

OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren Energy)
Delivery of Ohio, Inc., for Approval of an) Case No. 18-0049-GA-ALT
Alternative Rate Plan.)

In the Matter of the Application of Vectren Energy)
Delivery of Ohio, Inc., for Approval of an Increase) Case No. 18-0298-GA-AIR
in Gas Rates.)

In the Matter of the Application of Vectren Energy)
Delivery of Ohio, Inc., for Approval of an) Case No. 18-0299-GA-ALT
Alternative Rate Plan.)

**DIRECT TESTIMONY
OF
ROBERT B. FORTNEY**

**On Behalf of
The Office of the Ohio Consumers' Counsel**
*65 East State Street, 7th Floor
Columbus, Ohio 43215-4213*

November 7, 2018

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Attachment RBF-1 Qualifications and Prior Testimony Listing

*Direct Testimony of Robert B. Fortney
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

4 ***A1.*** My name is Robert B. Fortney. My business address is 65 East State Street, Suite
5 700, Columbus, Ohio 43215. I am a Rate Design and Cost of Service Analyst for
6 the Office of the Ohio Consumers' Counsel ("OCC").

7

8 ***Q2. WHAT ARE YOUR RESPONSIBILITIES AS A RATE DESIGN AND COST***
9 ***OF SERVICE ANALYST?***

10 ***A2.*** I am responsible for investigating utility applications regarding rate and tariff
11 activities related to tariff language, cost of service studies, revenue distribution,
12 cost allocation, and rate design that impact the residential consumers of Ohio. My
13 primary focus is to make recommendations to protect residential consumers from
14 unnecessary utility rate increases and unfair regulatory practices.

15

16 ***Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.***

17 ***A3.*** I earned a Bachelor of Science degree in Business Administration from Ball State
18 University in Muncie, Indiana in 1971. I earned a Master of Business
19 Administration degree from the University of Dayton in 1979.

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1 ***Q4. PLEASE SUMMARIZE YOUR PROFESSIONAL BACKGROUND AS IT***
2 ***RELATES TO UTILITY REGULATION.***

3 ***A4.*** From July 1985 to August 2012, I was employed by the Public Utilities
4 Commission of Ohio (“PUCO”). During that time, I held a number of positions
5 (e.g., Rate Analyst, Rate Analyst Supervisor, Public Utilities Administrator) in
6 various divisions and departments that focused on utility applications regarding
7 rates and tariff issues. In August 2012, I retired from the PUCO as a Public
8 Utilities Administrator 2, Chief of the Rates and Tariffs Division, which focused
9 on utility rates and tariff matters. The role of that division was to investigate and
10 analyze the rate- and tariff-related filings and applications of the electric, gas, and
11 water utilities regulated by the PUCO and to make Staff recommendations to the
12 PUCO regarding those filings. I joined the OCC in December of 2015.

13

14 ***Q5. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE***
15 ***PUCO?***

16 ***A5.*** Yes. I have testified on numerous occasions to advocate to the PUCO the
17 positions of the PUCO Staff. Over the course of my career at the PUCO, I often
18 recommended to the PUCO cost allocation methodologies needed to develop a
19 reasonable distribution of revenues. I also was responsible for recommending
20 reasonable rate designs needed to recover the revenue requirement, by class of
21 service and in total. In addition, I testified for the OCC in five proceedings since
22 joining its staff. A list of proceedings where I have submitted testimony to the
23 PUCO is provided in Attachment RBF-1 to this testimony.

II. PURPOSE OF TESTIMONY

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A6. The purpose of my testimony is to explain and support OCC's position protecting residential customers as it relates to the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates ("Application") filed by Vectren Energy Delivery of Ohio, Inc. ("VEDO" or the "Utility") in case No. 18-298-GA-AIR.¹ Specifically, I will provide the rationale for OCC's position regarding one of the recommendations made by the PUCO Staff² in the Staff Report³ filed in this proceeding- I am recommending that the PUCO should deny VEDO's request for its proposed Multi-Family Pilot Program. And I support the PUCO Staff's recommendation to deny VEDO's request.⁴

¹ See *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates*, Case No 18-0298-GA-AIR (March 30, 2018)("Application").

² See Case No. 18-0298-GA-AIR, Objections to the PUCO Staff's Report of Investigation by the Office of the Ohio Consumers' Counsel (October 31, 2018), **page 6**.

³ See Case No. 18-0298-GA-AIR, Staff Report (October 1, 2018).

⁴ Staff Report, page 24.

1 ***Q7. PLEASE DESCRIBE THE UTILITY'S PROPOSAL FOR A MULTI-FAMILY***
2 ***HOUSING PILOT PROGRAM FUNDED BY ALL CUSTOMERS?***

3 ***A7.*** In conjunction with its application for an increase in base rates (Case No. 18-
4 0298-GA-AIR), VEDO filed an application for approval of an Alternative Rate
5 Plan (Case No. 18-0299-GA-ALT). As part of its ALT filing, VEDO would
6 provide financial contributions of up to \$2,000 per individually metered dwelling
7 towards the costs of the installation of indoor gas piping and venting. These
8 contributions would be paid to builders and developers of multi-family apartments
9 after verifying the actual costs of the installations. The annual cost of the
10 program would be limited to \$1 million and these costs would be included in base
11 rates and collected from customers in VEDO's next rate case. In a future rate
12 case, VEDO would seek to capitalize these program costs and include them as
13 rate base, requiring customers to pay for a return on (profit) and of (by
14 depreciation expense) those financial contributions.

15

16 ***Q8. WHAT DID THE PUCO STAFF RECOMMEND?***

17 ***A8.*** Staff has correctly concluded that the financial contributions as proposed by
18 VEDO are not capital expenditures recoverable through rate base. The
19 contributions are for piping and venting owned, operated, maintained, and
20 inspected by the builder/developer. Therefore, they are not within VEDO's ability
21 to direct or dedicate in the service of its customers. I share these Staff positions.

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1 Staff has also correctly found that the contributions are to offset the higher up-
2 front costs of installing natural gas facilities in apartments and condominiums,
3 which are traditionally built to utilize electric-only appliances, due to the lower
4 construction costs. For this reason, Staff correctly does not endorse incentives
5 that promote energy competition between utilities that, in the end, would be paid
6 for by consumers. To my knowledge Staff's position is consistent with the PUCO
7 practice of rejecting promotional ads aimed at maintaining customer load and
8 acquiring new customers. I share these Staff positions.

9

10 **Q9. DO YOU HAVE ANY FURTHER RATIONALE TO SUPPORT STAFF'S**
11 **RECOMMENDATION?**

12 **A9.** Yes. The Pilot Program would provide funds designed to acquire new customers.
13 In general, costs to be collected from consumers should include only those costs
14 that are ordinary and necessary and used by the PUCO to determine total
15 allowable revenues.⁵ The Staff normally removes general advertising expenses
16 (i.e. promotional expenses) because they are deemed not appropriate to include
17 for rate making purposes. The contributions proposed by VEDO to developers
18 are similar to general advertising expenses designed expressly to acquire new
19 customers and are not appropriate to include for rate making because they do not
20 provide a direct and primary benefit to customers.

⁵ 4909.151, ORC, Consideration of costs attributable to service.

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1 ***Q10. WHAT ACTION DO YOU RECOMMEND TO THE COMMISSION?***

2 ***A10.*** The PUCO Staff properly recommended in its Staff Report that the PUCO deny
3 VEDO's request for a Multi-Family Pilot Program. I also recommend that the
4 PUCO deny VEDO's request for a Multi-Family Pilot Program and I support
5 Staff's recommendation to reject the Utility's proposal.

6

7 ***Q11. DOES THAT CONCLUDE YOUR TESTIMONY?***

8 ***A11.*** Yes, it does. However, I reserve the right to incorporate new information that
9 may subsequently become available. I also reserve the right to supplement my
10 testimony in the event the Utility, the PUCO Staff, or any other party submits new
11 or corrected information in connection with this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Robert B. Fortney on behalf of the Office of the Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 7th day of November 2018.

/s/ William J. Michael
William J. Michael
Counsel of Record

SERVICE LIST

werner.margard@ohioattorneygeneral.gov
mjsettineri@vorys.com
glpetrucci@vorys.com
joliker@igsenergy.com
mnugent@igsenergy.com
slesser@calfee.com
mkeaney@calfee.com
talexander@calfee.com
tony_long@hna.honda.com
mfleisher@elpc.org
cmooney@ohiopartners.org

campbell@whitt-sturtevant.com
whitt@whitt-sturtevant.com
rust@whitt-sturtevant.com
kennedy@ehitt-sturtevant.com
fdarr@mcneeslaw.com
mpritchard@mcneeslaw.com
jstephenson@vectren.com
Thomas.jernigan.3@us.af.mil
Andrew.unsicker@us.af.mil

Attorney Examiner:
Gregory.price@puc.state.oh.us
patricia.schabo@puc.state.oh.us

Robert Fortney

Proceedings with Testimony Submitted to the Public Utilities Commission of Ohio

Company	Docket No.	Date
Cleveland Electric Illuminating Company	85-675-EL-AIR	1986
Cleveland Electric Illuminating Company	86-2025-EL-AIR	1987
Toledo Edison Company	86-2026-EL-AIR	1987
Ohio Edison Company	87-689-EL-AIR	1987
Cleveland Electric Illuminating Company	88-170-EL-AIR	1988
Toledo Edison Company	88-171-EL-AIR	1988
Ohio Edison Company	89-1001-EL-AIR	1990
Cincinnati Gas & Electric Company	91-410-EL-AIR	1991
Columbus Southern Power Company	91-418-EL-AIR	1992
Cincinnati Gas & Electric Company	92-1464-EL-AIR	1993
Ohio Power Company	94-996-EL-AIR	1994
Toledo Edison Company	94-1987-EL-CSS	1995
Cleveland Electric Illuminating Company	94-1964-EL-CSS	1995
Toledo Edison Company	95-299-EL-AIR	1995
Cleveland Electric Illuminating Company	95-300-EL-AIR	1996
All Electric Companies (Rulemaking Proceeding)	96-406-EL-COI	1998
Cleveland Electric Illuminating Company	97-358-EL-ATA	1998
Toledo Edison Company	97-359-EL-ATA	1998
Cleveland Electric Illuminating Company	97-1146-EL-COI	1998
Toledo Edison Company	97-1147-EL-COI	1998
FirstEnergy	96-1211-EL-UNC	1998
Columbus Southern Power Company	01-1356-EL-ATA	2002
Columbus Southern Power Company	01-1357-EL-AAM	2002
Rulemaking Proceeding	01-2708-EL-COI	2002
FirstEnergy	01-3019-EL-UNC	2002
Ohio Power Company	01-1358-EL-ATA	2002
Ohio Power Company	01-1359-EL-AAM	2002
The Dayton Power and Light Company	02-0570-EL-ATA	2003
Dayton Power and Light Company	02-2364-EL-CSS	2003
Dayton Power and Light Company	02-2879-EL-AAM	2003
Dayton Power and Light Company	02-2779-EL-ATA	2003
FirstEnergy Corporation	03-2144-EL-ATA	2004
Cincinnati Gas & Electric Company	03-0093-EL-ATA	2004
Cincinnati Gas & Electric Company	03-2079-EL-AAM	2004
Cincinnati Gas & Electric Company	03-2081-EL-AAM	2004
Monongahela Power Company	04-0880-EL-UNC	2004

Monongahela Power Company	05-0765-EL-UNC	2005
Dayton Power and Light Company	05-0276-EL-AIR	2005
FirstEnergy	07-0551-EL-AIR	2008
FirstEnergy	08-0936-EL-SSO	2008
FirstEnergy	08-0935-EL-SSO	2008
Ormet Primary Aluminum Corporation	09-0119-EL-AEC	2009
Cleveland Electric Illuminating Company	08-1238-EL-AEC	2009
Columbus Southern Power Company	09-0516-EL-AEC	2009
FirstEnergy	10-0388-EL-SSO	2010
FirstEnergy	10-0176-EL-ATA	2011
Columbus Southern Power Company	11-0346-EL-SSO	2011
Ohio Power Company	11-0348-EL-SSO	2011
Columbus Southern Power Company	10-0343-EL-ATA	2011
Ohio Power Company	10-0344-EL-ATA	2011
AEP Ohio	10-2376-EL-UNC	2011
AEP Ohio	10-2929-EL-UNC	2011
AEP Ohio	11-4921-EL-RDR	2011
FirstEnergy	12-1230-EL-SSO	2012
AEP Ohio	14-1693-EL-RDR	2015
Aqua	16-0907-WW-AIR	2016
Dayton Power and Light Company	16-0395-EL-SSO	2017
AEP Ohio	16-1852-EL-SSO	2017
Dayton Power and Light Company	15-1830-EL-AIR	2017

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Case No(s). 18-0049-GA-ALT, 18-0298-GA-AIR, 18-0299-GA-ALT

Summary: Testimony Direct Testimony of Robert B. Fortney on Behalf of The Office of the Ohio Consumers' Counsel electronically filed by Ms. Jamie Williams on behalf of Michael, William Mr.