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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Vectren Energy Delivery of Ohio, Inc. to	)	Case No. 10-1395-GA-ATA
File Revised Tariffs Extending Its Low	)	
Income Pilot Program	)	

JOINT COMMENTS BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL, THE EDGEMONT NEIGHBORHOOD COALITION AND OHIO ASSOCIATION OF COMMUNITY ACTION AGENCIES

I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC"), the Edgemont Neighborhood Coalition and Ohio Association of Community Action Agencies ("OACAA") ("Consumer Advocates"), on behalf of the residential utility customers of Vectren Energy Delivery of Ohio, Inc. ("Vectren" or "the Company"), files the below joint comments ("Comments") pertaining to the Commission Staff's ("Staff") report of the Vectren low income pilot program ("Pilot Program") filed in this proceeding on October 29, 2010 ("Staff Report").

II. PROCEDURAL HISTORY

On January 7, 2009, the PUCO issued its Opinion and Order ("O&O") in the Vectren Rate Case, Case No. 07-1080-GA-AIR. One of the issues in the rate case was the imposition of the Straight Fixed Variable ("SFV") rate design.[1] As part of the debate

[1] In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Increase Rates for its Gas Distribution Service ("Vectren Rate Case"), Case No. 07-1080-GA-AIR, et al., Opinion and Order (January 7, 2009).

over the SFV rate design, the OCC opposed the SFV rate design for residential customers, in part, because the rate design would adversely impact low-use and low-income residential consumers. The Commission directed Vectren to establish a one-year Pilot Program aimed at helping low-income, low-use customers pay their bills.[2] The Company filed tariffs in compliance with the Commission's directive effective October 1, 2009.[3]

On September 17, 2010, the Company filed revised tariffs requesting the Commission to authorize Vectren to extend the Pilot Program to March 31, 2011.[4] The Commission issued a Finding and Order instructing the Staff to review Vectren's Pilot Program.[5]

On October 20, 2010, Consumer Advocates filed a Joint Motion requesting the Commission to expand the scope of the Staff's review ("Motion"). The Commission took no action on Consumer Advocates Motion and on October 29, 2010, the Staff filed the Staff Report.

III. COMMENTS

A. The Adverse Impact Of The SFV Rate Design On Low-Use Low-Income Residential Customers Guided The Commission To Recognize The Merits of The Pilot Program.

The Commission recognized the potential harm that the SFV rate design might

[2] Id. at 14.

[3] Application at 1.

[4] Id.

[5] Finding and Order at 2 (September 29, 2010).

pose to low-use and low-income residential customers. In its Vectren Rate Case Order, the Commission stated:

> The Commission is concerned; however, with the impact that the change in rate structure will have on some VEDO customers who are low-income, low-use customers. The Commission believes that some relief is warranted for this class of customers. In previous cases, we approved a pilot program available to a specified number of eligible customers, in order to provide incentives for low-income customers to conserve and to avoid penalizing low-income customers who wish to stay off of programs such as PIPP. We have emphasized that the implementation of the pilot program was important to our decisions to adopt a levelized rate design in that case. Therefore, the Commission finds that VEDO should likewise implement a one-year, low-income, pilot program aimed at helping low-income, low-usage customers pay their bills.[6]

Admitting there is a problem is the first step to addressing a problem. In this case, the Commission's remedy was a one-year Pilot Program with continuation of the program dependent upon an evaluation of the program's effectiveness.[7] The Pilot Program was designed for 5,000 low-use residential customers who meet certain income level criteria. The Commission's Order stated:

> As in the prior cases, the customers in the low-income, pilot program shall be non-PIPP, low-usage customers, verified at or below 175 percent of the poverty level. VEDO's program should provide a four-dollar, monthly discount to cushion much of the impact on qualifying customers. This pilot program should be made available for one year to the first 5,000 eligible customers. VEDO, in consultation with staff and the parties, shall establish eligibility qualifications for this program by first determining and setting the maximum low-usage volume projected to result in the inclusion of 5,000 low-income customers who are determined to be at or below 175 percent of the poverty level. The Commission expects that VEDO will promote this program such that, to the

[6] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al. Opinion and Order at 14 (January 7, 2009); See also Staff Report at 1.

[7] Id; see also Staff Report at 1.

> fullest extent practicable, the program is fully enrolled with 5,000 customers.[8]

It was recognized that under the traditional rate design, a certain segment of Vectren's low-use customers despite being income eligible for the Percentage of Income Payment Plan ("PIPP") program were able to refrain from PIPP enrollment. The Commission approved the Pilot Program in order to provide incentives for low-income customers to conserve and to avoid penalizing low-income customers who wish to stay off of programs such as PIPP.[9] The Staff Report failed to determine if the Pilot Program has effectively served the important role that was intended -- to protect the most vulnerable residential consumers by mitigating the harsh effects of the SFV rate design.

B. The Staff's Review Focused Exclusively On Declining Commodity Rates As A Means To Mitigate The Pilot Program's Effectiveness.

The Commission instructed the Staff to include "current commodity" rates in its review.[10] The Staff review followed the Commission's Finding and Order, and looked no further into other metrics which might have highlighted the effectiveness of the Pilot Program. The Staff Report stated:

> **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.**[11]

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[8] Id; see also Staff Report at 1.

[9] Id.

[10] Finding and Order at 2 (September 29, 2010).

[11] Staff Report at 2 (emphasis added).

The Staff's analysis fails to determine the true effectiveness of the Pilot Program.

In order to fully and fairly evaluate the Pilot Program's effectiveness, the Staff's review, at a minimum, should have taken into consideration other important metrics such as (1) the level of Pilot Program enrollment during the first year of eligibility, (2) the impact of the SFV rate design on Vectren's uncollectible account balances, (3) PIPP enrollments and arrearages, (4) Pilot Program participant disconnections. The Staff Report contains no such analysis.

The Pilot Program became effective with bills rendered on or after October 1, 2009.[12] It is well recognized that during the year in which the Pilot Program was initially offered the natural gas commodity market saw prices reach seven year lows.[13] The natural gas commodity market prices play a significant factor in the affordability of low-income customers' utility bills; however, the Staff's analysis is problematic because it fails to recognize that those commodity rates could just as easily increase which would then magnify the need for the Pilot Program. The Staff's reliance on declining natural gas commodity disguises the onerous effect that the SFV rate design has on low-use/low-income residential customers, unless the Staff's review can somehow guarantee that natural gas commodity prices will remain at the current low levels.

There are other important metrics that the Staff should have taken into consideration in the Staff Report in order to more comprehensively shine a light on the Pilot Program's effectiveness. One such metric is Vectren's disconnection activity.

[12] Application at 1 (September 17, 2010).

[13] http://tonto.eia.doe.gov/oog/info/ngw/historical/2009/08 27/ngupdate.asp ("Natural gas prices at the Henry Hub fell below $3.00 for the first time since August 8, 2002, falling to $2.78 per MMbtu in trading on Friday, August 21[, 2009]."); See also Staff Report at 2 Gas Cost Pre Rate Case: $9.6860 compared to Gas Cost Current Rates: $5.7297.

Vectren recently filed an annual report of the service disconnections for non-payment ("Disconnection Report"). This report shows that between June, 2009 and May, 2010 – a period of time during which the Pilot Program was implemented -- Vectren disconnected 18,766 customers for non-payment.[14] These customers had unpaid bills totaling $12.1 million, an average or nearly $650.00 per customer.[15] Furthermore, of the customers who were disconnected for non-payment, only 10,509 were reconnected, leaving 8,257 residential customers without gas service in Vectren's service territory.[16] The Staff Report failed to analyze these statistics, or consider their relative impact on consumers eligible for the Pilot Program. Thereby making it difficult to gauge the effectiveness of the Pilot Program for those eligible consumers at or below 175 percent of the poverty level.

C. The Commission Should Consider Converting The Pilot Program Funding Into A Fuel Fund.

In the event the Commission is persuaded by the Staff Report conclusion 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, then the Consumer Advocates suggest the Pilot Program funding should instead be used for low-income bill payment assistance. The Commission should order all the Pilot Program funds -- $240,000[17] -- be used to establish a fuel fund for low-income bill payment assistance. The economic conditions in the Vectren service territory warrant establishing the fuel

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[14] *In the Matter of the Annual Report of Service Disconnections for Non-Payment Required by Section 4933.123, Revised Code,* Vectren Disconnection Report at 3 (October 1, 2010).

[15] Id. ($12.1 million / 18766 = $643.06.

[16] Id.

[17] 5,000 customers x $4.00/month X 12 months = $240,000.

fund to provide assistance with the hardships that Vectren customers face in their efforts to maintain natural gas service.

The economic conditions in the Vectren service territory have deteriorated significantly over the last five years. Exacerbating this problem is the anticipated decline in HEAP funding this winter.[18] Additionally, the Commission should recognize that the unemployment problems in Vectren's service territory are significantly contributing to the problems consumers are having paying their utility bills. In October 2006, the unemployment level in Montgomery County was at 5.5% compared with a 10.9% unemployment level today.[19] The statewide unemployment level for October 2010 was reported at 9.5%.[20] However, the unemployment level in practically every county served by Vectren is higher than the statewide average. Clinton County for example currently has the highest unemployment level in the state at 15.8%. These circumstances create an atmosphere in which the Company might confront significant increases to the levels of disconnections in its service area. The Consumer Advocates encourage the Commission to address these circumstances by ordering Vectren to make additional fuel funds available to help customers maintain their natural gas services.

The numbers of disconnections that are being experienced by consumers in the Vectren service territory are reflective of the serious economic challenges that plague this region of the state. According to disconnection data provided by the gas and electric utilities, and reported in the Commission's Ohio Statistical Customer Account Receivable

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[18] While the FY-2011 federal budget has not been approved, the projected funding level in Ohio is $132.8 million which is approximately $115 million less than the HEAP funds available last year.

[19] http://www.economagic.com/em-cgi/data.exe/blsla/laucn39113003

[20] http://ohiolmi.com/laus/Ranking.pdf

("OSCAR") Reports, Vectren consumers are experiencing significant increases in the numbers of households that are being disconnected for non-payment.[21] In addition, during the 2008/2009 winter heating season, 8,303 Vectren customers (3%) of all Vectren residential customers availed themselves of the winter reconnection procedures to either avoid disconnection or to have services reconnected. The Consumer Advocates note that at an individual account level, the average debt owed by Vectren residential customers during the time the winter reconnect order ("WRO") was in place was $566, an amount considerably higher than the average debt owed by residential customers of the other natural gas utilities ($433).[22] Even more alarming, Vectren customers were without natural gas service for a much longer period of time prior to using the WRO than customers of the other natural gas utilities. As an industry average, 33% of the natural gas customers using the WRO had been without service for longer than 90 days when the service restoration provisions in the WRO were used. Regrettably, 56% of the Vectren customers that used the WRO to reconnect services were without natural gas service for longer than 90 days prior to using the WRO to reconnect services. These statistics bear out the fact that Vectren's residential consumers need additional assistance, and using the low-income Pilot Program funds as a fuel fund would help some of these residential consumers maintain/restore their natural gas service during these dire economic times.

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[21] For the twelve months ending September 2010, Vectren reported 14,576 customers being disconnected for non-payment. Comparing this number of disconnections with the number of disconnections that Vectren reported just five years ago for the twelve month period that ended September 2006, 2792 disconnections were reported for that year.

[22] *In the Matter of the Five-Year Review of Natural Gas Company Uncollectible Riders*, Case No. 08-1229-GA-COI, Review of the Credit and Collection Policies and Practices of the Columbia Gas of Ohio, Inc., The East Ohio Gas Company, Duke Energy of Ohio, and Vectren Energy Delivery of Ohio, Northstar Consulting Group Report, May 3, 2010, Exhibit V-1.

The cost of the Pilot Program to Vectren's shareholders is approximately $240,000 per year.[23] However, this cost pales in comparison to the benefits that the SFV rate design provides Vectren and Vectren's shareholders. During its 2007 Rate Case Vectren argued that the SFV rate design was necessary in order to avoid the problem of revenue erosion caused by declining average usage per customer,[24] an annual benefit estimated $2.5 million.[25] The benefits that Vectren derives from the SFV rate design will dwarf the Pilot Program cost to the Company and its shareholders. Therefore, the Commission should require Vectren shareholders to instead provide low-income customers with bill payment assistance funded by the Pilot Program dollars, or in the alternative, maintain the existing Pilot Program to provide credits to 5,000 low-income customers.

IV. CONCLUSION

For all the reasons discussed above, the Commission should instruct the Staff to review the Pilot Program's effectiveness in a more comprehensive manner. The Commission should require Vectren's shareholders to continue providing funding at the current Pilot Program level; however, the Commission should consider using the Pilot Program funding to provide low-income customers with bill payment assistance, or in the alternative, maintain the existing Pilot Program to provide $4.00 per month credits to 5,000 low-income customers.

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[23] 5,000 customers x $4.00 discount per customer/month x 12 months per year = $240,000.

[24] *In re 2007 Rate Case*, Ulrey Direct Testimony) at 5 (December 4, 2007); See also Ulrey Supplemental Testimony at 4 (July 23, 2008).

[25] Decline in average use per customer 931 (2004 Rate Case) to 815 (2007 Rate Case) a 12.5% decline. Vectren estimates for each 5% decline in residential sales volume decline equates to $1 million in revenue loss.

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these *Joint Comments by the Office of the Ohio Consumers' Counsel, The Edgemont Neighborhood Coalition and Ohio Association of Community Action Agencies* was served on the persons stated below via first class U.S. Mail, postage prepaid, this 1st day of December, 2010.

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