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DEO EXHIBIT 1.5

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Authority to Increase Rates
for its Gas Distribution Service.

Case No. 07-829-GA-AIR

In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval of an Alternative
Rate Plan for its Gas Distribution Service

Case No. 07-830-GA-ALT

In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval to Change
Accounting Methods

Case No. 07-831-GA-AAM

In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval of Tariffs to
Recover Certain Costs Associated with a
Pipeline Infrastructure Replacement
Program Through an Automatic
Adjustment Clause, And for Certain
Accounting Treatment

Case No. 08-169-GA-ALT

In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval of Tariffs to
Recover Certain Costs Associated with
Automated Meter Reading Deployment
Through an Automatic Adjustment Clause,
and for Certain Accounting Treatment

Case No. 06-1453-GA-UNC

SURREBUTTAL TESTIMONY OF
JEFFREY A. MURPHY
ON BEHALF OF
DOMINION EAST OHIO

___ Management policies, practice and organization

___ Operating income

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- ☐ Rate base
- ☐ Allocations
- ☐ Rate of return
- ☐ Rates and tariffs
- ☒ (Rate Design)

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. RESPONSE TO MR. COLTON.....	1
III. CONCLUSION.....	4

1

2

3

4

5

8

2

3

4

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1 customers who are at or below 175% of the federal poverty level but do not participate in
2 the PIPP program. The average usage of that customer subset was determined.

3 **Q5. How did the Company identify customers at or below 175% of the federal poverty**
4 **level?**

5 **A5.** Last winter, the Commission issued a moratorium on residential customer disconnects for
6 those customers at or below 175% of the poverty level for the size of household. DEO
7 identified those accounts in its system in order to avoid disconnecting those accounts
8 while the moratorium was in effect. We used three criteria to identify those accounts:
9 (1) the account was billed as a PIPP account; (2) the account had received a HEAP
10 payment at some time during the prior two years; or (3) the account was included in a
11 listing of HEAP-eligible accounts provided by the Ohio Department of Development.

12 To identify non-PIPP accounts that DEO's billing system identifies as being at or below
13 175% of the poverty level, DEO queried its billing for all such active accounts (and
14 performed an analysis at the premise level in order to take into consideration potential
15 changes in the account holder of record). That query determined the 12-month usage
16 data for all of those accounts for the year ending July 2008.

17 **Q6. What were the results of that query?**

18 **A6.** As noted on the attached exhibit JAM 1.8, approximately 167,000 accounts were eligible
19 for last winter's moratorium on residential customer disconnections, i.e., they were at or
20 below 175% of the poverty level at the time of the moratorium. DEO excluded 108,000
21 active PIPP accounts from that data set and examined the 12-month usage of the
22 remaining 59,000 accounts.

1 The average usage of those 59,000 customers was 95 Mcf. In order to better understand
2 how the usage of those customers was distributed, DEO examined the largest 80% and
3 90% of those customers. The largest 90% of the accounts had an average 12-month
4 usage level of 103 Mcf, and the largest 80% had an average of 110 Mcf, both of which
5 are larger than the test-year average residential customer usage of 99.1 Mcf.

6 **Q7. Why are those figures significant?**

7 A7. That data contradicts that the Company's low-income non-PIPP customers consume less
8 than residential customers on average. That is important because there has been
9 considerable debate about the impact of a levelized rate design on low-income customers.

10 As shown on Exhibits SEP-1A and SEP-1B to Mr. Puican's Second Supplemental Direct
11 Testimony, the 12-month bill for customers consuming 100.1-110.0 Mcf per year under
12 the Year 1 rates proposed in Joint Exhibit 1A will decrease by \$0.10 relative to the bill
13 that would be based on the continuation of the \$5.70 service charge and an appropriate
14 volumetric rate that would generate the same GSS class revenue. At Year 2 rates, that
15 comparison reveals an increase of \$5.18 for the year, or \$0.43 per month. The Year 2
16 annual increase for this group of low-income non-PIPP customers is less than a third of
17 the \$15.78 increase shown for the average residential customers in the 90.1-100.0 Mcf
18 usage category.

19 **Q8. Does this data refute Mr. Colton's conclusions regarding the correlation between**
20 **income and usage and low-income customer usage relative to average customer**
21 **usage?**

22 A8. Absolutely. Mr. Colton's reliance on state and federal statistics to make his points shows
23 how misleading it can be to use data for anything but the particular utility being

1 examined. (Mr. Colton's reliance on data on expenditures, as opposed to actual usage,
2 further compounds errors in his analysis.) DEO's analysis is based on its billing system
3 data for its customers living in its service territory. Using any other information as the
4 basis for an assessment of income and natural gas usage will result in inaccurate
5 conclusions and misinformed ratemaking decisions.

6 **Q9. What is the overall conclusion that should be drawn from DEO's billing system**
7 **data?**

8 **A9.** An analysis of a valid proxy for low-income non-PIPP DEO customers reveals that most
9 of those customers on average will actually save money in the first year transition to SFV
10 rates and see an increase of only \$0.43 per month under the Year 2 proposed rates.

11 **III. CONCLUSION**

12 **Q10. Does this conclude your testimony?**

13 **A10.** Yes.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Surrebuttal Testimony of Jeffrey A. Murphy was delivered to the following persons by hand delivery, regular U.S. Mail or e-mail this 27th day of August, 2008.



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DOMINION EAST OHIO
Case No. 07-829-GA-AIR, et al

Average Annual Usage of Low-Income Non-PIPP Accounts

Total number of accounts at or below 175% of Federal poverty level	167,351
Total number of PIPP accounts	<u>108,167</u>
Total number of non-PIPP accounts	<u>59,184</u>
 Average Premise Usage for All Non-PIPP (*)	 95 Mcf
Average Premise Usage for Top 90% of Non-PIPP	103 Mcf
Average Premise Usage for Top 80% of Non-PIPP	110 Mcf

(*) Includes records with 0 Mcf.