke Area (2000 Census)						
Area Name	<50%	50-74%	75-99%	100-124%	125-149%	Totals
Adam-Scio	2,809	2,587	2,513	2,868	2,586	13,363
Brow-Cler	2,113	2,104	2,281	2,487	3,058	12,043
Butler	4,789	2,751	3,490	3,178	4,548	18,756
Clin-Faye-High	1,475	1,409	1,763	2,088	2,133	8,868
Hamilton	18,366	10,327	11,757	12,267	14,027	66,744
Warren	947	640	952	1,226	1,464	5,229
Totals						125,003
Ratio of Income to Poverty Level by Duke County (PUCO Website)						
County Name	<50%	50-74%	75-99%	100-124%	125-149%	Totals
Adams	562	517	503	574	517	2673
Brown-Clermont	2,113	2,104	2,281	2,487	3,058	12043
Butler	4,789	2,751	3,490	3,178	4,548	18756
Clinton	0	0	0	0	0	0
Hamilton	18,366	10,327	11,757	12,267	14,027	66744
Warren	947	640	952	1,226	1,464	5229
Totals						105445

[9] While there are more Duke electric customers than natural gas customers in Ohio, I would expect more of an overlap between the two in Hamilton County.

[10] The information from these tables was obtained from the PUCO's website and from the 2000 census. After obtaining the available census information, I ran a search to see counties served by CG&E. (Duke was not listed as a service provider.) There were two ways to look at the census data, by area or by county. When done by area, multiple counties were grouped together. I present that information in the first table. After looking at county maps for service areas on the PUCO website, I separated out the counties served by Duke and stated numbers for only those counties. The reason for doing this was that the area information would overstate due to the inclusion of counties outside of Dukes service area. This is what accounts for the difference in totals between the two tables. According to the maps on the PUCO website, I saw no service being provided in Clinton County by CG&E (although it is listed as a service county of CGE) and therefore a zero is shown.

Counties Served by CGE
http://www.puc.state.oh.us/website/coldfusion/gascnty/gascntylist.cfm?gasco=CGE&submit=Get+Counties

County Maps on PUCO website
http://www.puc.state.oh.us/pucogis/newcntymaps/gascnty.html

Census Source: Source: 2000 Census of Population and Housing, PUMS-A (Ohio) [machine-readable data file] / prepared by the Census Bureau.

If we take the ratio of Duke's natural gas residential customers to their residential electric customers and multiply this ratio conservatively by the higher populated Hamilton County, we would get a better proxy of the number of Duke's low income customers or approximately 44,000 customers (392,599/600,000 * 66,744). Since PIPP customers (versus the greater number of low income customers not in PIPP) represent only approximately 23 percent of the low income households in Duke's largest county served, the use of them (by Duke and the PUCO Staff) as a proxy for low income households is incorrect and misleading. Furthermore, one would expect PIPP customers to exhibit a higher energy usage bias relative to non-PIPP low income customers because the latter have not availed themselves of the PIPP program, presumably because most of them use less energy and therefore are either better able to pay their bills or would not be better off under the PIPP program. This has in fact been borne out in the latest Ohio Home Weatherization Assistance Program Impact Evaluation which found that PIPP weatherization participants "used 20% more energy than non PIPP [low income] participants."[11] Therefore, PIPP customers cannot serve as a random sample representing the universe of low income customers. If the energy usage of the large non-PIPP low income accounts were averaged with the relatively small number of PIPP accounts, the average total low income usage would be much less than the higher PIPP average being used by Mr. Puican and Mr. Smith to support the SFV rate design. Also, non PIPP low income customers

[11] OCC Ex. No. 16 (Ohio Home Weatherization Assistance Program Impact Evaluation) at 29. Note that page 88 of that study states that the non-participants compared with the weatherization participants had lower incomes.

have a greater immediate need to conserve energy in order to manage their costs. The SFV takes away that very necessary option.

A second concern with the testimony in support of an SFV rate design relates to the fact that the weatherization programs such as the Home Weatherization Assistance Program ("HWAP") and predecessor programs have been implemented by the Ohio Department of Development since 1977.[12] Programs have existed in Duke's Ohio territory and the Company has most recently funded these at the $2 million level. Many low income households have been weatherized in that time. With average net savings from weatherization in the 231 therms per single family home in the Duke service territory per year,[13] this also works to reduce the energy usage of low income household relative to the average Duke customer. In 2006 alone, the Duke-sponsored programs "reached over 1500 people or households through in-home services and education programs."[14]

A third concern with the testimony in support of an SFV rate design relates to the fact that the low income customers are more likely to rent an apartment than to own their own home and therefore use less energy. Table 2 below shows that 40% of the households in Hamilton Country rent, and of the 40% who rent, 83% rent apartments.

[12] OCC Ex. No. 16 (Ohio Home Weatherization Assistance Program Impact Evaluation) at 1.

[13] Id. at 22.

[14] Duke Energy Community Partnership 2006 Annual Report, page 3.

Hamilton County, OH - General Population Housing Statistics		
Type of Unit	**# in county**	**% of Total**
Owner Occupied Units	207,533	60%
Renter Occupied Units	139,257	40%
Total Units	346,790	
% of Renters renting apartments		83%

Table 3 below reveals that 81% of low income households in Hamilton County rent.

Hamilton County, OH - Low Income Population Housing Statistics			
Type of Unit	# in county	% of Total	
Owner Occupied Below Poverty Level	7,741	19%	
Renter Occupied Below Poverty Level[#]	34,013	81%	
Total	41,754		
# Includes any rented property, regardless of single or multi-family status			
x more detail information was not available below the poverty level			
Source: 2000 Census Tables H7, H32, H73, HCT24			

According to the 2001 national Residential Energy Consumption Survey, single family energy usage is significantly higher than multifamily apartment units. This

is demonstrated in Table 4 below where single family homes use 83 mmbtus whereas multifamily apartment complexes use from 71.7 to 28.4 mmbtus.

Total BTU Consumption Per Household (Million Btu)

Fuel	Total	Single Family	2-4 Units	5 or more Units
Natural Gas	72.4	82.0	71.7	28.4

Taken together the information suggests that the majority of low income customers rent, and a majority of them rent apartments. Couple this with the fact that renters consume less natural gas than customers in single family homes, and we have another reason to question the Company and PUCO Staff's version of the consumption level of low income households.

For the three reasons outlined above, I believe that a majority of low income households will be worse off with a SFV rate design than with a low customer charge and a volumetric rate (even with decoupling). Overall, the proposed SFV rate design will have the perverse impact of transferring income from low income households to high income high usage households with big homes. One would also expect the number of PIPP customers to increase with the implementation of a SFV rate design relative to a rate design with a lower customer charge as low income customers experience higher bills, further aggravating the level of the PIPP rider.

Q7. DO YOU BELIEVE THAT THE PILOT LOW INCOME TARIFF THAT IS PART OF THE STIPULATION WILL REMEDY THE SFV'S TRANSFER

OF INCOME FROM LOW INCOME HOUSEHOLDS TO HIGH INCOME HOUSEHOLDS AND PROVIDE RELIEF TO LOW INCOME HOUSEHOLDS?

A7. No. The pilot program will only provide relief for five thousand low income customers or only approximately 11% of the estimated low income customers served by Duke in Hamilton County, and a lower percentage of customers in the 175 % of poverty level group. Nor will it help the low usage customers in the 176 – 250% of poverty guideline who are not eligible for state or federal assistance and will be harmed by the SFV rate design.

IV. CONSUMER ENERGY EFFICIENCY DECISION MAKING

Q8. DO YOU CONCUR WITH THE PUCO STAFF'S TESTIMONY THAT "ARTIFICIALLY INFLATING THE VOLUMETRIC RATE BEYOND ITS TRUE VARIABLE COST BASIS SKEWS THE ANALYSIS AND WILL CAUSE AN OVER-INVESTMENT IN CONSERVATION?"[15]

A8. No, I do not concur for the following reason. For years, compelling arguments have been made that market failures in the energy efficiency markets have led to underinvestment in energy efficiency. These barriers include:[16]

- *Market barriers,* such as the well-known "split incentive" barrier, which limits homebuilders' and commercial developers' motivation to invest in energy efficiency for new buildings because they do not pay the energy bill; and the transaction cost barrier,

[15] Staff Ex. No. 3 (Puican) at 7.

[16] See "National Action Plan for Energy Efficiency," US DOE/EPA, July 2006, page ES-5. These market failures are also recognized in the Concurring Opinion of Commissioners Paul A. Centolella and Valerie A. Lemmie in Vectren Energy Delivery of Ohio, Inc., Case No. 05-1444-GA-UNC, Supplemental Opinion and Order, pages 4 -5.

which chronically affects individual consumer and small business decision-making.

- *Customer barriers,* such as lack of information on energy saving opportunities, lack of awareness of how energy efficiency programs make investments easier, and lack of funding to invest in energy efficiency.

- *Public policy barriers,* which can present prohibitive disincentives for utility support and investment in energy efficiency in many cases.

- *Utility, state, and regional planning barriers,* which do not allow energy efficiency to compete with supply-side resources in energy planning.

- *Energy efficiency program barriers,* which limit investment due to lack of knowledge about the most effective and cost-effective energy efficiency program portfolios, programs for overcoming common marketplace barriers to energy efficiency, or available technologies.

Duke also recognized these residential market barriers when it made its demand-side management ("DSM") application in Case No. 06-91-EL-UNC and stated:

> "Duke Energy Ohio does not intend to develop and offer DSM programs for large energy users since the needs of those users can be effectively met in the market place. Instead, it is the remaining market of residential and small/medium size business users for which Duke Energy Ohio sees the need to offer DSM programs. Those users tend to be overlooked by energy service companies because the level of individual savings is small. However, collectively, the savings can be significant, making this an important effort. These smaller consumers also have the most market barriers hindering action including lack of information, expertise, training, and capital. Duke Energy Ohio, working with the Interested Stakeholders, has developed a wide-ranging set of

DSM programs to address these market barriers for all consumers in its targeted consumer classes."[17]

Furthermore, natural gas energy efficiency programs have environmental benefits and reduce CO2 that in the advent of the future passing of federal mandatory greenhouse gas legislation may lead to an increase in the price of natural gas.

Q9. DUKE WITNESSES SMITH, STORCK AND ZIOLKOWSKI HAVE ALL STATED THAT CUSTOMERS WILL GET THE PROPER PRICE SIGNAL FROM A SFV RATE DESIGN SINCE THE VARIABLE COMMODITY COST REPRESENTS FROM 66 TO 75% OF A CUSTOMERS' BILL. DO YOU AGREE?

A9. No. Although the commodity costs do represent the largest portion of a residential customer's bill, economic theory teaches us that consumers make decisions on the margin.[18] As Exhibit WG-3 of my direct testimony demonstrated, moving from the current $6 customer charge to the $15 charge in the Company's original application, or to the PUCO Staff's proposed $25.33 customer charge in year two, will significantly decrease the payback and overall savings of a consumer's energy efficiency investment, which in turn, may impact their decision to invest in energy efficiency. In this way, a SFV rate design

[17] *In the Matter of the Application for Recovery of Costs, Lost Margin, and Performance Incentive Associated with the Implementation of Electric Residential Demand Side Management Programs by The Cincinnati Gas & Electric Company*, Case No. 06-91-EL-UNC, Amended Application (August16, 2006) at 6.

[18] "Real choices are rarely conditioned by total utilities; it is marginal utilities that are relevant to choices concerning a little more or a little less." Economics, Lipsey and Steiner, 6th edition, 1981, page 132.

undercuts energy efficiency when compared to a rate design with a small fixed charge and a large volumetric charge.

V. HISTORY OF GRADUALISM IN STAFF REPORTS AND COMMISSION ORDERS

Q10. COMPANY WITNESS SMITH STATES IN HIS TESTIMONY IN SUPPORT OF THE STIPULATION THAT THE SFV RATE DESIGN "BENEFITS ALL RESIDENTIAL CUSTOMERS BY REDUCING DISTRIBUTION COSTS DURING THE WINTER HEATING SEASON WHEN NATURAL GAS BILLS ARE THE LARGEST." IS THIS A MAJOR BENEFIT FOR CONSUMERS?

A10. I do not believe that this is a major benefit for customers. Currently Duke residential customers can already subscribe to budget billing to levelize their monthly bills over the year so the SFV rate design benefit attributed by the Company witness is already available to Duke residential customers. The fact that only approximately 20% of Duke residential customers subscribe to budget billing means that 80% of customers have decided not to pay higher bills during the non-winter months.

Q11. IS THE PUCO'S STAFF SFV PROPOSAL CONSISTENT WITH PRINCIPLES OF GRADULAISM?

A11. No. Based on a review of numerous gas rate cases over the past 20 years, the increase from the current customer charge of $6.00 to $20.25 and $25.33 as proposed by the PUCO Staff is significantly greater than any prior customer charge increase for an Ohio gas utility (See Rebuttal Attachment WG-2). Prior to

this case, the PUCO Staff generally recommended a customer charge equal to or less than the calculated average customer charge and within $2.00 or $3.00 dollars of the then-current customer charge. The PUCO Staff Report in those cases often mentioned gradualism as a basis for its recommendation. Gradualism is a rate design principle in which a regulator attempts to minimize the impact of rate changes on the industry and customers. In addition, the Commission seemed to apply the same principles of gradualism in adopting or establishing customer charges in Orders that were within a few dollars of the then-current customer charge.

I am not aware of any instances during this time frame in which the Staff recommended or the Commission established a customer charge that increased by the $14.25 or $19.33 magnitude proposed by the Staff in this case. I do not believe that a proposed increase of the magnitude represented by the Staff proposal is consistent with the principles of gradualism that have long guided both the Staff and Commission.

VI. CONCLUSION

Q12. DOES THIS CONCLUDE YOUR TESTIMONY?

A12. Yes, however, I reserve the right to supplement my testimony to incorporate new information that may subsequently become available.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Rebuttal Testimony of Wilson Gonzalez* on behalf of the Office of the Ohio Consumers' Counsel has been served upon those persons listed below via hand delivery & electronically, this 6th day of March, 2008.

Joseph P. Serio
Assistant Consumers' Counsel

Paul A. Colbert
John Finnigan
Associate General Counsel
Duke Energy Ohio
139 Fourth Street, Room 25 ATII
Cincinnati, Ohio 45201

David F. Boehm
Michael L. Kurtz
Kurt J. Boehm
Boehm, Kutz & Lowry
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202-4454

John M. Dosker
General Counsel
Stand Energy Corporation
1077 Celestial Street, Suite 110
Cincinnati, Ohio 45202-1629

John W. Bentine
Mark S. Yurick
Chester, Willcox & Saxbe LLP
65 East State Street, Suite 1000
Columbus, Ohio 43215-4213

Thomas Lindgren
William Wright
Attorney General's Office
Public Utilities Section
180 East Broad Street, 9th Floor
Columbus, Ohio 43215

David Rinebolt
Colleen Mooney
Ohio Partners for Affordable Energy
231 West Lime Street
P.O. Box 1793
Findlay, Ohio 45839-1793

Sally W. Bloomfield
Thomas J. O'Brien
Bricker & Eckler LLP
100 South Third Street
Columbus, Ohio 43215-4219

Mary W. Christensen
Christensen Christensen Donchatz Kettlewell& Owens, LLC
100 East Campus View Blvd. Suite 360
Columbus Ohio 43235

Howard Petricoff
Vorys, Sater, Seymour and Pease LLP
52 E. Gay Street
Columbus Ohio 43215

Ohio Consumers' Counsel
Fourth Set Interrogatories
Duke Energy Ohio, Inc.
PUCO Case No. 07-589-GA-AIR
PUCO Case No. 07-590-GA-ALT
PUCO Case No. 07-591-GA-AAM
Date Received: August 29, 2007
Response Due: September 18, 2007

OCC-INT-04-095

REQUEST:

95. If the response to the Interrogatory No. 94 is affirmative, what is the reason for such a large difference between the number of total residential customers reported in DE-Ohio's Annual Report to the PUCO, Schedule 33 of 380,774 and 342,507 as used on Attachment JEZ-4, page 1?

RESPONSE:

The residential customer count shown in Attachment JEZ-4, page 1 excludes Residential Firm Transportation customers. The total number of sales and transportation customers from workpaper WPE-4d is 392,599.

See Attachment OCC-INT-04-095 for a revised version of Attachment JEZ-4, page 1 that includes both sales and transportation customer counts is shown below.

WITNESS RESPONSIBLE: James E. Ziolkowski

DUKE ENERGY OHIO
CASE NO. 07-589-GA-AIR
RESIDENTIAL SERVICE
CUSTOMER CHARGE ANALYSIS / MINIMUM BILL RATIONALE
12 MONTHS ENDING DECEMBER 31, 2007

DATA: 3 MONTHS ACTUAL & 9 MONTHS ESTIMATED
TYPE OF FILING: "X" ORIGINAL UPDATED REVISED
WORK PAPER REFERENCE NO(S).: SCHEDULE E-3.2b, WPE-4d

SCHEDULE E-3.1
PAGE 1 OF 3
WITNESS RESPONSIBLE:
J. E. ZIOLKOWSKI

LINE NO	DESCRIPTION	AMOUNT
1	Rate Base	215,512,417
2	Operating Expense	71,772,537
3	Return @ 8.73%	18,814,234
4	Operating Expense plus Return	90,586,771
5	Less Revenue Credits	1,594,102
6	Customer Cost Component (Revenue Requirement)	88,992,669
7	Total Customers	392,599
8	Annual Revenue / Customer	$ 226.68
9	Monthly Revenue / Customer	$ 18.89

Rate Case Staff Report Summary

1. Suburban Natural Gas Company, Case No. 07-689-GA-AIR

Then Current Customer Charge	$6.50
Co. Proposed Customer Charge	$9.18
Staff Calculated Avg. Customer Charge (Staff Report)	$12.15
Staff Recommended Customer Charge (Staff Report)	$9.18
Stipulation/O&O Customer Charge	Still pending

2. Oxford Natural Gas Co., Case No. 06-350-GA-CMR.

Then Current Customer Charge	$8.00
Co. Proposed Customer Charge	$7.50
Staff / Co. Calculated Avg. Customer Charge (Staff Report)	$8.51
Staff Recommended Customer Charge (Staff Report)	$6.00
Stipulation/O&O Customer Charge	$6.50[1]

3. Vectren Energy Delivery of Ohio, Case No. 04-571-GA-AIR

Then Current Customer Charge	$4.00
Co. Proposed Customer Charge	$8.00
Staff Calculated Avg. Customer Charge (Staff Report)	$7.69
Staff Recommended Customer Charge (Staff Report)	$6.50
Stipulation/O&O Customer Charge	$7.00[2]

4. Northeast Ohio Natural Gas Co., Case No. 03-2170-GA-AIR

Then Current Customer Charge	$5.65
Co. Proposed Customer Charge	$6.50
Staff Calculated Avg. Customer Charge (Staff Report)	$7.06
Staff Recommended Customer Charge (Staff Report)	$6.25
Stipulation/O&O Customer Charge	$6.30[3]

---

[1] *In the Matter of the Complaint and Appeal of Oxford Natural Gas Company From Ordinance No. 2896 Passed by Council of the City of Oxford on February 7, 2006*, Case No. 06-350-GA-CMR, Opinion and Order (September 19, 2007) at 4.

[2] *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Authority to Amend its filed Tariffs to Increase the Rates and Charges for Gas Service and Related Matters*, Case No. 04-571-GA-AIR, Opinion and Order (April 13, 2005) at 14.

[3] *In the Matter of the Application of Northeast Natural Gas Corp. for an Increase in its Rates and Charges for Natural Gas Service*, Case No. 03-2170-GA-AIR, Opinion and Order (November 10, 2004). Stipulation (October 22, 2004) Third Revised Sheet No. 13.

5. Cincinnati Gas & Electric, Case No. 01-1228-GA-AIR

Then Current Customer Charge	$5.24
Co. Proposed Customer Charge	$10.00
Staff Calculated Avg. Customer Charge (Staff Report)	$9.11
Staff Recommended Customer Charge (Staff Report)	$6.50
Stipulation/O&O Customer Charge	$6.00[4]

6. Cincinnati Gas & Electric, Case No. 95-0656-GA-AIR

Then Current Customer Charge	$5.50
Co. Proposed Customer Charge	$10.00
Staff Calculated Avg. Customer Charge (Staff Report)	$7.43
Staff Recommended Customer Charge	$7.00
Staff Recommended Customer Charge (Revised)	$5.50
Stipulation/O&O Customer Charge	$5.24[5]

7. Eastern Natural Gas Co., Case No. 95-488-GA-AIR

Then Current Customer Charge	$5.35
Company Proposed Customer Charge	$6.75
Staff Calculated Avg. Customer Charge (Staff Report)	$6.05
Staff Recommended Customer Charge (Staff Report)	$6.05
Stipulation/O&O Customer Charge	$6.35[6]

---

[4] *In the Matter of the Application of the Cincinnati Gas & Electric Company for an Increase in Gas Rates in its Service Territory*, Case No. 01-1228-GA-AIR, Opinion and Order (May 30, 2002). Stipulation at Exhibit 2 (April 17, 2002).

[5] *In the Matter of the Application of the Cincinnati Gas & Electric Company for an Increase in Gas Rates in its Service Territory*, Case No. 95-0656-GA-AIR, Opinion and Order (December 12, 1996) at 24-25 and 45-46. The O&O approved a customer charge of $5.50, but also approved an excise tax rider to collect excise tax amounts formerly recovered through base rates. Therefore, the final tariff for customer charge reflected $5.24 instead of $5.50.

[6] *In the Matter of the Application of Eastern Natural Gas Company to Increase Rates for its Natural Gas Service Area and Related Maters,* Case No. 95-488-GA-AIR, Opinion and Order (May 2, 1996). *In the Matter of the Application of Pike Natural Gas Company and Eastern Natural Gas Company to Reduce Base Rates and Establish a GCR-Related Gross Receipts Tax Expense Rider, Establish A New Main Line Extension Tariff Option, and Modify its Existing Transportation Tariff,* Case No. 02-2671-GA-ATA, Application (October 15, 2002).

8. Columbia Gas of Ohio, Inc., Case No. 94-987-GA-AIR

Then Current Customer Charge	$6.50
Co. Proposed Customer Charge	$6.50
Staff Calculated Avg. Customer Charge (Staff Report)	N/A
Staff Recommended Customer Charge (Staff Report)	N/A
Stipulation/O&O Customer Charge	$6.50[7]

9. East Ohio Gas Co., River Gas Co., Case No. 93-2006-GA-AIR

Then Current Customer Charge	$4.28 (DEO)/$5.90 (River)
Co. Proposed Customer Charge	$7.80
Staff Calculated Avg. Customer Charge (Staff Report)	$5.72
Staff Recommended Customer Charge (Staff Report)	$5.70
Stipulation/O&O Customer Charge	$5.70[8]

10. Murphy Gas Co., Case No. 93-312-GA-AIR

Then Current Customer Charge	$5.25
Co. Proposed Customer Charge	$3.25
Staff Calculated Avg. Customer Charge (Staff Report)	$3.42
Staff Recommended Customer Charge (Staff Report)	$3.25
Stipulation/O&O Customer Charge	$3.25[9]

11. Cincinnati Gas & Electric, Case No. 92-1463-GA-AIR

Then Current Customer Charge	$5.30
Co. Proposed Customer Charge	$6.00
Staff Calculated Avg. Customer Charge (Staff Report)	$6.77
Staff Recommended Customer Charge (Staff Report)	$6.00
Stipulation/O&O Customer Charge	$5.50

---

[7] *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Service*, Case No. 94-987-GA-AIR, Opinion and Order (September 29, 1994). Stipulation (June 3, 1994) at Attachment A, Seventh Revised Sheet No. 37.

[8] *In the Matter of the Application of the East Ohio Gas Company and the River Gas Company for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Service*, Case No. 93-2006-GA-AIR, Opinion and Order (November 3, 1994). Stipulation (October 12, 1994) at Exhibit A-1.

[9] *In the Matter of the Application of Murphy Gas Inc., for an Increase in Rates and Charges*, Case No. 93-312-GA-AIR, Opinion and Order (October 14, 1993) at 4.

12. Columbia Gas of Ohio, Inc., Case No. 91-195-GA-AIR

Then Current Customer Charge	$6.25
Co. Proposed Customer Charge	$7.40
Staff Calculated Avg. Customer Charge (Staff Report)	$7.00
Staff Recommended Customer Charge (Staff Report)	$7.00
Stipulation/O&O Customer Charge	$6.50[10]

13. Dayton Power & Light Co., Case No. 91-415-GA-AIR

Then Current Customer Charge	$4.15
Co. Proposed Customer Charge	$5.00
Staff Calculated Avg. Customer Charge (Staff Report)	$5.23
Staff Recommended Customer Charge (Staff Report)	$5.00
Stipulation/O&O Customer Charge	$4.00[11]

14. River Gas Co., Case No. 90-395-GA-AIR

Then Current Customer Charge	$4.30
Co. Proposed Customer Charge	$6.50
Staff Calculated Avg. Customer Charge (Staff Report)	$5.70
Staff Recommended Customer Charge (Staff Report)	$5.70
Stipulation/O&O Customer Charge	$5.90[12]

15. Cincinnati Gas & Electric, Case No. 90-390-GA-AIR

Then Current Customer Charge	$4.00
Co. Proposed Customer Charge	$6.00
Staff Calculated Avg. Customer Charge (Staff Report)	$6.10
Staff Recommended Customer Charge (Staff Report)	$6.00
Stipulation/O&O Customer Charge	$5.30[13]

---

[10] *In the Matter of the Application of Columbia Gas of Ohio, Inc. to Increase Gas Sales and Certain Transportation Rates Within its Service Area*, Case No. 91-195-GA-AIR, Opinion and Order (November 27, 1991). Stipulation (October 23, 1991) Attachment A, Sixth Revised Sheet No. 37.

[11] *In the Matter of the Application of Dayton Power and Light Company for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services*, Case No. 91-415-GA-AIR, Opinion and Order (February 20, 1992). Stipulation (January 3, 1992) Exhibit B Eighth Revised Sheet No. 16.

[12] *In the Matter of the Application of the River Gas Company for Authority to Amend its Filled Tariffs to Increase the Rates and Charges for Gas Service*, Case No. 90-935-GA-AIR, Opinion and Order (January 10, 1991) at 5.

[13] *In the Matter of the Application of the Cincinnati Gas & Electric Company to File an Application for an Increase in Gas Rates in its Service Area*, Case No. 90-390-GA-AIR, Opinion and Order (January 3, 1991) at 45.

16. Eastern Natural Gas Co., Case No. 89-1714-GA-AIR

Then Current Customer Charge	$5.00
Co. Proposed Customer Charge	$6.50
Staff Calculated Avg. Customer Charge (Staff Report)	$9.32
Staff Recommended Customer Charge (Staff Report)	$9.30
Stipulation/O&O Customer Charge	$5.35[14]

17. Columbia Gas of Ohio, Inc., Case No. 89-616-GA-AIR

Then Current Customer Charge	$6.00
Co. Proposed Customer Charge (Seasonal)	$7.64 -- $9.03
Staff Calculated Avg. Customer Charge (Staff Report)	$7.88
Staff Recommended Customer Charge (Staff Report)	$6.25
Stipulation/O&O Customer Charge	$6.25[15]

18. Columbia Gas of Ohio, Inc., Case No. 88-716-GA-AIR

Then Current Customer Charge	$4.5- to $5.25
Co. Proposed Customer Charge (Seasonal)	$7.29 to $9.25 (summer) $4.68 to $6.03 (winter)
Staff Calculated Avg. Customer Charge (Staff Report)	$7.79
Staff Recommended Customer Charge (Staff Report)	$6.00
Stipulation/O&O Customer Charge	$6.00[16]

[14] *In the Matter of the Application of the Eastern Natural Gas Company to Increase Rates for its Natural Gas Service Area and Related Matters*, Case No. 89-1714-GA-AIR, (November 6, 1990) at 5-6.

[15] *In the Matter of the Applications of Columbia Gas of Ohio, Inc. to Establish a Uniform Rate Natural Gas Service Within the Company's Northwestern Region, Lake Erie Region, Central Region, Eastern Region, and Southeastern Region*, Case Nos. 89-616-GA-AIR et. al., Opinion and Order (April 5, 1990) at 82.

[16] *In the Matter of the Applications of Columbia Gas of Ohio, Inc. to Establish a Uniform Rate Natural Gas Service Within the Company's Northwestern Region, Lake Erie Region, Central Region, Eastern Region, and Southeastern Region*, Case Nos. 88-716-GA-AIR et. al., Opinion and Order (October 17, 1989) at 89.

92

The Public Utilities Commission of Ohio

A report by the Staff of the Public Utilities Commission of Ohio

Suburban Natural Gas Company

Case No. 07-689-GA-AIR

Rate Design and Schedules

Staff Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred. In recommending customer charges, Staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

Table 5 illustrates the Staff's method for the calculation of the customer charges.

Given the results of the analysis, Staff supports a customer charge of $9.18 which is what the Applicant is asking for in this case. However, it should be noted that the Commission Staff would like to see the Applicant move towards a "Straight Fixed Variable Costing" methodology for future customer charge calculation.

Table 5

Customer Charge Analysis

Account			
	Distribution Expenses:		
878	Meter and House Regulators		288,355
879	Customer Installations		161,885
	Total Distribution Expenses		450,240
	Customer Accounting and Expenses:		
901	Supervision		70,454
902	Meter Reading		124,753
903	Customer Records and Collection		1,396
905	Customer Assistance Information		
	Total Customer Expenses		196,603
	Total Distribution Expenses		450,240
	Total Distribution and Customer Expenses		646,843
	Net Plant Expenses		
380	Services		3,302,276
381	Meters		1,621,684
383	House Regulators		347,343
	Total Plant Accounts		5,271,303
	Return on Total Plant Accounts	8.77%	462,293
	Property Taxes		322,852
	Depreciation Expenses		504,303
	Total		1,289,448
	Total Distribution and Customer Expenses		646,843
	Customer Charge Revenue		1,936,291
	Customer Bills	13,281	
	Average Monthly Customer Charge		$12.15
	Staff Recommended Monthly Customer Charge		$9.18

Current and Proposed Rate Design

The Applicant proposes to continue its current rate design. Staff recommends Applicant's general rate design, with adjustments made to compensate for differences in revenue requirements.

Rate Schedule Comparison

A table showing Applicant's Current and Proposed rate schedules, along with Staff recommended rate schedules are shown in Table 6.

Table 6

	Current	Company Proposed	Staff Proposed
General Service			
Northern System	$ 6.50	$ 9.18	$ 9.18
Southern System	$ 5.00	$ 9.18	$ 9.18
All Mcf:			
Northern System	2.6935	2.97874	2.84541
Southern System	2.271	2.97874	2.84541

TYPICAL BILLS

Typical bills are shown in E-5 Schedules at the end of this report.

STAFF'S REPORT
OF
INVESTIGATION

In the Matter of the Complaint and Appeal of Oxford Natural Gas Company from Ordinance No. 2896 Passed by the Council of the City of Oxford on February 7, 2006.	))))	Case No. 06-350-GA-CMR

Submitted
to
The Public Utilities Commission

Table 4

Total Revenue Distribution Including Gas Costs and Miscellaneous Revenues

	Current	Company Proposed	Staff Rec'd
General Service	94.21%	93.82%	95.13%
Industrial/ Transportation	3.97	4.30	2.57 (Excludes Miami low pressure)
Late Payment Revenues	1.62	1.49	1.80
Misc. Revenues	0.21	0.39	0.50
Total Revenue	100.00%	100.00%	100.00%

Current & Company Proposed based on Table 2
Staff Rec'd based on Table 2(a)

Rate Design and Schedules

Staff Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred. In recommending customer charges, Staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

The Applicant provided a customer charge rationale using a methodology similar to Staff's. Although, Staff finds the methodology reasonable, the expense amounts used in the rationale can not be supported. To validate the expense amounts as shown in the Applicant's calculation, Staff requested that the Applicant provide a copy of the document/documents

supporting these numbers. The Applicant's calculation generated an average monthly charge of $8.51. However, the Applicant is proposing a $7.50 residential customer charge and a $15.00 commercial customer charge. The commercial charge is premised on commercial meters costing more than the standard residential meter. Staff does not disagree with the fact that commercial meters are generally higher. What staff does disagree with is the lack of support showing how the proposed commercial customer charge is reasonable and justified. Staff recommends that the company establish record keeping according to FERC guidelines so that costs can be identified in appropriate accounts and expenses are allocated by class supporting such proposal. In this case Staff is proposing a revenue requirement that is less than what the Applicant is currently recovering. Several considerations are factored in this case taking into account the amount of the proposed reduction and the fixed revenue recovery through the customer charge.

Given the results of the analysis and Staff's proposed revenue recovery, Staff is proposing a $6.00 customer charge for both residential and commercial customers.

Current and Proposed Rate Design

Applicant proposes to continue its current rate design. Staff recommends Applicant's general rate design, with adjustments made to compensate for differences in revenue requirements.

Rate Schedule Comparison

A table showing Applicant's Current and Proposed rate schedules, along with the Staff recommended rate schedules are shown in Table 5.

Table 5

	Current	Company Proposed	Staff Proposed
General Service			
Customer Charge:			
Residential	$ 8.00	$ 7.50	$ 6.00
Commercial	8.00	15.00	6.00
All Mcf:	$ 3.05	$ 4.10	$ 0.7623

FILE

167

A report by the Staff of the Public Utilities Commission of Ohio

Staff Report of Investigation

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. For Authority to Amend Its Filed Tariffs To Increase the Rates and Charges for Gas Service and Related Matters.	)	Case No. 04-571-GA-AIR
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. For Authority to Modify Current Accounting Procedures to Defer Expenditures Incurred Arising from Compliance with Federal Pipeline Safety Requirements.	)	Case No. 04-421-GA-AAM
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Change Depreciation Accrual Rates for Its Gas Facilities.	)	Case No. 04-794-GA-AAM

The Public Utilities Commission of Ohio
www.PUCO.ohio.gov • 1-800-686-PUCO
180 E. Broad Street Columbus, Ohio 43215

Table 6
SGS - Small General Service

Account			
	Distribution Expenses		
878	Meter and House Regulators		$ 170,540
879	Customer Installations		2,212,666
	Total Distribution Expensed		2,383,206
	Customer Accounting and Expenses		
901	Supervision		1,112,018
902	Meter Reading		2,405,764
903	Customer Records and Collection		9,358,573
905	Customer Assistance Information		972,830
	Total Customer Expenses		13,849,185
	Total Distribution Expenses		2,383,206
	Total Distribution and Customer Expenses		16,232,391
	Net Plant Expenses		
380	Services		29,855,644
381	Meters		12,785,872
383	House Regulators		1,872,152
	Total Plant Accounts		44,513,668
	Return on Total Plant Accts.	8.59%	3,823,724
	Property Taxes		915,043
	Depreciation Expenses		5,868,872
	Total		10,607,639
	Total Distribution and Customer Expenses		16,232,391
	Customer Charge Revenue		$ 26,840,030
	Customer Bills	3,489,280	
	Average Monthly Customer Charge		7.69
	Staff Recommended Monthly Customer Charge		6.50

Given the results of the analysis, Staff supports a customer charge of $6.50 for the residential sales and residential transportation service. If approved, the new charge represents an increase of $2.50 per month. This recommendation contrasts with Applicant's proposal of $8.00, an increase of $4.00 per month.

Applicant records are insufficient, Staff is unable to support the two customer charges as proposed by the Applicant. Staff recommends a customer charge of $10.00 for both customer groups for Rates 320 and Rate 325.

The current customer charge for small sales service, general sales service and small transportation service is $5.40 and $12.00 for general transportation customers. The general transportation customers represent approximately 5% of customers served under the proposed Rate 325. In order to maintain continuity within the group of these customers, Staff believes that the general transportation customers should be in line with total customer group.

Table 8
LGS - Large General Service

Account			
	Distribution Expenses		
878	Meter and House Regulators		$ 16,284
879	Customer Installations		2,001
	Total Distribution Expensed		18,285
	Customer Accounting and Expenses		
901	Supervision		1,005
902	Meter Reading		2,175
903	Customer Records and Collection		8,461
905	Customer Assistance Information		879
	Total Customer Expenses		12,520
	Total Distribution Expenses		18,285
	Total Distribution and Customer Expenses		30,805
	Net Plant Expenses		
380	Services		189,028
381	Meters		1,220,839
383	House Regulators		178,759
	Total Plant Accounts		1,588,626
	Return on Total Plant Accts.	8.59%	136,463
	Property Taxes		27,989
	Depreciation Expenses		83,077
	Total		247,529
	Total Distribution and Customer Expenses		30,805
	Customer Charge Revenue		278,334
	Customer Bills	3,156	
	Average Monthly Customer Charge		88.19
	Staff Recommended Monthly Customer Charge		100.00

105

A report by the Staff of the Public Utilities Commission of Ohio

Staff Report of Investigation

In the Matter of the Application of Northeast Ohio Natural Gas Corp. for an Increase in its Rates and Charges for Natural Gas Service.	))))	Case No. 03-2170-GA-AIR

The Public Utilities Commission of Ohio
www.PUCO.ohio.gov • 1-800-686-PUCO
180 E. Broad Street Columbus, Ohio 43215

Table 6

Small General Service
Customer Charge Analysis

Account			
	Distribution Expenses:		
878	Meter and House Regulators		$ 0
879	Customer Installations		0
	Total Distribution Expenses		$ 0
	Customer Accounting and Expenses:		
901	Supervision		$ 0
902	Meter Reading		97,103
903	Customer Records and Collection		116,547
905	Customer Assistance Information		0
	Total Customer Expenses		$ 213,650
	Total Distribution Expenses		0
	Total Distribution and Customer Expenses		$ 213,650
	Net Plant Expenses:		
380	Services		$1,165,867
381	Meters		600,927
383	House Regulators		2,413
	Total Plant Accounts		$1,769,207
	Return on Total Plant Accounts:	8.70%	$ 153,921
	Property Taxes		22,896
	Depreciation Expenses		66,214
	Total		243,031
	Total Distribution and Customer Expenses		213,650
	Customer Charge Revenue		$ 456,681
	Customer Bills	64,662	
	Average Monthly Customer Charge		$ 7.06
	Staff Recommended Monthly Customer Charge		$ 6.25

The Residential/Commercial Service Schedule calculation shows the average expense associated with connection of an individual to the system. It is important that the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

In recommending customer charges, Staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

Given the results of the analysis, Staff supports a customer charge of $6.25 for the Small General Service customers. If approved, the new charge represents an increase of $.60 per month. This recommendation contrasts with Applicant's proposal which set a customer charge in the Small General Service of $6.50, an increase of $.85 per month.

Staff supports the Applicant's proposed customer charge of $17.50 for the General Service and General Transportation customers. If approved, the new charges represent an increase of $2.00 per month.

148

FILE

PUCO

Staff Report of Investigation

The Public Utilities Commission of Ohio

In the Matter of the Application of **The Cincinnati Gas & Electric Company** for an Increase in its Gas Rates in its Service Territory.	))))	Case No. 01-1228-GA-AIR
In the Matter of the Application of **The Cincinnati Gas & Electric Company** for Approval of an Alternative Rate Plan for its Gas Distribution Service.	)))))	Case No. 01-1478-GA-ALT
In the Matter of the Application of **The Cincinnati Gas & Electric Company** for Approval to Change Accounting Methods.	))))	Case No. 01-1539-GA-AAM

Table 6

Residential Service Schedule (Rate RS)
Customer Charge Analysis

Account			
	Distribution Expenses:		
878	Meter and House Regulators		$ 364,893
879	Customer Installations		420,178
	Total Distribution Expenses		$ 785,071
	Customer Accounting and Expenses:		
901	Supervision		$ 416,892
902	Meter Reading		3,347,848
903	Customer Records and Collection		7,996,364
905	Customer Assistance Information		544,953
	Total Customer Expenses		$ 12,306,057
	Total Distribution Expenses		785,071
	Total Distribution and Customer Expenses		$ 13,091,128
	Net Plant Expenses:		
380	Services		$104,186,779
381	Meters		15,122,675
383	House Regulators		4,588,854
	Total Plant Accounts		$123,898,308
	Return on Total Plant Accounts:	9.43%	$ 11,683,610
	Property Taxes		6,335,843
	Depreciation Expenses		3,225,197
	Total		21,244,650
	Total Distribution and Customer Expenses		13,091,128
	Customer Charge Revenue		$ 34,335,778
	Customer Bills	3,768,726	
	Average Monthly Customer Charge		$ 9.11
	Staff Recommended Monthly Customer Charge		$ 6.50

The Residential/Commercial Service Schedule calculation shows the average expense associated with connection of an individual to the system. It is important that the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.
In recommending customer charges, staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

Given the results of the analysis, staff supports a customer charge of $6.50 for the RS Schedule. If approved, the new charge represents an increase of $1.26 per month. This recommendation contrasts with applicant's proposal which set a customer charge in the RS Schedule of $10.00, an increase of $4.76 per month.

Staff supports a customer charge of $18.00 for the GS Schedule. If approved, the new charges represent an increase of $1.79 per month.

Administrative Charge Analysis

As in the Residential/General Service Schedules, certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of administrative charges in the design of rates.

The following Table 8 illustrates staff's calculation of the Administrative Charge.

Staff Report of Investigation

The Public Utilities Commission of Ohio

In the Matter of the Application of The Cincinnati Gas & Electric Company for an Increase in its Rates for Gas Service to All Jurisdictional Customers	)))))	Case No. 95-656-GA-AIR

block, declining rate design, with $1.894 for 100 Mcf and less, $1.824 for the next 400 Mcf, and $1.757 for all over 500 Mcf.

Applicant proposes to continue its current Residential Service Schedule, General Service Schedule, and the respective rate designs.

Staff-Recommended Rate Design

Previously, Staff has recommended rate designs with many different characteristics: single block rates; multiple block rates; separate schedules for general service and large volume sales customers; and schedules of specialized services. Conditions surrounding the business activities of each company justified such recommendations by the Staff.

Pursuant to the Staff adjusted Cost of Service Study applied to revenue distribution levels, Staff recommends Applicant's general rate design, with adjustments made to compensate for differences in revenue requirements.

Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

The Commission approved a stipulation that established the Applicant's current customer charges during the previous rate case (Case No. 92-1463-GA-AIR). Applicant's current and proposed customer charges do not apply the same rate to all classes of customers, but rather separates various classes by tariff (Residential Service Schedule/General Service Schedule), then bases the charges on fully allocated components of the cost of service study.

Tables 2 and 3 illustrate the Staff's method for the calculation of the customer charges.

THE CINCINNATI GAS & ELECTRIC COMPANY
Case No. 95-656-GA-AIR

Table 2

Residential Service Schedule (Rate RS)
Customer Charge Analysis

Account			
	Distribution Expenses:		
878	Meter and House Regulators		$ 1,307,000
879	Customer Installations		670,315
	Total Distribution Expenses		$ 1,977,314
	Customer Accounting and Expenses:		
901	Supervision		$ 178,158
902	Meter Reading		2,205,813
903	Customer Records and Collection		7,391,010
905	Customer Assistance Information		142,321
	Total Customer Expenses		$ 9,917,303
	Total Distribution Expenses		1,977,314
	Total Distribution and Customer Expenses		$ 11,894,617
	Net Plant Expenses:		
380	Services		$ 75,003,611
381	Meters		10,366,335
383	House Regulators		3,102,325
	Total Plant Accounts		$ 88,472,272
	Return on Total Plant Accts.:	9.37%	$ 8,285,428
	Property Taxes		5,283,362
	Depreciation Expenses		3,884,276
	Total		17,453,066
	Total Distribution and Customer Expenses		11,894,617
	Customer Charge Revenue		$ 29,347,684
	Customer Bills	3,950,694	
	Average Monthly Customer Charge		$ 7.43
	Staff Recommended Monthly Customer Charge		$ 7.00

The Residential/Commercial Service Schedule calculation shows the average expense associated with connection of an individual to the system. It is important that the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Some approaches attempt to determine customer charges based on the action of customers as a whole group. This is inappropriate. If no gas is used by any of the customers, there is no further requirement to perform customer-related activities such as meter reading. Additional elements and expenses could be included or excluded according to other costing methods. For instance, the cost of minimum sized mains and/or services could be included as part of the customer charge. Or only a fraction of the Customer Installations account could be included. This requires the application of judgment or allocations to determine the decremental (or incremental) cost of these items. Inclusion of such expenses, resulting from judging the potential customer use of the facilities, presents an artificial level of accuracy and unnecessarily increases (or decreases) the customer charge. Staff has avoided this escalation (or de-escalation) in the costs and resulting charges by allocating usage-related costs to all classes based on the interclass cost of service allocations. Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included, yet has made few changes to the formula.

Given the results of the analysis, Staff supports a customer charge of $7.00 for the RS Schedule. If approved, the new charge represents an increase of $1.50 per month. This recommendation contrasts with Applicant's proposal which set a customer charge in the RS Schedule of $10.00, an increase of $4.50 per month.

Staff supports a customer charge of $21.00 for the GS Schedule. If approved, the new charges represent an increase of $4.00 per month. This recommendation is consistent with Applicant's proposal.

In recommending customer charges, Staff recognizes and is continuing the established ratemaking principle of gradualism within the revenue distributions.

PUCO

Staff Report of Investigation

The Public Utilities Commission of Ohio

In the Matter of the Application of Eastern Natural Gas Company to Increase Rates for its Natural Gas Service Area and Related Matters.	))))	Case No. 95-488-GA-AIR

Table 2
Residential/Commercial Service Schedule
Customer Charge Analysis

Account			
	Distribution Expenses		
878	Meter and House Regulators		$ 9
879	Customer Installations		59,485
	Total Distribution Expenses		$ 59,493
	Customer Accounting and Expenses		
902	Meter Reading		57,128
903	Customer Records and Collection		212,551
905	Customer Assistance Information		15,510
	Total Customer Expenses		$ 285,189
	Total Distribution Expenses		59,493
	Total Distribution and Customer Expenses		$ 344,683
	Net Plant Expenses		
380	Services		$ 435,621
381	Meters		52,210
383	House Regulators		6,542
	Total Plant Accounts		$ 494,373
	Return on Total Plant Accts.:	9.76%	$ 48,226
	Property Taxes		20,446
	Depreciation Expenses		39,601
	Total		$ 108,273
	Total Distribution and Customer Expenses		344,683
	Customer Charge Revenue		$ 452,955
	Customer Bills	74,868	
	Average Monthly Customer Charge		$ 6.05
	Staff Recommended Monthly Customer Charge		$ 6.05

The Residential/Commercial Service Schedule calculation shows the average expense associated with connection of an individual to the system. It is important the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Some approaches attempt to determine customer charges based on the action of customers as a whole group. This is inappropriate. If no gas is used by any of the customers, there is no further requirement to perform customer-related activities such as meter reading. Additional elements and expenses could be included or excluded according to other costing methods. For instance, the cost of minimum sized mains and/or services could be included as part of the customer charge. Or

only a fraction of the Customer Installations account could be included. This requires the application of judgment or allocations to determine the decremental (or incremental) cost of these items. Inclusion of such expenses, resulting from judging the potential customer use of the facilities, presents an artificial level of accuracy and unnecessarily increases (or decreases) the customer charge. Staff has avoided this escalation (or deescalation) in the costs and resulting charges by allocating usage-related costs to all classes based on the interclass cost of service allocations. Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included, yet has made few changes to the formula.

Staff recommends a customer charge of $6.05 for all general service customers. If approved, the new charge represents an increase of $0.70 per month. This recommendation contrasts with Applicant's proposal which set a customer charge of $6.75, an increase of $1.40 per month. Absent any supporting analysis or testimony from Applicant, establishment of Applicant's proposed customer charge overrecovers costs associated with providing those services.

Large Volume/Transportation Service

Applicant Proposed Rate Design

Applicant proposes to combine its rate schedule for industrial and transportation customers with volumetric four-block, declining rates, with a customer charge. The proposed industrial and transportation rates are $2.00/Mcf for the first 100 Mcf, $1.75/Mcf for the next 300 Mcf, $1.50/Mcf for the next 100 Mcf, and $1.10/Mcf for all over 500 Mcf. The fixed/customer charge analysis will follow.

Staff-Recommended Rate Design

The Commission's Gas Transportation Program Guidelines, as provided in the Entry on Rehearing in Case No. 85-800-GA-COI signed on November 2, 1995, provides that transportation rates shall be specified and may included a range. The minimum rate must cover the variable costs plus provide a contribution to fixed costs. The maximum rate is generally calculated by taking the otherwise applicable General Service rate, minus the excise tax attributable to the gas cost recovery.

In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Service.	)))))	Case No. 94-987-GA-AIR

Joint Report Of Investigation

to the

Public Utilities Commission of Ohio

Rate Schedule Design

The tariff rates and charges were developed based on three criteria. First, customer charges were not increased. Second, the SGS, SGTS, GS, and GTS rate schedules were designed to recognize only the excise tax savings associated with the cost of gas at $3.905 per MCF. (4.75% X $3.905 removed from the sales rates) Finally, the LGS and LGTS rate schedules were then designed from the remaining revenue to, also, align the sales and transport schedules except for the excise tax savings associated with the cost of gas.

	Current	Proposed
Small General Service Schedule		
Customer Charge:	$6.5000	$6.5000
All Mcf:	$1.5274	$1.7753
General Service Schedule		
Customer Charge:	$16.5000	$16.5000
First 25 Mcf:	$1.4872	$1.7175
All Over 25 Mcf:	$1.4049	$1.6352
Large General Service Schedule		
First 2,000 Mcf:	$0.6825	$0.6981
Next 13,000 Mcf:	$0.5025	$0.5180
Next 85,000 Mcf:	$0.4725	$0.4880
All Over 100,000 Mcf:	$0.4125	$0.4280
Small General Transportation Service Schedule		
Customer Charge:	$6.5000	$6.5000
Administrative Charge:	$6.0000	$6.0000
All Mcf:	$1.3349	$1.5828
General Transportation Service Schedule		
Customer Charge:	$16.5000	$16.5000
Administrative Charge:	$6.0000	$6.0000
First 25 Mcf:	$1.2947	$1.5250
All Over 25 Mcf:	$1.2124	$1.4427

PUCO

Staff Report of Investigation

The Public Utilities Commission of Ohio

In the Matter of the Application of The East Ohio Gas Company and The River Gas Company for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Service.	)))))	Case No. 93-2006-GA-AIR

Staff recommends that in Schedule 500, in section 1, Applicability, that a period be inserted after the words "service area" and the remainder of that sentence deleted.

Staff recommends that in Schedule 500a, in section 1, Applicability, that sub paragraph 1.1 be deleted; the subparagraph number removed from subparagraph 1.2; and the last sentence in that section beginning with "the customer shall " be deleted.

Staff Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

East Ohio's current General Service (500) customer charge is $4.28 per month. River's current General Service (200) customer charge is $5.90 per month. Applicants propose a 500 customer charge of $7.80 per month. Given the results of the analysis below (Table 1), Staff supports a customer charge of $5.70 for all General Service (500) customers. If approved, the new charge represents an increase of $1.42 per month for East Ohio's customers, and a decrease of $0.20 per month for River's customers.

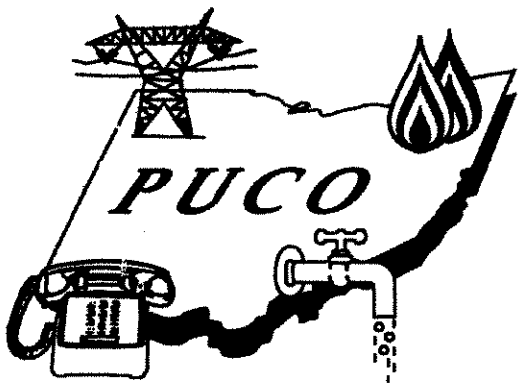
East Ohio's current Large General Service (500A) customer charge is $40.00 per month, for applicable Large General Service and transportation customers. River currently has no such rate schedule. Applicants propose a 500A customer charge of $127.00 per month. Staff's analysis of the costs associated with the customer charge for 500A customers indicates that no change in the rate is warranted. Therefore, Staff recommends no change in the current $40.00 per month Large General Service (500A) rate.

Tables 1 and 2 illustrate the Staff's standard methodology, using allocated costs, for the calculation of the customer charge.

Table 1

General Service (500) Customer Charge Analysis

Acct.		
	Distribution Expenses:	
878	Meter and House Regulators	$ 6,143,003
879	Customer Installations	10,741,586
	Total Distribution Expenses	$ 16,884,586
	Customer Accounting and Expenses:	
901	Supervision	$ 682,330
902	Meter Reading	8,632,507
903	Customer Records and Collection	20,515,673
905	Customer Assistance Information	157,927
	Total Customer Expenses	$ 29,988,437
	Total Distribution Expenses	16,884,589
	Total Distribution and Customer Expenses	$ 46,873,026
	Net Plant Expenses:	
380	Services	$ 77,890,759
381	Meters	48,629,784
383	House Regulators	3,325,581
	Total Plant Accounts	$129,846,124
	Return on Total Plant Accounts @ 10.67%	$ 13,848,089
	Property Taxes	6,491,019
	Depreciation Expenses	6,975,099
	Total	$ 27,314,207
	Total Distribution and Customer Expenses	46,873,026
	Maximum Customer Charge Revenue	$ 74,187,233
	Customer Bills: 12,969,378	
	Average Monthly Customer Cost	$ 5.72
	Staff Recommended Monthly Customer Charge	$ 5.70



Staff Report of Investigation

In the Matter of the Application of Murphy Gas, Inc. for an increase in Rates and Charges.	)))	Case No. 93-312-GA-AIR

The Public Utilities Commission of Ohio

Table 1 illustrates the Staff's methodology for the calculation of the customer charge.

Table 1
Customer Charge Analysis

Distribution & Customer Service Expenses	
Labor @ 50%	$ 3,254
Office Supplies @ 75%	893
Total Distribution & Customer Service Expenses	$ 4,147
Net Plant Expenses	
Mains	$ 1,177
Return on Total Plant Accounts at 11.00%	$ 129
Depreciation Expenses	103
Total Net Plant Expenses	$ 232
Total Customer Charge Expenses	$ 5,556
Customer Bills: 1,626	
Maximum Monthly Customer Charge	$ 3.42
Staff Recommended Customer Charge	$ 3.25

The calculation shows the average expense associated with connection of an individual to the system. It is important that the the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Customers charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff's approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has seldom wavered from the basic analysis. Due to the accounting methods used by Applicant, it was necessary to make a reasonable

estimate as to the amount of Distribution and Customer Service Expenses which were appropriate for inclusion in the calculation.

Given the results of the analysis, Staff supports the proposed customer charge of $3.25 for all residential customers.

A table showing Applicant's Current and Proposed rate schedules, along with the Staff Recommended rate schedule is shown in Table 2.

Table 2
General Service Schedule

	Current		Company Proposed	Staff Rec'd
Minimum Charge:	$ 5.25	Customer Charge:	$ 3.25	$ 3.25
1ST Mcf:	2.421	All Mcf:	$ 0.9673	$ 0.9673
Next 1 Mcf:	1.421			
Next 48 Mcf:	0.771			
All Over 50 Mcf:	$ 0.671			

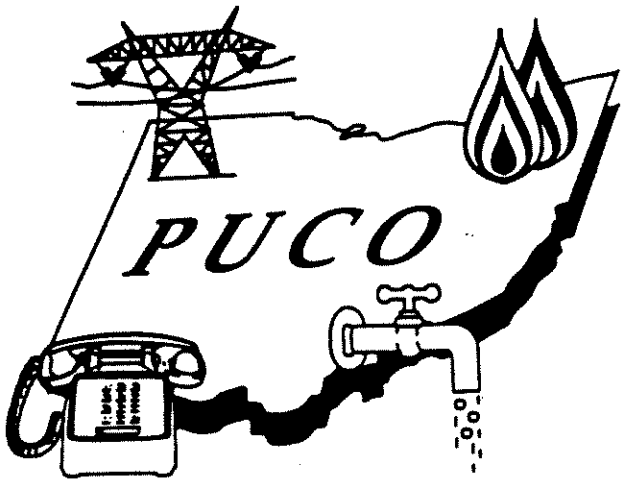
RATE AND REVENUE ANALYSIS

Rate and Revenue Guidelines

The following general guidelines, or objectives are considered in Staff's review of revenue allocations, rate schedules, and rate design. The applicable schedules should provide the utility the opportunity of recovering the authorized revenue. The various schedules should represent a reasonable distribution of revenue among the various customer groups. The particular schedules should be equitable, reasonable, and should provide for customer understanding, continuity of rates, and result in reasonable changes in customers' bills.

The following analyses in this section reflect Staff's recommended rates and charges which are based on the revenue requirement found proper by the Staff, as fully described in this Staff Report of Investigation. Rates and charges shown in the rate schedule tables may require adjustment based on the revenue requirement granted by the Commission, and/or changes in the rate areas, or changes in rate structure approved by the Commission.

Archer



Staff Report of Investigation

In the Matter of the Application of The Cincinnati Gas & Electric Company to file an Application for an Increase in Gas Rates in its Service Area	))))	Case No. 92-1463-GA-AIR

The Public Utilities Commission of Ohio

Table 1
Residential Customer Charge Analysis

Acct. No.	Account Title	Account Balance
	Distribution Expenses	
878	Meter and House Regulators	$ 978,713
879	Customer Installations	1,927,031
	Total Distribution Expenses	$ 2,905,744
	Customer Accounting and Expenses	
901	Supervision	$ 210,489
902	Meter Reading	2,058,960
903	Customer Records and Collection	6,083,286
905	Customer Assistance Information	42,031
	Total Customer Expenses	$ 8,394,765
	Total Distribution Expenses	2,905,744
	Total Distribution and Customer Expenses	$ 11,300,509
	Net Plant Expenses	
380	Services	$ 60,420,095
381	Meters	8,955,003
383	House Regulators	2,369,161
	Total Plant Accounts	$ 71,744,258
	Return on Total Plant Accounts @ 10.07%	$ 7,221,060
	Property Taxes	3,348,427
	Depreciation Expenses	3,451,760
	Total	$ 14,021,246
	Total Distribution and Customer Expenses	11,300,509
	Maximum Customer Charge Revenue	$ 25,321,755
	Customer Bills: 3,738,961	
	Average Monthly Customer Cost	$ 6.77
	Staff Recommended Monthly Customer Charge	$ 6.00

The calculation shows the average expense associated with connection of an individual to the system. It is important that the the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

The Commission approved a stipulation that established the Applicant's current customer charges during the previous rate case (Case No. 90-390-GA-AIR). Applicant's current and proposed customer charges do not apply the same rate to all classes of customers, but rather separates various classes by tariff (Residential Service Schedule/General Service Schedule), then bases the charges on fully allocated components of the cost of service study.

Given the results of the analysis, Staff supports the proposed customer charge of $6.00 for all residential customers. If approved, the new charge represents an increase of $0.70 per month.

Staff also supports the proposed customer charges of $17.00 for all general service customers. If approved, the new charges represent an increase of $1.75 per month.

By accepting Applicant's proposed customer charges, Staff recognizes and is continuing the established ratemaking principle of gradualism within the revenue distributions.

Transportation Service Tariffs

Applicant currently offers two transportation services, Firm Transportation Service (Rate FT) and Interruptible Transportation Service (Rate IT). In addition, Applicant offers Standby Service to human needs and public welfare customers.

Firm Transportation Service is offered to any customer who enters into a written agreement with Applicant and has arranged for the delivery of gas into Applicant's system for the sole use of the customer. Rates are calculated for FT customers as an Administrative Charge of $425.00, plus the applicable General Service rate, less GCR related costs. Customers are guaranteed delivery of volumes so long as Applicant's providing of service would not be detrimental to the operation of its system, or if the providing of service affects Applicant's ability to supply gas to Residential and General Service customers.

STAFF REPORT OF INVESTIGATION

In the Matter of the Application of Columbia Gas of Ohio, Inc. to Increase Gas Sales and Certain Transportation Rates Within its Service Area.

Case No. 91-195-GA-AIR

THE PUBLIC UTILITIES COMMISSION OF OHIO

Equal Opportunity Employer

THIS IS TO CERTIFY THAT THE MICROPHOTOGRAPH APPEARING ON THIS FILM STRIP IS AN ACCURATE AND COMPLETE REPRODUCTION OF A CASE FILE DOCUMENT DELIVERED IN THE REGULAR COURSE OF BUSINESS FOR PHOTOGRAPHING.
CAMERA OPERATOR Steve Watson DATE PROCESSED 2-25-91

COLUMBIA GAS OF OHIO, INC.
Case No. 91-195-GA-AIR

Table 22
Customer Charge Analysis - Small General Service

Account		
	Distribution Expenses	
878	Meter and House Regulators	$ 13,935,620
879	Customer Installations	10,598,242
	Total Distribution Expenses	$ 24,533,862
	Customer Accounting and Expenses	
901	Supervision	$ 1,923,409
902	Meter Reading	5,858,309
903	Customer Records and Collection	25,660,863
905	Customer Assistance Information	2,183,749
	Total Customer Expenses	$ 35,626,330
	Total Distribution Expenses	24,533,862
	Total Distribution and Customer Expenses	$ 60,160,192
	Net Plant Expenses	
380	Services	$ 98,053,266
381	Meters	34,423,465
383	House Regulators	4,143,136
	Total Plant Accounts	$ 136,619,867
	Return on Total Plant Accounts at 10.88%	$ 14,857,410
	Property Taxes	7,441,382
	Depreciation Expenses	13,020,732
	Total	$ 35,319,525
	Total Distribution and Customer Expenses	60,160,192
	Total	$ 95,479,717
	Customer Bills	13,640,664
	Maximum Monthly Customer Charge	$ 7.00
	Staff Recommended Customer Charge	$ 7.00

THIS IS TO CERTIFY THAT THE MICROPHOTOGRAPH APPEARING ON THIS FILM STRIP IS AN ACCURATE AND COMPLETE REPRODUCTION OF A CASE FILE DOCUMENT DELIVERED IN THE REGULAR COURSE OF BUSINESS FOR PHOTOGRAPHING.
CAMERA OPERATOR Steve Watson DATE PROCESSED 2-25-91

Staff recommends a customer charge of $7.00 for all Small General Service and $12.40 for General Service customers. The recommended rate presents reasonable changes from current charges. If approved, these represent increases of $.075 and $6.15, respectively, per month from the current charge. This recommendation contrasts with Applicant's proposal of customer charge of $7.40 for SGS customers and $16.53 for GS Customers.

Principles of gradualism and stability are important. Customer charges are similar to Dishonored Check Charges, Reconnection Charges, Collection Charges, and other sundry charges. Customer charges do not represent a dollar-for-dollar recovery, but are designed to provide a reasonable approximation of the costs incurred. Other approaches attempt to determine customer charges based on the action of customers as a group. Additional elements and expenses could be included and fractions of other costs could be allocated to the customer charge. For instance, the cost of minimum sized mains and/or services could be included. This requires the application of judgment to determine the decrimental cost of minimum-sized lines. Inclusion of such expense resulting from the judgment of potential customer use of the facilities presents an artificial level of accuracy and adversely affects the customer charge. Staff chooses to avoid this distortion by allocating usage-related costs to all classes based on the interclass cost of service.

Gas Transportation

Staff finds that the transportation guidelines of Case No. 85-800-GA-COI and the options available pursuant to Section 4905.31, Revised Code provide the Company sufficient pricing flexibility with which to meet competitive alternatives which are available to customers.

Special arrangements are individual agreements submitted in cases with AEC docket suffixes. The arrangements may be considered by the Commission pursuant to Section 4905.31, Revised Code.

Special contract gas transportation services were not separately identified in Applicant's cost and revenue allocations. Treatment of revenues were performed in a manner that assumed that special contract customers were incorporated into the proposed individual rate schedule classes.

The provision of gas transportation service, whether pursuant to tariff or Section 4905.31, Revised Code, is encompassed in an operating environment that is more competitive than the provision of traditional sales services.

In Case No. 85-800-GA-COI, Finding and Order, March 28, 1989, the Commission indicated, "The Commission believes that customers who elect to relieve the LDC of the merchant function by engaging in gas transportation or bypass should bear the

THIS IS TO CERTIFY THAT THE MICROPHOTOGRAPH APPEARING ON THIS FILM STRIP IS AN ACCURATE AND COMPLETE REPRODUCTION OF A CASE FILE DOCUMENT DELIVERED IN THE REGULAR COURSE OF BUSINESS FOR PHOTOGRAPHING.
CAMERA OPERATOR Steve Watson DATE PROCESSED 9-25-91

STAFF'S REPORT OF INVESTIGATION

In the Matter of the Application of The Dayton Power and Light Company for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Service.	)))))	Case No. 91-415-GA-AIR

Submitted
to
The Public Utilities Commission

is rendered for the charge. Staff's calculation of the Customer Charge recovers costs associated with dedicated plant, along with the related services. The terminology associated with this particular charge should remain consistent with the terminology used by all other major gas utilities in the State of Ohio. By adopting Staff's recommendation of no change, the Commission will aid future references to this charge.

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

Tables 5 through 7 illustrate the Staff's method for the calculation of the various schedule's customer charges. The calculations show the average expense associated with connection of an individual to the system.

Staff recommends a Customer Charge of $5.00 for General Service customers. If approved, this represents an increase of $0.85 per month. This recommendation agrees with Applicant's proposed Customer Charge of $5.00.

Staff recommends a Customer Charge of $10.00 for Dual Fuel customers. If approved, this represents an increase of $1.70 per month. This recommendation agrees with Applicant's proposed Customer Charge of $10.00.

Staff recommends a Customer Charge of $48.00 for Interruptible customers. If approved, this represents an increase of $8.00 per month. This recommendation agrees with Applicant's proposed Customer Charge of $48.00.

Principles of gradualism and stability are important. Customer charges are similar to Dishonored Check Charges, Reconnection Charges, Collection Charges and other sundry charges. Customer charges do not represent a dollar-for-dollar recovery, but are to provide a reasonable approximation of the costs incurred. Other approaches attempt to determine customer charges based on the action of customers as a group. Additional elements and expenses could be included and fractions of other costs could be allocated to the customer charge. For instance, the cost of minimum sized mains and/or services could be included. This requires the application of judgment to determine the decrimental cost of minimum-sized lines. Inclusion of such expense, resulting from the judgment of potential customer use of the facilities, presents an artificial level of accuracy and adversely affects the customer charge. Staff chooses to avoid this distortion by allocating usage-related costs to all classes based on the interclass cost of service. This allocation method also is necessary because there are three General Service rate schedules, applicable to all classes of service.

THE DAYTON POWER AND LIGHT COMPANY
Case No. 91-415-GA-AIR

Table 5

General Service Customer Charge Analysis

Acct.		
	Distribution Expenses	
878	Meter and House Regulators	$ 649,043
879	Customer Installations	1,749,157
	Total Distribution Expenses	$ 2,398,200
	Customer Accounting and Expenses	
902	Meter Reading	$ 1,437,364
903	Customer Records and Collection	7,305,329
905	Customer Assistance Information	0
	Total Customer Expenses	$ 8,742,693
	Total Distribution Expenses	2,398,200
	Total Distribution and Customer Expenses	$ 11,140,893
	Net Plant Expenses	
380	Services	$ 13,962,142
381	Meters	8,643,526
383	House Regulators	1,693,736
	Total Plant Accounts	$ 24,299,404
	Return on Total Plant Accts.: 10.73%	$ 2,607,326
	Property Taxes	1,192,917
	Depreciation Expenses	2,594,814
	Total	$ 6,395,057
	Total Distribution and Customer Expenses	11,140,893
	Maximum Collectible Customer Charge Revenue	$ 17,535,950
	Customer Bills 3,353,514	
	Average Monthly Customer Charge	$ 5.23
	Staff Recommended General Service Customer Charge	$ 5.00

STAFF'S REPORT OF INVESTIGATION

In the Matter of the Application of The River Gas Company for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Service.	))))	Case No. 90-395-GA-AIR

Submitted
to
The Public Utilities Commission of Ohio

THIS IS TO CERTIFY THAT THE MICROPHOTOGRAPH APPEARING ON THIS FILM STRIP IS AN ACCURATE AND COMPLETE REPRODUCTION OF A CASE FILE DOCUMENT DELIVERED IN THE REGULAR COURSE OF BUSINESS FOR PHOTOGRAPHING.
CAMERA OPERATOR Dana M. Nixon DATE PROCESSED 10-29-90

THE RIVER GAS COMPANY
Case No. 90-395-GA-AIR

Table 5
Total Company Customer Charge Analysis

Account		
	Distribution Expenses	
878	Meter and House Regulators	$ 100,369
879	Customer Installations	128,862
	Total Distribution Expenses	$ 229,231
	Customer Accounting and Expenses	
901	Supervision	$ 106,650
902	Meter Reading	155,822
903	Customer Records and Collection	339,939
905	Customer Assistance Information	21,177
	Total Customer Expenses	$ 623,588
	Total Distribution Expenses	229,231
	Total Distribution and Customer Expenses	$ 852,819
	Net Plant Expenses	
380	Services	$ 1,502,218
381	Meters	741,791
383	House Regulators	114,807
	Total Plant Accounts	$ 2,358,816
	Return on Total Plant Accounts at 11.31%	$ 266,782
	Property Taxes	54,472
	Depreciation Expenses	123,275
	Total Net Plant Expenses	$ 444,529
	Total Distribution and Customer Expenses	852,819
	Total Allowable Recovery	$ 1,297,348
	Customer Bills	227,600
	Maximum Monthly Customer Charge	$ 5.70
	Staff Recommended Customer Charge	$ 5.70

The calculation shows the average expense associated with connection of an individual to the system. It is important the the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Some approaches attempt to determine customer charges based on the action of customers as a whole group. This is inappropriate. If no gas is used by any of the customers, there is no further requirement to perform customer-related activities such as meter reading. Additional elements and expenses could be included or excluded according to other costing methods. For instance, the cost of minimum sized mains and/or services could be included as part of the customer charge, or only a fraction of the Customer Installations account could be included. These choices require the application of judgment to determine the decremental (or incremental) cost of these items. Inclusion of such expenses, resulting from judging the potential customer use of the facilities, presents an artificial level of accuracy and unnecessarily increases (or decreases) the customer charge. Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff recommends a customer charge of $5.70 for all general service customers. If approved, the new charge represents an increase of $1.40 per month for general service customers and a decrease of $24.30 for large volume general service customers. This recommendation contrasts with Applicant's proposal which set a customer charge of $6.50, an increase of $2.20 per month for general service customers and a decrease of $23.50 for large volume general service customers.

The following, Table 6, illustrates the percentage of customer charge revenue at Current, Proposed, and Staff-Recommended for each of the customer classes.

Table 6
Total Customer Charge Revenue

		Current	Percent of Class Revenue	Company Proposed	Percent of Class Revenue	Staff Recommended	Percent of Class Revenue
Residential		$ 902,239	9.44%	$1,353,697	12.26%	$ 1,187,088	12.09%
Commercial	$ 82,954	83,317	2.43	124,540	3.22	109,212	3.17
Commercial*	363						
Industrial	568	2,018	0.27	1,164	0.14	1,020	0.14
Industrial*	1,451						
Total		$ 987,574	6.23%	$1,479,400	9.40%	$ 1,297,320	8.04%

* Large Volume Schedule

STAFF REPORT OF INVESTIGATION

In the Matter of the Application of The Cincinnati Gas & Electric Company to File an Application for an Increase in Gas Rates in its Service Area.	))))	Case No. 90-390-GA-AIR

THE PUBLIC UTILITIES COMMISSION OF OHIO

Equal Opportunity Employer

THE CINCINNATI GAS & ELECTRIC COMPANY
Case No. 90-390-GA-AIR

Table 6
Total Company Customer Charge Analysis

Account		
	Distribution Expenses	
878	Meter and House Regulators	$ 1,916,584
879	Customer Installations	2,867,324
	Total Distribution Expenses	$ 4,783,908
	Customer Accounting and Expenses	
901	Supervision	$ 290,765
902	Meter Reading	2,538,857
903	Customer Records and Collection	7,530,687
905	Customer Assistance Information	59,077
	Total Customer Expenses	$ 10,419,386
	Total Distribution Expenses	4,783,908
	Total Distribution and Customer Expenses	$ 15,203,294
	Net Plant Expenses	
380	Services	$ 55,219,101
381	Meters	10,853,309
383	House Regulators	3,115,879
	Total Plant Accounts	$ 69,188,289
	Return on Total Plant Accounts at 10.81%	$ 7,479,254
	Property Taxes	2,934,900
	Depreciation Expenses	2,192,277
	Total	$ 12,606,431
	Total Distribution and Customer Expenses	15,203,294
	Maximum Collectible Customer Charge Revenue	$ 27,809,725
	Customer Bills	3,873,942
	Average Monthly Customer Charge	$ 7.18

The calculation shows the average expense associated with connection of an individual to the system. It is important the the customer charge relate to an individual customer. If a customer connects to the system, it is expecled that the customer will share in the recovery of the total customer-relaled cost.

Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff's approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has seldom wavered from the basic analysis. The Commission approved Applicant's current customer charges during the previous rate case (Case No. 84-67-GA-AIR).

Applicant's current and proposed customer charges do not apply the same rate to all classes of customers, but rather separates various classes by tariff (Residential Service Schedule/General Service Schedule), and by usage (100 MCF and under/over 100 MCF) and then bases the charges on customer components of the cost of service study.

When the average monthly customer charge is applied to all classes of customers, even with changes in base rate design, the results yield unacceptable revenue distribution among all classes.

Utilizing allocators drawn from the cost of service study, Staff has identified two customer charges that match acceptable revenue distributions and examined the use of separate customer charges for 100 MCF and below, and over 100 MCF. Using cost of service allocators and the customer charge calculation procedure, Staff identified uniform customer charges for each group. This analysis lead to Staff's recommendation of a uniform customer charge for the non-residential or general service customers.

Given the results of the analysis, Staff supports the proposed customer charge of $6.00 for all residential customers. If approved, the new charge represents an increase of $2.00 per month. Table 7 represents the Staff customer charge analysis for Residential Service.

Staff recommends a customer charge of $17.00 for all general service customers. A $17.00 General Service customer charge is $2.00 greater than the 100 MCF or less charge proposed by the Applicant and $18.00 less than the Over 100 MCF customer charge proposed by the Company. Table 8 represents the Staff customer charge analysis for the General Service.

Table 9 illustrates the percentage of customer charge revenue at revenue levels of Current, Proposed, and Staff-Recommended rates for each of the customer classes.

STAFF REPORT OF INVESTIGATION

In the Matter of the Application of Eastern Natural Gas Company to Increase Rates for its Natural Gas Service Area and Related Matters.

Case No. 89-1714-GA-AIR

THE PUBLIC UTILITIES COMMISSION OF OHIO

Equal Opportunity Employer

THIS IS TO CERTIFY THAT THE MICROPHOTOGRAPH APPEARING ON THIS FILM STRIP IS AN ACCURATE AND COMPLETE REPRODUCTION OF A CASE FILE DOCUMENT DELIVERED IN THE REGULAR COURSE OF BUSINESS FOR PHOTOGRAPHING.
CAMERA OPERATOR DQ DATE PROCESSED 6-14-90

reasonable, and should provide for customer understanding, continuity of rates, and result in reasonable changes in customers' bills.

Rate Schedule Comparison

The following Table 1 shows the Staff-Recommended rate schedule charges compared to Applicant's Current and Proposed.

Table 1
General Service Schedule

	Current	Company Proposed	Staff Rec'd
Customer Charge	$ 5.00	$ 6.50	$ 9.30
First 100 Mcf	$ 1.14506	$ 1.78	$ 1.5666
Next 400 Mcf	$ 0.79416	$ 1.78	$ 1.5666
Next 1,900 Mcf	$ 0.79416	$ 1.55	$ 1.5666
Next 18,000 Mcf	$ 0.58693	$ 1.55	$ 1.5666
All Over 20,000 Mcf	$ 0.44646	$ 1.55	$ 1.5666

Applicant Proposed Rate Design

By these proceedings, Applicant proposes to revise its General Service Tariff Schedules from the present four-block base rates which provide declining rates. The proposed design provides for one rate for the first 500 MCF, and another rate for all over 500 MCF. During the test year period, no gas was sold under the final (fourth) block rate.

Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

Table 2 illustrates the Staff's method for the calculation of the customer charge.

EASTERN NATURAL GAS COMPANY
Case No. 89-1714-GA-AIR

Table 2
Total Company Customer Charge Analysis

Account		
	Distribution Expenses	
878	Meter and House Regulators	$ 2,558
879	Customer Installations	22,346
	Total Distribution Expenses	$ 24,904
	Customer Accounting and Expenses	
901	Supervision	$
902	Meter Reading	34,087
903	Customer Records and Collection	155,665
905	Customer Assistance Information	
	Total Customer Expenses	$ 189,752
	Total Distribution Expenses	24,904
	Total Distribution and Customer Expenses	$ 214,656
	Net Plant Expenses	
380	Services	$ 852,532
381	Meters	148,803
383	House Regulators	18,676
	Total Plant Accounts	$ 1,020,011
	Return on Total Plant Accounts at 12.20%	$ 124,441
	Property Taxes	180,882
	Depreciation Expenses	135,979
	Total	$ 441,302
	Total Distribution and Customer Expenses	214,656
	Total	$ 655,958
	Customer Bills	70,404
	Maximum Monthly Customer Charge	$ 9.32
	Staff Recommended Customer Charge	$ 9.30

File copy

STAFF REPORT OF INVESTIGATION

In the Matter of the Application of Columbia Gas of Ohio, Inc. to Establish a Uniform Rate for Natural Gas Service Within the Following Service Areas	)	
Northwestern Region	)	*Case No. 89-616-GA-AIR*
Lake Erie Region	)	*Case No. 89-617-GA-AIR*
Central Region	)	*Case No. 89-618-GA-AIR*
Eastern Region	)	*Case No. 89-619-GA-AIR*
Southeastern Region	)	*Case No. 89-620-GA-AIR*
City of Columbus	)	*Case No. 89-943-GA-CMR*
City of Zanesville	)	*Case No. 89-944-GA-CMR*

THE PUBLIC UTILITIES COMMISSION OF OHIO

Equal Opportunity Employer

The Company stated in response to Data Request No. 59 that the dishonored check charge is based on the approximate processing time of 3/4 of an hour at the applicable hourly labor rate of $11.02.

Applicant proposes no change to this provision and Staff finds it reasonable.

Meter Test and Change-Out Provision

Applicant's Tariff provides a charge of $17.00 for a meter test requested by a customer for non-safety related activities. There is no proposal to change the current charge. The cost incurred from these requests, and the subsequent costs associated with the changing of meters found to exceed the limits of accuracy, are allocated to all general service customers. Staff finds the continuation of the charge for a meter test to be appropriate when requested by a customer, for non-safety related activities, where the meter is then found to be accurate within the limits set in Applicant's Tariff.

RATE DESIGN

Summer/Winter Customer Charges

In this proceeding, Applicant proposes to modify its existing customer charge to establish seasonally differentiated customer charges. The Summer period is defined as the the billing months of April through October and the Winter period is defined as the billing months of November through March. Applicant's Schedule E-3, Narrative Rationale for Tariff Changes, provides little support for the rate differential. Applicant's Schedule E-3.1 details the calculation of the charge using a uniform method similar to that used by the Staff in arriving at a uniform customer charge.

Procedurally, the Company, using the standard calculation illustrated in Staff Table 33, selected the basic monthly customer charge as the five month Winter charge and the maximum customer charge as the seven month Summer charge - instead of using the average customer charge. This amounts to a revenue increase of approximately $3.8 million, compared to the revenue generated by the normal average customer charge. Integrating this revenue into the rate calculation analysis could generate a minor rate decrease. The net effect is a $.02/MCF decrease.

Applicant's proposal suggests that a seasonal customer charge is appropriate to recognize and respond to increasing competition; to retain existing load; and to attract new load.

The proposed seasonal customer charges shift costs - causing current customers with differing usage characteristics to bear costs incurred at other times of the year and out of proportion to their causation. The proposal may even further shift costs away from PIPP customers to other ratepayers.

Customer charges are insensitive to customer conservation efforts. A variable customer charge may confuse customers engaged in conservation efforts by causing an increase in the bill even with a reduction in use.

The majority of the customer's bill in the heating months is the commodity. The customer, in making a heating selection, considers the bundled energy price. The Company has far greater potential in influencing the customer's decision in purchasing heating equipment by addressing changes in its purchasing practices rather than the customer charge. For example, by obtaining storage facilities, the Company would be able to purchase low cost gas during the Summer months to offset higher commodity costs during the Winter season and effect the types of competitive marketing they desire.

The proposed seasonal customer charges present no benefits. It does appear that the effect of the proposed seasonal customer charges are to move towards levelizing the Applicant's revenues, but the Company did not adequately document that aspect. In general, Staff does not find that the customer charge is the appropriate vehicle for the Applicant's use in order to levelize revenues. Absent a clear supporting rationale for the Company's proposed seasonal customer charges in meeting its stated goals, and given the other cited concerns, the Staff recommends continued use of an average rate, conforming to the Staff's uniform calculation procedure.

Blocked Rates

Applicant proposes to revise its monthly current usage charges from a uniform amount per MCF consumed to a two block declining rate structure. The first block charge is applicable to the first 500 MCF consumed per month. The second block charge is applicable to all consumption in excess of 500 MCF per month. Table 32 shows Applicant's current and proposed usage charges compared with those recommended by the Staff.

Company testimony suggests that the redesign to a blocked usage charge is appropriate because of the increased competition in the gas industry.

The first block includes 100% of the residential consumption, 88% of the commercial consumption, 60% of the industrial consumption, and 45% of the transportation volumes included in these filings. In total, 93% of the throughput

#3

STAFF REPORT OF INVESTIGATION

In the Matter of the Application of COLUMBIA GAS OF OHIO, INC. to Establish a Uniform Rate for Natural Gas Service Within the Following Service Areas.

Lake Erie Region	)	Case No. 88-716-GA-AIR
Northwestern Region	)	Case No. 88-717-GA-AIR
Central Region	)	Case No. 88-718-GA-AIR
Eastern Region	)	Case No. 88-719-GA-AIR
Southeastern Region	)	Case No. 88-720-GA-AIR
City of Columbus	)	Case No. 88-1011-GA-CMR

THE PUBLIC UTILITIES COMMISSION OF OHIO

Equal Opportunity Employer

THIS IS TO CERTIFY THAT THE MICROPHOTOGRAPH APPEARING ON THIS FILM STRIP IS AN ACCURATE AND COMPLETE REPRODUCTION OF A CASE FILE DOCUMENT DELIVERED IN THE REGULAR COURSE OF BUSINESS FOR PHOTOGRAPHING. CAMERA OPERATOR Jacqueline E. Bell DATE PROCESSED MAR. 13, 1989

Customer Charge Analysis

A certain, generally unvarying, cost occurs as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize this cost and to continue this recognition in the form of customer charges in the design or structure of rates. Staff utilizes a costing approach which requires little or no judgment in determining customer related expenses and which is minimally compensatory. Table 19 shows the Staff method for including the cost and calculating the customer charge.

THIS IS TO CERTIFY THAT THE MICROPHOTOGRAPH APPEARING ON THIS FILM STRIP IS AN ACCURATE AND COMPLETE REPRODUCTION OF A CASE FILE DOCUMENT DELIVERED IN THE REGULAR COURSE OF BUSINESS FOR PHOTOGRAPHING.
CAMERA OPERATOR Jacqueline E. Bell DATE PROCESSED Mar. 13, 1989

COLUMBIA GAS OF OHIO, INC.
CASE NO. 88-716-GA-AIR et al.

Table 19
Total Company Customer Charge Analysis

Account		
	Distribution Expenses	
878	Meter and House Regulators	$ 11,974,313
879	Customer Installations	9,189,170
892	Maintenance and Services	2,247,065
893	Maintenance of Meters and House Regulators	2,189,158
	Total Distribution Expenses	$ 25,599,706
	Customer Accounting and Expenses	
901	Supervision	$ 1,708,112
902	Meter Reading	5,300,656
903	Customer Records and Collection	22,925,254
905	Customer Assistance, Information	1,538,693
	Total Customer Expenses	31,472,715
	Total Distribution Expenses	25,599,706
	Total Distribution and Customer Expenses	$ 57,072,421
	Net Plant Expenses	
380	Services	$ 96,919,652
381	Meters	34,276,083
383	House Regulators	3,636,886
	Total Plant Accounts	$ 134,832,621
	Return on Total Plant Accounts at 10.78%	$ 14,534,957
	Property Taxes	18,888,125
	Depreciation Expenses	5,701,977
	Total	39,125,059
	Distribution and Customer Expense	57,072,421
	Total	$ 96,197,480
	Customer Bills	$ 12,341,880
	Average Customer Cost Per Bill	$ 7.79
	Staff-Calculated Customer Charge	$ 6.00

In this proceeding, the company proposes to modify its existing customer charges to establish season-differentiated customer charges. The Summer period is defined as the billing months of April through October and the Winter period is defined as the billing months of November through March. Applicant's Schedule E-3, Narrative Rationale for Tariff Changes (Standard Filing Requirements), provides little support for the rate differential. Applicant's Schedule E-3.1 details the calculation of the charge using a uniform method similar to that used by the Staff. The proposed seasonal rates reflect the minimum and maximum range of Applicant's calculation.

Applicant's testimony suggests that the seasonal charge is appropriate to recognize and respond to increasing competition; to retain existing load; and to attract new load. However, it is not made clear how the proposed seasonal differentiated customer charge is intended to improve the company's competitive position. Absent a clear supporting rationale for its proposed seasonal customer charges, the Staff recommends continued use of an average rate, conforming to the Staff's uniform calculation.

Table 18 shows Applicant's current and proposed charges, compared with those recommended by the Staff.

Commodity Charge Analysis (Usage Charges)

Applicant proposes to revise its monthly current usage charges from a uniform amount per MCF consumed to a two block declining rate structure. The first block charge is applicable to the first 500 MCF consumed per month. The second block end charge is applicable to all consumption in excess of 500 MCF per month.

Company testimony suggests that the redesign to a blocked usage charge is appropriate because of the increase in competitiveness in the gas industry. The block point at 500 MCF includes 100% of the residential consumption, 87% of the commercial consumption, 60% of the industrial consumption, and 47% of transportation volumes. (All percentages were rounded to the nearest percent.) The block structure coincides with consumption of larger customers who may have increased competitive alternatives. Although not represented by the company in these applications, the revised block structure and, in particular, the blocking point at 500 MCF, permits adjustments to class revenue increases and revenue distribution to better reflect cost of service findings.

Table 18 shows Applicant's current and proposed usage charges compared with those recommended by the Staff.

Summary: Testimony Rebuttal Testimony of Wilson Gonzalez on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Mrs. Bonnie C Morava on behalf of Office of the Ohio Consumers' Counsel