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**PUCO**

October 29, 2010

Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

RE: *In the Matter of the Application of Vectren Energy Delivery of Ohio to File Revised Tariffs Extending its Low-Income Pilot Program, Case No. 10-1395-GA-ATA.*

Enclosed please find the Staff's Report regarding Dominion East Ohio's low-income, low-use pilot program.

Respectfully submitted,

*Steve Puican*

Steve Puican  
Co-Chief, Rates & Tariffs/Energy & Water Division  
Public Utilities Commission of Ohio

Enclosure  
cc: Parties of Record

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.  
Technician      Date Processed 10-29-2010

**A Report by the Staff of the  
Public Utilities Commission of Ohio**

**Report on Vectren Energy Delivery of Ohio's  
Low-Income Pilot Program**

**Case No. 10-1395-GA-ATA**

**October 29, 2010**

## VECTREN BILL IMPACT SCENARIOS

In its January 7, 2008 Opinion and Order in Case No. 07-1080-GA-AIR *et. al.*, the Commission approved a change in Vectren Energy Delivery of Ohio's (Vectren or Company) traditional rate design to a modified straight fixed variable (SFV) design. Under the SFV design, the majority of a company's distribution costs are recovered through the fixed component of the rate rather than through the variable component. Although the Commission determined that SFV is a more appropriate method for recovery of distribution costs, it also expressed concern with the impact that change in rate design would have on Vectren's low-income, low-use customers. To address that concern, the Commission directed Vectren to implement a one-year pilot program aimed at helping these customers pay their bills. The program would provide a four-dollar monthly discount to 5,000 non-PIPP low-usage customers verified at or below 175 percent of the poverty level. The Commission also stated that it would evaluate the program at the end of the one-year pilot for its effectiveness in addressing its concerns relative to the impact of the SFV rate design on low-use, low-income customers. On September 29, 2010, the Commission issued an entry in Case No. 10-1395-GA-ATA approving an application by Vectren to extend the term of the pilot program beyond the initially approved one-year term through March 31, 2011. In that same entry, the Commission directed Staff to file information in this docket by October 29, 2010 to assist the Commission in determining whether to continue the program after March 31, 2011. The information required was a comparison of the total annual bill incurred by customers consuming between 10 and 70 Mcf per year at 10 Mcf intervals under the distribution and commodity rates in effect prior to the base rate proceeding and the distribution and commodity rates currently in effect.

Table 1 shows a comparison of bills calculated at Vectren's current rates and the rates in effect prior to the most recent rate case. Due to the significant reduction in gas prices since the rate case, the comparison shows a "breakeven" level of consumption at 30.35 Mcf per year. Above that consumption level, a customer's annual bill is actually lower than before the rate case. For comparison purposes, Vectren's average residential annual consumption is approximately 80 Mcf per year. Table 1 also includes a "cumulative percentage" column which shows the percentage of HEAP eligible customers at or below each level of consumption. The data shows that 5.7 percent of these customers are at or below the breakeven level of consumption.

**Table 1**

### Current Annual Bill Comparison

Annual Usage (Mcf)	Cumulative Percentage	Total Bill Pre-Rate Case	Total Bill Current	Delta
10	0.45%	\$198.70	\$302.82	\$104.12
20	1.63%	\$313.40	\$366.36	\$52.96
30	5.35%	\$428.09	\$429.90	\$1.80
30.35	5.70%	\$432.11	\$432.12	\$0.01

40	13.48%	\$542.79	\$493.44	(\$49.36)
50	25.49%	\$657.49	\$556.98	(\$100.51)
60	51.99%	\$772.19	\$620.51	(\$151.67)
70	65.38%	\$886.89	\$684.05	(\$202.83)

The information in Table 1 demonstrates the impact of the decline in natural gas prices since the rate case in offsetting not only the rate design change, but the actual rate increase itself. At the time of that rate case the breakeven point for residential customers was calculated to be at approximately 80 Mcf per year. The decline in the gas commodity rate has reduced that breakeven consumption level to 30.35 Mcf based on current gas costs. The conclusion is that the number of customers, including low-income customers that have experienced a bill increase as a result of the rate case has been greatly reduced.

Table 2 shows a breakdown of the rates used in the comparisons. The pre-rate case gas costs are those used in the last rate case. The current gas cost is Vectren's October 2010 SSO/SCO rate.

**Table 2**

**Rate Comparison**

	Pre-rate Case Rates	Current Rates
Fixed Charges		
Fixed Charge	\$7.00	\$18.37
DRR Rider	\$0.00	\$0.64
<u>GRT - Fixed Charge</u>	<u>\$0.00</u>	<u>\$0.93</u>
<b>Total Fixed Charge</b>	<b>\$7.00</b>	<b>\$19.94</b>
Gas Costs		
Gas Cost	\$9.2356	\$5.4637
<u>GRT - Gas Cost</u>	<u>\$0.45</u>	<u>\$0.2660</u>
<b>Total Gas Cost</b>	<b>\$9.6860</b>	<b>\$5.7297</b>

## Volumetric Rates

Delivery Rate	\$1.1986	\$0.0000
DSM Rider	\$0.0000	\$0.0320
PIPP Rider	\$0.2377	\$0.2377
Uncollectible Expense Rider	\$0.1882	\$0.1354
Exit Transition Rider	\$0.0000	\$0.0308
SB 287	\$0.1593	\$0.1593
<u>GRT Rider - Non Gas Cost</u>	<u>\$0.0000</u>	<u>\$0.0290</u>
<b>Total Base Volumetric</b>	<b>\$1.7838</b>	<b>\$0.6242</b>