BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Rate Plan.	)))	Case No. 18-49-GA-ALT
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for an Increase in Gas Rates. .	)))	Case No. 18-298-GA-AIR
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Rate Plan.	)))	Case No. 18-299-GA-ALT

OHIO PARTNERS FOR AFFORDABLE ENERGY'S OBJECTIONS TO THE STAFF REPORT OF INVESTIGATION AND SUMMARY OF MAJOR ISSUES

Ohio Partners for Affordable Energy ("OPAE") hereby respectfully submits to the Public Utilities Commission of Ohio ("Commission") these Objections to the Staff Report of Investigation and Summary of Major Issues in the above-captioned proceedings considering the applications of Vectren Energy Delivery of Ohio, Inc. ("Vectren") for an increase in natural gas distribution rates and approval of an alternative rate plan.

1. OPAE objects to the Staff Recommendation that Vectren be allowed to collect a maximum of $5.6 million through its Energy Efficiency Funding Rider ("EEFR") for the recovery of energy efficiency program costs and expenses. OPAE also objects to the Staff's recommendation that partial funding for energy efficiency programs in base rates be eliminated. OPAE also objects to the Staff's recommended discontinuing of the collaborative process to approve energy efficiency programs and the Staff's recommendation

> **that Vectren file an application with the Commission for authority to amend or continue its energy efficiency program portfolio. Staff Report at 15-16.**

The Staff Report eliminated Vectren's proposed $5.6 million in base rates annually for energy efficiency programs for residential and general service customers. Instead the Staff would permit Vectren to collect a maximum of $5.6 million through its EEFR for recovery of energy efficiency program costs and expenses. Staff Report at 15.

Currently, Vectren's 2018 Demand-Side Management ("DSM") budget is $5,678,447, with $4,000,000 of that amount in base rates. The remaining $1,678,447 is collected through Vectren's EEFR. Case No. 18-444-GA-RDR, Application at Exhibit A.

OPAE objects that the Staff's proposed level of funding for energy efficiency programs is identical to the current level of funding and is inadequate. The overall funding for EE programs should have been increased given that the revenue requirement allowed in the Staff Report was an increase from 8.05% to 10.77%. Staff Report Schedule A-1.

In addition, OPAE objects to the elimination of a portion of the funding for EE programs through base rates. Inclusion of funding in base rates provides continuity for the programs, ensuring customers continue to benefit from what is clearly an appropriate function of distribution utilities. Other natural gas distribution utilities – East Ohio Gas Company and Columbia Gas of Ohio among them – split funding for demand-side management ("DSM") programs through base rates and riders. There is no stated justification for eliminating Vectren's base rate funding for DSM programs, and the Commission should guard against the potential disruption of funding when a separate rider filing is necessary for program continuation.

OPAE also objects that the Staff Report did not recommend increased funding for low-income energy efficiency programs in Vectren's service area. In Case No. 07-1080-GA-AIR, the Commission established the EEFR, which is to produce a minimum of $1 million to continue to fund Vectren's low-income weatherization program for residential customers whose income is between 200% and 300% of the federal poverty level. Case No. 18-444-GA-RDR, Application at 1. This program is now known as the Vectren Weatherization Program II. Given the increasing number of low-income customers in Vectren's service territory, the Staff should have increased the low-income energy efficiency funding by an additional $1 million for families with incomes less than 200% of the federal poverty level – Vectren Weatherization Program I ("VWP I") so that total VWP I funding would be $2 million. The maximum amount to be collected under the EEFR (or through base rates) should be increased to allow for $2 million for the VWP I.

OPAE also objects to the Staff recommendation to eliminate the collaborative process. If there are problems with the current collaborative, the structure of the collaborative can be modified and more representatives of low-income customer groups should be added. Vectren's DSM collaborative should be structured more in the manner of the collaboratives of Columbia Gas of Ohio and the East Ohio Gas Company.

2. OPAE objects to the Staff Report's recommendations for Miscellaneous Charges because the Staff Report does not contain the information to support the Staff's recommendations.

For Miscellaneous Charges, the Staff Report recommends that the After Hours Charge for Connection, Reconnection, or Disconnection increase from $22 to $25. Staff Report at 24. In addition, the Staff did not agree with Vectren's proposed Trip and Labor Charges outside of business hours increasing from $57 to $75, but supported a charge of $71.77 for this service. Id.

OPAE objects that it is not apparent why the Staff supported these increased charges. Therefore, the Staff Report's recommended increased miscellaneous charges are not supported or reasonable.

3. OPAE objects to the Staff Report's Residential Customer Charge and Straight Fixed Variable ("SFV") Rate Design.

The Staff Report states that unvarying costs occur as a result of customer connections to the utility's system, regardless of usage. Therefore, Staff uses a SFV rate design to set a residential fixed customer charge. Staff recommends an increase in the residential fixed charge from the current $18.37 to $30.95, a 68.48% increase. Staff Report at 35. OPAE objects to this increase in the residential fixed customer charge and the use of the SFV rate design.

High fixed residential customer charges harm low-income customers because lower-income households live in smaller housing structures and have lower consumption than higher-income households. Vectren Exhibit No. 9.0, Attachment C at 10. Lower-income households also live in higher density housing and impose a lower distribution cost. Therefore, any move to higher residential fixed customer charges shifts costs from higher-income to lower-income households. The move to higher fixed customer charges results in the placement of an unjust burden of revenue responsibility upon low-income and low-use households.

In addition, with higher fixed charges, customers are inclined to consume more natural gas rather than conserve because the increased cost of consumption may be minimal. High fixed charges decrease the value of energy efficiency programs and increase the payback period for energy efficiency measures. Volumetric charges are preferable to fixed charges, because customers see more benefit in conservation and energy efficiency programs.

OPAE also objects that the Staff did not consider alternatives to the SFV rate design, such as decoupling of revenues from sales. Decoupling is an alternative that allows the utility to maintain its revenue requirement regardless of sales but does not negatively affect energy efficiency investments and conservation efforts by customers and the utility. In addition, decoupling could allow for the elimination of certain cost recovery riders and other proposals to ensure recovery of the revenue requirement such as the proposed Energy Conversion Factor.

4. OPAE objects that the Staff Report did not recommend solutions for problems identified in the Customer Service Assessment.

Staff reviewed the customer contacts to the Commission's call center for the period January 1, 2014 through December 31, 2016 that were related to Vectren's service. Staff Report at 39. Customers expressed concerns about high balances, back billing, or final and initial bills. Concerns regarding disconnection issues or payment arrangements prompted 236 customer contacts. Most of these customers wanted to obtain information about how to prevent disconnection, or inquired about various payment arrangements and/or the winter reconnect order. There were 150 contacts regarding the Percentage of Income Payment Plan ("PIPP") and other assistance programs. Staff Report at 39-40.

In spite of these customer contacts, the Staff Report made no recommendations to improve Vectren's customer outreach and payment plan offerings. The number of Vectren's residential customers disconnected for non-payment for the period June 2017 through May 2018 was 18,916; and for the period June 2016 through May 2017, the number of disconnections was 18,084. Case No. 17-1069-GE-UNC and Case No. 18-757-GE-UNC. OPAE objects that the Staff Report did not require Vectren to improve its customer service outreach and also to work to assure that its customers are able to maintain service through reasonable payment arrangements.

5. OPAE objects that the Staff did not consider the new burdens on Percentage of Income Payment Plan ("PIPP") customers.

The Staff Report considered the Commission's customer call center contacts with Vectren's PIPP customers. Contacts regarding PIPP and other assistance programs were the sixth largest category of customer contacts with 150 contacts. The Staff Report noted that new PIPP rules went into effect in 2015 and may have contributed to the quantity of customer contacts. Staff Report at 40.

Under the new PIPP rules, effective April 15, 2015, a PIPP customer must provide proof of eligibility at least once every twelve months. A PIPP customer must be current on PIPP payments at the anniversary date of PIPP eligibility to remain on PIPP for the subsequent twelve months. The PIPP customer has one billing cycle after the anniversary date to pay any missed payments before being removed from PIPP. Missed PIPP payments include PIPP payments that would have been due for the months the customer was disconnected. If a PIPP customer is dropped from the program due to nonpayment, the customer may re-enroll only after paying all missed PIPP payments and monthly charges for any months the customer was not enrolled in PIPP but maintained service. O.A.C. Rule 4901:1-18-12(D).

The new PIPP rules may serve to diminish the success of PIPP to allow low-income customers to maintain their service. The Staff Report should have considered whether the new PIPP rules result in too high a burden for low-income customers of Vectren to stay enrolled in PIPP and to maintain their service. If maintaining PIPP eligibility presents too high a burden for low-income customers, the Staff Report should have considered alternatives to allow low-income customers to maintain their service.

6. OPAE objects to the failure of the Staff Report to require that Vectren offer affordable service and payment plans based on a customer's income and the resulting burden on the customer.

Customers are not well served by service and payment plans which are unaffordable and put customers in danger of disconnection. Bill payment plans should work to decrease disconnections and arrearages. Payment plans should be customized based on a customer's income and the resulting burden on the customer. Payment plans should consider the percentage of a customer's income spent on utility bills. OPAE objects that the Staff Report failed to require Vectren to offer affordable service tariffs and payment plans based on a customer's income and the resulting burden of utility service payments on the customer. In addition, payment plans that are affordable and allow customers to maintain service should be required.

SUMMARY OF MAJOR ISSUES

Pursuant to Revised Code Section 4903.083, OPAE proposes the following summary of major issues:

1. The appropriate level of revenues that Vectren should be authorized to collect through rates;
2. The appropriate level of funding for Energy Efficiency (“EE”) programs, the appropriate mix of EE funding through base rates and riders, and the methods of cost recovery for EE programs;
3. The appropriate rate design and fixed customer charges for residential and small commercial customers;
4. The use of the SFV rate design for residential customers and the consideration of alternatives to the SFV rate design;
5. The appropriate rate of return for ratemaking purposes;
6. The appropriate level of test-year revenues;
7. The appropriate level of operating and maintenance expenses;
8. The appropriate level of rate base;
9. The existence of cost recovery riders that undermine the ratemaking process herein.

Respectfully submitted,

Colleen L. Mooney

Colleen L. Mooney
Attorney Reg. No. 0015668
Ohio Partners for Affordable Energy
PO Box 12451
Columbus, OH 43212-2451
Telephone: (614) 488-5739
e-mail: cmooney@ohiopartners.org
(will accept e-mail service)

CERTIFICATE OF SERVICE

A copy of the foregoing Objections will be served electronically by the Commission's Docketing Division upon the persons identified below who are electronically subscribed to these cases on this 31st day of October 2018.

Colleen L. Mooney
Colleen L. Mooney

SERVICE LIST

whitt@whitt-sturtevant.com
campbell@whitt-sturtevant.com
rust@whitt-sturtevant.com
fdarr@mcneeslaw.com
mpritchard@mcneeslaw.com
William.Michael@occ.ohio.gov
Bryce.mckenney@occ.ohio.gov
slesser@calfee.com
talexander@calfee.com
mkeaney@calfee.com
mfleischer@elpc.org
joliker@igsenergy.com
mnugent@igsenergy.com
glpetrucci@vorys.com
mjsettineri@vorys.com
Thomas.jernigan.3@us.af.mil
Andrew.unsicker@us.af.mil
werner.margard@ohioattorneygeneral.gov