**BEFORE**
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Commission's Review of Chapter 4901:1-13 of the Ohio Administrative Code, Regarding Minimum Gas Service Standards. | ) ) ) ) | Case No. 13-2225-GA-ORD |

**APPLICATION FOR REHEARING OF**
**THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO,**
**VECTREN ENERGY DELIVERY OF OHIO, INC., AND**
**COLUMBIA GAS OF OHIO, INC.**

In accordance with R.C. 4903.10 and Rule 4901-1-35, Ohio Administrative Code, The East Ohio Gas Company d/b/a Dominion East Ohio (DEO), Vectren Energy Delivery of Ohio, Inc. (VEDO), and Columbia Gas of Ohio, Inc. (Columbia) (collectively, the Companies) hereby file their Application for Rehearing of the July 30, 2014 Finding and Order issued in the above-captioned case (the Order). The Order is unreasonable and unlawful because, as explained in detail in the attached Memorandum in Support, it adopts rule changes that are unnecessary, will require unreasonable and unjustifiable expense to achieve compliance, and create improper and unreasonable incentives. For these reasons, the Commission should grant this application for rehearing and modify or remove the proposed rules accordingly.

Dated: August 29, 2014

Respectfully submitted,

/s/ Andrew J. Campbell

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**MEMORANDUM IN SUPPORT**

## I. INTRODUCTION

Although the Companies do not agree with every decision made by the Commission in revising the minimum gas service standards, they are seeking rehearing only of the decision to adopt three substantive rule changes. The first change substantially reduces the amount of time in which the Companies may complete new service installations. The second change gives customers who cancel or fail to show up for service appointments favored treatment over those who keep their appointments. The third change would substantially increase the amount of time customers have to pay bills issued out of state.

In all cases, the Companies do not question the Commission's underlying intent: the rules are attempting to ensure that customers receive timely service. The issue is that these rule revisions will create unreasonable incentives and impose major cost burdens, both directly in reprogramming and consequentially by increasing the cost of service, for all customers. For example, DEO expects that these revisions will require *both* hundreds of thousands of dollars in one-time reprograming costs *and* will have annual cost impacts measuring well in excess of a million dollars. Sometimes such costs may be necessary, but not here: no party has offered any support or data showing that the rules are necessary or that any benefits will justify such exorbitant costs.

For these reasons, the Companies respectfully request that the Commission grant rehearing and revise the rules as requested below.

## II. ARGUMENT

### A. The acceleration of new-service deadlines under Ohio Adm. Code 4901:1-13-05(A)(1) and (4) will require substantial and unjustifiable increases in the cost of service.

The Commission adopted revisions to subsections (A)(1) and (4) that will reduce the number of business days in which the Companies may complete a request for new service from five business days to three business days. The acceleration of these deadlines will require dramatic increases in the cost of service, and the Companies continue to question the need for this rule.

#### 1. Compliance with the reduced deadlines will require major increases in investment and labor.

The need for this rule is not clear. The Companies are not aware of any substantial issues arising with customers regarding this issue under the existing rules, and their review of online legal databases of formal complaints did not disclose a single complaint regarding the timing of new service orders. Yet the adoption of this rule will require substantial increases in the cost of service.

All of the Companies expect significant cost impacts, particularly if coupled with the rule requiring priority rescheduling for customers who cancel their appointments, which the Companies address below. For example, DEO expects that achieving compliance with this rule will require over $300,000 in reprogramming and testing costs to its systems. Moreover, the prevalence of inside meters on DEO's system causes new service orders to be very labor intensive. Thus, DEO will also need to hire more workers and increase its fleet to meet the reduced deadlines, and it conservatively expects associated annual cost increases of at least $1.5 million. Likewise, VEDO estimates that cost increases (excluding IT, hiring, and equipment) will be approximately $437,000 a year. When IT, hiring, and equipment are included, VEDO expects to incur additional expense in excess of $500,000 a year. Finally, although Columbia does not have a large proportion of inside meters (which reduces the impact on labor costs), it still anticipates substantial reprogramming and testing costs of $300,000 and additional annual operating expenses as high as $628,000.

The Companies understand that, all things being equal, having an appointment sooner than later may be desirable. But that is not the question here. The question here must be whether these multi-million-dollar increases in the cost of service are necessary. Given the absence of even one formal complaint regarding the timing of completion of new service orders, the Companies believe that the answer is no.

### 2. Consistency with the electric industry is not a reasonable goal in this instance and an insufficient basis for these costs.

The only substantive reason for the rule change given by the Commission was that "the standard for new service installations should be the same for the electric and gas and natural gas companies." Order at 12. Again, as a general matter, the Companies have no quarrel with achieving consistency between the natural gas and electric rules when such consistency is appropriate. But there are good reasons for different deadlines here.

#### a. Natural gas utilities experience seasonal swings in new service requests.

The most critical reason is that the natural gas industry is subject to seasonal swings in demand that differ from the electric industries. Unlike electricity, which almost all customers need year-round, many customers do not require natural gas during warm-weather months, using the commodity only for heating. Indeed, a substantial number of customers voluntarily disconnect service during the summer and reconnect service once the weather turns colder. The Companies also experience an increase in new service requests in the fall from college students moving and establishing new service. Perhaps most notably, the Winter Reconnect Order (WRO) imposes a major drain on the Companies' field resources when cold weather sets in. The WRO not only causes a drastic uptick in reconnection orders, but many customers have been disconnected long enough for the reconnection to be considered new service and many also change service locations when they use the WRO—and these are the sorts of new service requests that will be subject to the accelerated deadline. All of these factors lead the Companies to experience a major influx of new service requests in the fall and winter months, as the Commission itself has recognized.

In the initial MGSS rulemaking, it acknowledged that "peak periods may cause an unintended strain on gas company resources when coupled with the winter reconnect provisions." Case No. 05-602-GA-ORD, 2006 Ohio PUC LEXIS 405, Entry on Rehg. at *7–8 (July 12, 2006). But without the substantial new investments described above, the Companies do not expect that they will be able to comply with the accelerated deadlines during peak times.

**b. Physical differences between natural gas and electric service create additional time demands.**

These are not the only reasons to allow more time for natural gas service orders. New natural-gas service installations are more time-consuming. Natural gas utilities, unlike electric utilities, require access to customer appliances and piping systems. In addition, nearly half of DEO's active meters are located *inside* the customer's property, which requires scheduled appointments and can cause delays and logistical difficulties. "Inside" appointments are not just required for new service orders, but for compliance checks, safety investigations, and other customer-generated work orders (such as responding to odor reports). Moreover, whether inside or outside, new service appointments require houseline and appliance checks. This can take upwards of 40 minutes, and to the Companies' knowledge, such a time-consuming process is not necessary for the initiation of electric service.

Despite these challenges, the Companies have consistently provided 95% percent or better scheduling within five days for *all* appointments. Creating a three-day window for new-service requests will not only be difficult to meet in and of itself—it will push other customers much further out in getting their requests scheduled for routine work. The five-day requirement is necessary to enable the utilities to consistently meet customer needs for service in a cost-effective manner.

In sum, if there were numerous complaints or other issues regarding the timing of new service installations, the Companies could understand at least considering an acceleration of the deadline. But the Companies disagree with imposing expensive new requirements in the absence of any showing (or even complaint) that it is necessary. The Commission should reconsider this rule.

**B. Ohio Adm. Code 4901:1-13-05(C)(5) unreasonably favors customers who choose to cancel their appointments.**

The Commission also adopted new requirements in Ohio Adm. Code 4901:1-13-05(C)(4) and (C)(5). Both paragraphs require the Companies to provide either a "next business day appointment . . . with no expected arrival time window" or a four-hour window "within two business days." For reasons that are unclear, however, the new rules favor customers who *choose to cancel* their appointments over those whose appointments are cancelled by the utility. Customers who have their appointments cancelled cannot reschedule until "*after* the date of the missed appointment," *id*. (C)(4)(b) (emphasis added), while those who choose to cancel may select an appointment without this restriction.

The Companies are not challenging these rules as applied to customers who have their appointments cancelled. But customers who *choose* to cancel their appointments should not receive favored treatment and priority rescheduling. As drafted, this rule will essentially allow customers to obtain next-business-day appointments at will. All a customer needs to do is call the utility; schedule a regular appointment (likely four to five days out); and then call back immediately, cancel, and reschedule. As written, the rules would arguably entitle the customer to a next-business-day appointment.

If cancelling customers can line jump at will (as (C)(5)(a) permits), it would encourage gamesmanship and wreak havoc on the utility's ability to maintain orderly schedules. Among other things, this would require major increases in field resources. Otherwise, fitting in rescheduled, next-business-day appointments, particularly during peak periods, will be very difficult and cause LDCs to fall out of compliance with the scheduling rules. Coupled with the reduced time to work new service requests, the strain on the Companies' field resources will be significant, making it nearly impossible to meet the new standards without considerable increases in labor.

Again, the rescheduling rule makes sense for customers who have their appointments cancelled by the utility. But to give cancelling customers the highest rescheduling priority creates the wrong incentives. Customers who choose to cancel their appointments or simply do not show up should be required to take the next available date and appointment window, as opposed to jumping in front of customers to which the utility has already committed.

### C. The extension of the due date for out of state bills is unnecessary and will require substantial reprogramming of DEO's billing and credit processes.

The Commission also adopted a revision to Rule 4901:1-13-11(C) that requires, "For residential bills being issued from outside the state of Ohio, the due date shall be no less than twenty-one days from the date on the actual bill." As the Companies explained before, they appreciate the spirit of this proposal. No one contests whether customers should have sufficient time to pay their bills, and the Companies agree that processing and transit times should not consume a substantial portion of the customer's time to pay.

The problem, as before, is that this rule change will cause substantial and unnecessary problems for utilities (like DEO and VEDO) who use out-of-state printers—even if (like DEO and VEDO) those utilities already take steps to ensure customers receive ample time to pay. The reprogramming of any component of the billing system is extremely complex at numerous levels, and changes that might seem fairly straightforward can require major modifications to the existing architecture in order to weave the change in without negatively impacting or changing other system components. Thus, changes cannot be made on a whim: they must clearly be for a desirable end and should not disrupt existing, beneficial networks.

This is exactly the problem with this rule change. For DEO and VEDO, this revision would not just require the addition of a few days to the billing due date for customers receiving paper bills. It would require DEO to reconstruct its entire method of linking together its billing and credit systems—a system that was overhauled only three years ago based on findings from the NorthStar Audit that supported the UEX objectives. The results of those changes have been extremely beneficial for all ratepayers.

### 1. Out-of-state printers can provide least-cost services *with no sacrifice in timeliness.*

The first point that the Commission should understand is that utilities may use out-of-state printers without causing *any* delay in the customer's receipt of the bill.

Although all of the Companies support this application for rehearing, DEO and VEDO are the Companies who use an out-of-state printer at this time. That printer is the least-cost vendor—which benefits customers—but it is located outside of Ohio. This does not cause delays in customers' receipt of their bills. DEO and VEDO, for example, have proactively addressed any timing concerns tied to use of an out-of-state vendor by negotiating a contract requirement that the printer ensures the bills are accepted into the U.S. mail onsite at the printing facility and delivered to a U.S. mail processing facility in time to meet overnight delivery to Ohio. And this is *exactly* the same timing that would be accomplished if DEO or VEDO used an in-state printer. To doubly ensure this does not harm customers, DEO also provides 16 days from the bill date to pay (*more* than the 14 days required by the rules). And while VEDO does not currently offer an extended due date, it is willing to also provide 17 days from the bill date to pay.

This timing ensures that customers timely receive their bills and have ample time to pay—and *no less time than if the bills were printed in Ohio*. Contrary to the assumption behind the rule, bills sent from out-of-state printers do not necessarily require longer due dates.

**2. This rule change would effectively require DEO to reprogram its entire billing and credit process.**

Thus, a 21-day due date is unnecessary. And if DEO is required to comply with the new 21-day requirement, the impact will be enormous.

**a. DEO expects seven-figure programming and testing costs.**

The direct reprogramming itself will be substantial. Based on early estimates and past experience with projects of similar scope, DEO expects reprogramming and testing costs to run over $1.5 million. Such costs are ultimately borne by customers—the same customers who already receive ample time from DEO to pay their bills. But although IT and user testing costs will be substantial, these costs do not represent the most substantial impact. Similarly, considering the impact on its systems and downstream processes, VEDO also expects that implementation costs will be sizable.

### b. DEO's billing and credit processes are highly dependent on the existing due dates.

The most substantial impact is that a 21-day due date will require DEO to completely revise its current method of linking together its billing *and* credit and collection systems. To understand why this rule change would have such a serious impact, DEO must first explain its current billing system.

Three years ago, building off of past audits and reviews, DEO streamlined its billing process and linked it with its credit and collection process. The current system was developed in close consultation with Staff. Under this system, as noted, DEO gives customers 16 days from the bill date to pay, which is ample time to pay.

If a customer fails to pay before his next bill is issued, he or she will receive the first disconnection notice on the next bill. If the customer still has not paid by that bill's due date (16 days later), DEO issues the second, 10-day disconnection notice, which may be provided by phone or by mail.[1] This 10-day notice then links up with the next monthly bill: around the same time that the 10-day notice expires or shortly after, DEO issues the next month's bill, and that bill provides the final notice that the customer is now subject to *immediate* disconnection. This final notice continues to appear until the account is disconnected or the past-due amount is received.

The net outcome is that the timing of DEO's current process flows smoothly and provides sufficient notice of pending disconnection to customers. In addition, it limits extraneous mailings. Disconnection notices, other than the additional 10-day notices, are provided when it is most cost-effective and where they are most likely to be reviewed: on the bills themselves.

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[1] In addition to providing 16 days to pay, DEO also goes beyond the requirements of the rules by providing customers an additional 10-day notice *year round*—not just in winter.

### c. The current process has been highly effective and beneficial to customers, including plenty of time to pay.

This process has been *very* successful in reducing past-due receivables. Since being implemented three years ago, DEO's year-end receivables over 90 days old have declined by nearly $13 million, or a 53% reduction from 2011 to 2013. This directly reduces DEO's bad-debt expense, which directly benefits customers through a lower uncollectible-expense (UEX) rider. By providing bills and disconnection notices on the same document, DEO saves printing, mailing, and material costs, and customers have less mail to deal with. The overall system has other benefits for customers, too. For example, the year-round provision of a 10-day notice allowed over 26,000 customers to avoid disconnection during "warm weather" months last year.

### d. A 21-day due date would unravel DEO's current linkage of its billing and credit systems.

Why is all this relevant? Extending the due date to 21 days will effectively require DEO to reconfigure this beneficial system, for which reprogramming costs were previously incurred.

An extended due date would mean that DEO could not provide notices and bills on the same document. The needed synchronization would simply be lost. Extending the base due date would likely require DEO to eliminate the additional year-round 10-day notice, ultimately providing customers with *less* time to pay before disconnection may occur. More fundamentally, a 21-day due date, plus the 10-day notice, will frequently result in monthly billing and disconnection cycles that *exceed* a month. The lengthened credit cycle, and the compressed time frames between monthly bills, will make it extremely difficult to coordinate notices and billing. At best, DEO expects it will frequently be necessary to issue multiple notice and billing documents in a matter of days, which will likely create customer confusion. The net result will likely be substantial difficulties this winter (and perhaps all winters) in cost-effectively providing the proper series of 14- and 10-day notices—which could make it difficult even to disconnect non-paying customers.

DEO expects all this to cause a major spike in the levels of the UEX rider. Again, DEO's current billing system has driven a *53% reduction* in over-90-day uncollectibles in three years. If this trend is reversed, and DEO expects that it will be reversed, customers will bear the cost. The more than $1 million in direct reprogramming costs will be dwarfed by the impact on collection activity. Again, the increased bad debt costs will flow *directly* through to customers.

**3. There are better ways to address the underlying concerns.**

Again, to be clear, the Companies have no objection to ensuring that customers receive sufficient time to pay their bills. The Commission's concern is not invalid; the problem is how that concern is addressed. As already explained, the Companies do not believe that the current rules are causing any problems for customers. But if the Commission wishes to address out-of-state billing, the Companies perceive at least two better and less costly ways to do so.

First, the rules could impose a more general "timeliness" requirement. For example, the rules could require utilities that use out-of-state printers to "take reasonable steps to ensure timely delivery to customers" or otherwise ensure that they are not prejudiced. This would give individual companies the opportunity to develop targeted solutions (such as DEO has done by contracting for next-day delivery to Ohio). And it would still provide Staff with ample basis to ensure that unreasonable delays do not occur.

Alternatively, if the Commission does wish to simply extend the billing due date, DEO and VEDO would request that it extend it no further than 17 days. DEO and VEDO could accommodate such a time frame without the wholesale reprogramming of their systems. Providing an additional three days would be consistent with the provision of three additional days for mailed disconnection notices, Ohio Adm. Code 4901:1-18-06(B)(1), and for responding to documents served by mail, Ohio Adm. Code 4901-1-07(B).

Any of these approaches would ensure that customers receive a reasonable opportunity to pay while avoiding the substantial and unwarranted costs imposed by creating a 21-day due date for bills printed outside of Ohio.

## III. CONCLUSION

For the foregoing reasons, the Companies respectfully request that the Commission grant rehearing and modify the rules accordingly.

Dated: August 29, 2014

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

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