

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
WILSON GONZALEZ**

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

November 7, 2018

TABLE OF CONTENTS

	Page
I. INTRODUCTION	1
II. PURPOSE OF TESTIMONY AND RECOMMENDATIONS	3
III. EVALUATION OF RESIDENTIAL CUSTOMER BILL IMPACTS RESULTING FROM A STRICT FIXED CHARGE RATE DESIGN.....	6
IV. OTHER CONCERNS WITH A STRICT FIXED CHARGE RATE DESIGN	11
V. REVENUE DECOUPLING	16
VI. CONCLUSION.....	18

Exhibit WG-1
Workpaper WG-1
Attachment WG-2

*Direct Testimony of Wilson Gonzalez
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 Wilson Gonzalez. My business address is 450 Whitney Avenue,
5 Worthington, Ohio 43085. I am the President of Tree House Energy and
6 Economic Consulting, LLC. I am testifying in this proceeding on behalf of the
7 Office of the Ohio Consumers' Counsel ("OCC").

8

9 ***Q2. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND***
10 ***PROFESSIONAL EXPERIENCE.***

11 ***A2.*** I have a Bachelor of Arts degree in Economics from Yale University, and a
12 Master of Arts degree in Economics from the University of Massachusetts at
13 Amherst. I have also completed coursework and passed my comprehensive
14 exams towards a Ph.D. in Economics at the University of Massachusetts at
15 Amherst.

16

17 I have been employed in the energy industry since 1986. I was first employed by
18 the Connecticut Energy Office as a Senior Economist (1986-1992). Then I was
19 employed by Columbia Gas Distribution Companies ("Columbia Gas") as an
20 Integrated Resource Planning Coordinator (1992-1996). After that, I was
21 employed by American Electric Power Shared Services ("AEP") as a Marketing
22 Profitability Coordinator and Market Research Consultant (1996-2002). From
23 2004 to 2013, I managed the Resource Planning activities for OCC. Since 2011,

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

1 Tree House Energy and Economics Consulting has provided analytical and policy
2 related consulting services to consumer and environmental organizations.

3

4 ***Q3. WHAT HAS BEEN YOUR EXPERIENCE IN PUCO PROCEEDINGS***
5 ***REGARDING STRAIGHT FIXED VARIABLE (“FIXED CHARGE”) RATE***
6 ***DESIGN AND REVENUE DECOUPLING MECHANISMS?***

7 ***A3.*** I have been directly involved in Fixed Charge rate design and revenue decoupling
8 cases that have been filed before the Public Utilities Commission of Ohio
9 (“PUCO”). I filed testimony in the Duke Energy Ohio Case No. 07-589-GA-AIR,
10 Vectren (“VEDO” or “Utility”) Case No. 05-1444-GA-UNC, Dominion Case No.
11 07-829-GA-AIR, and AEP Ohio Case No. 11-351-EL-AIR.

12

13 ***Q4. WHAT HAS BEEN YOUR EXPERIENCE IN OTHER REGULATORY***
14 ***PROCEEDINGS?***

15 ***A4.*** I have been involved with many aspects of electric utility regulation since 1986
16 including, but not limited to, rate design and integrated resource planning (with or
17 without transmission as a resource in the planning mix). While at the Connecticut
18 Energy Office, I was involved in one of the first demand-side management
19 (“DSM”) collaborative processes in the country -- Connecticut Department of
20 Public Utility Control (“CDPUC”) Docket No. 87-07-01. In that case, I analyzed
21 the performance and cost-effectiveness of many energy efficiency programs for
22 Connecticut’s electric and gas utilities that led to demonstration projects, policy
23 recommendations, DSM programs (including rate design recommendations) and

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

1 energy efficiency standards. I also performed all of the analytical modeling for
2 United Illuminating's first integrated resource plan filed before the CDPUC in
3 1990.

4
5 ***Q5. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE***
6 ***PUBLIC UTILITIES COMMISSION OF OHIO?***

7 ***A5.*** Yes. A list of my testimony before the Public Utilities Commission of Ohio
8 ("PUCO") is attached as Exhibit WG-1.

9
10 ***Q6. WHAT DOCUMENTS HAVE YOU REVIEWED IN THE PREPARATION OF***
11 ***YOUR FIXED CHARGE TESTIMONY?***

12 ***A6.*** I have reviewed the rate design portions of VEDO's Rate Application
13 ("Application"), the Direct Testimony of VEDO witnesses Scott Albertson and
14 Rina Harris, and the Staff Report in this proceeding.

15
16 ***II. PURPOSE OF TESTIMONY AND RECOMMENDATIONS***

17
18 ***Q7. WHAT IS THE PURPOSE OF YOUR TESTIMONY?***

19 ***A7.*** My testimony concerns VEDO's strict¹ Fixed Charge rate design and its
20 significant negative bill impact on low income residential customers with low

¹ For the purposes of this testimony a strict Fixed Charge rate design is one that places all distribution cost into a fixed charge on a customer bill as opposed to a modified Fixed Charge rate design that has a high fixed charge, but also contains a volumetric component on the bill.

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

1 usage, and regular low usage residential customers if the Utility's rate increase is
2 approved.

3 I recommend the rejection of VEDO's proposed Fixed Charge rate design
4 (Objection 11), meaning the fixed charge should be reduced below the current \$
5 18.37.² A Fixed Charge rate design adversely impacts low-usage customers,
6 sends an improper price signal to customers, fails to encourage customer-initiated
7 conservation, and adversely impacts customer efficiency efforts.

8
9 As a secondary alternative position (Objections 13 and 14), I recommend that the
10 PUCO maintain the \$18.37 fixed charge and reassign any base rate increases to be
11 approved and existing Distribution Replacement Rider("DRR") charge from a
12 fixed customer charge to a volumetric charge in order to provide bill relief to low
13 usage customers. VEDOs proposal to continue a strict Fixed Charge rate design
14 is problematic because it:

- 15 1. penalizes those customers who have undertaken energy
16 efficiency investments,
- 17 2. leads to less energy efficiency by lessening consumer
18 incentives for self-initiated efficiency,

² Prior to the statewide move to a Fixed Charge rate design for natural gas companies (starting with Duke Energy Ohio Case No. 07-589-GA-AIR), residential customer charges to connect to the utility gas system ranged from \$5.70 to \$7.00. See table on page 9 of Gonzalez testimony in the above referenced case.

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

3. sends improper price signals, encouraging more natural gas consumption that may conflict with energy efficiency policy goals,
4. has a more extreme impact when compared to a revenue reconciling form of decoupling,
5. violates the tenant of Gradualism for low use customers,
6. takes away some of the control customers have to manage their utility bills,
7. may cause very low usage customers to drop off the system,
8. is an exercise of monopoly power, and
9. is not particularly fair since all residential consumers contribute equally to VEDO's distribution revenue regardless of the level of their usage.

Q8. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A8. I recommend that the better approach for customers is for the PUCO to reject VEDO's adherence to a Fixed Charge rate design and reduce the current fixed charge of \$18.37 to pre-Fixed Charge customer charge levels.

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

1 As a secondary alternative, I recommend that the PUCO maintain the current
2 Fixed Charge residential charge of \$18.37 and apply any PUCO approved base
3 rate increases and DRR to a volumetric rate component.

4
5 In addition (Objection 16), the PUCO should also approve a volumetric revenue
6 decoupling mechanism. This symmetrical mechanism will reconcile VEDO's
7 revenue with a true-up annually and provide residential customers with a credit
8 when VEDO's authorized revenue requirement is exceeded.

9

10 **III. EVALUATION OF RESIDENTIAL CUSTOMER BILL IMPACTS**
11 **RESULTING FROM A STRICT FIXED CHARGE RATE DESIGN.**

12

13 ***Q9. WHAT ARE THE RESIDENTIAL CUSTOMER BILL IMPACTS FROM***
14 ***POTENTIAL INCREASES IN THE FIXED PORTION OF THEIR BILL?***

15 ***A9.*** Placing the rate case increases into the fixed portion of a residential customer's
16 bill will have bad consequences for low income and low use residential customers
17 (Objections 12 and 15). This occurs because the residential bill increases are
18 skewed towards low use customers because of the Fixed Charge rate design.
19 VEDO proposes to increase the residential fixed charge from \$27.62
20 (\$18.37+\$9.25 DRR) to \$35.31, a sizable 28% increase, whereas the Staff Report

Direct Testimony of Wilson Gonzalez
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.

1 lands on \$30.95, or an increase of 12%.³ The table and graph below⁴ shows the
2 projected residential rate and bill increases if the Utility's or the Staff Report's
3 distribution rate increases are approved and added to the fix charge, compared to
4 OCC's recommendation that the distribution increase (including the current DRR
5 charge) get billed on a volumetric basis.

³ Staff Report at 35. It is interesting to note that Maryland Senate Bill 1131 concerning Fixed Charge rate designs for the state's electric cooperatives contained a restriction that the fixed increase should be no more than 25 percent higher than the fixed charge in effect one year prior. See Whited, Malone, and Vitolo, "Rate Design Impacts for Customers of Maryland's Electric Cooperatives," 12/30/16.

⁴ See Workpaper WG-1 for more details on the table.

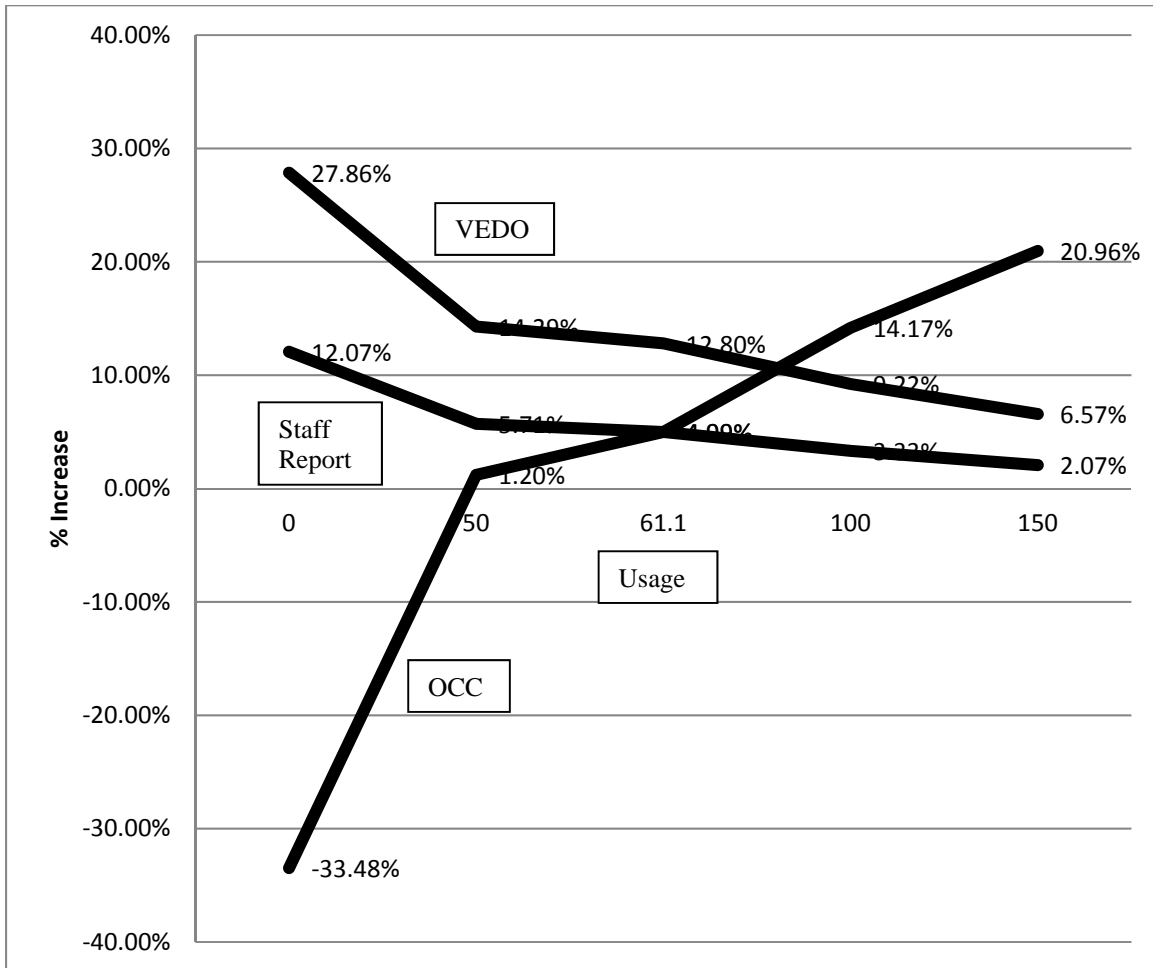
Typical Residential Bill Including Fuel

		\$0.20595 per CCF* Customer Charge			
Fixed Charges	\$27.62	\$35.31	\$30.95	\$18.37	
	Fixed Charge Current Bill	Fixed Charge Applicant Proposed	Fixed Charge Staff Proposed	Volumetric Alternative OCC Proposed	
CCF Usage	\$				
0	29.00	\$ 37.08	\$ 32.50	\$ 19.29	
50	53.27	\$ 60.88	\$ 56.31	\$ 53.91	
(Average Use) 61.1	58.66	\$ 66.17	\$ 61.59	\$ 61.59	
100	77.54	\$ 84.69	\$ 80.12	\$ 88.53	
150	101.81	\$ 108.50	\$ 103.92	\$ 123.15	
		\$ Increase Applicant Proposed	\$ Increase Staff Proposed	\$ Increase OCC Proposed	
0		\$ 8.08	\$ 3.50	\$ (9.71)	
50		\$ 7.61	\$ 3.04	\$ 0.64	
(Average Use) 61.1		\$ 7.51	\$ 2.93	\$ 2.93	
100		\$ 7.15	\$ 2.58	\$ 10.99	
150		\$ 6.69	\$ 2.11	\$ 21.34	
		% Increase Applicant Proposed	% Increase Staff Proposed	% Increase OCC Proposed	
0		27.86%	12.07%	-33.48%	
50		14.29%	5.71%	1.20%	
(Average Use) 61.1		12.80%	4.99%	4.99%	
100		9.22%	3.33%	14.17%	
150		6.57%	2.07%	20.96%	

* Base rate increases plus \$9.25 DRR charge converted to a volumetric charge

Figure 1. Fixed Charge Percentage Increases

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



- 1 As can be observed, in VEDO's proposed Application, residential low-use
- 2 customers (50 Ccf or less) will experience dramatic bill increases ranging from 28
- 3 percent to 14 percent, while high use residential customers (100 to 150 Ccf)
- 4 experience lower increases in the nine percent to six percent range.

*Direct Testimony of Wilson Gonzalez
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR et al.*

1 The corresponding percentage bill increases in the Staff Report are lower, 12 to
2 six percent for low use residential customers and three percent to two percent for
3 high use residential customers.

4
5 OCC's volumetric component recommendation reverses the dramatic bill
6 increases for low usage customers (34% to one percent), and for high usage
7 customers, the increases range from 14% to 21%.

8 Overall, all low usage customers (less than average consumption) in both the
9 Utility's Application and the Staff Report will bear a disproportionate increase in
10 their natural gas bills even while they maintain their current usage patterns. A
11 Fixed Charge rate design is regressive leading to even greater impact on low use,
12 low income customers or low use elderly customers on fixed incomes.

13 This is significant because the city of Dayton, where VEDO serves, has an
14 unfortunate 34.5% poverty rate for residents.⁵ And Montgomery County
15 unfortunately has an approximate 18% percent level of food insecurity for
16 residents.⁶

17 On average, low- income, multi-family households in VEDO's service territory
18 use 41.2 Ccf per month and there are approximately 30,101 households.⁷ So on

⁵ <https://www.census.gov/quickfacts/fact/table/daytoncityohio/IPE120217#viewtop>

⁶ <https://map.feedingamerica.org/county/2016/overall/ohio/county/montgomery>

⁷ Rina Harris Testimony at 111-114. On average, 84,609 low-income, single-family homes using 59.7 Ccf per month would see distribution bill increases approaching 13% under VEDO's proposal and over five percent on Staff's proposal. One can also assume that low income homes that have gone through VEDO's low income weatherization programs since 2005 (saving on average 22%) will see their dollar savings diminished if a strict Fixed Charge is approved. Rina Harris at 11.

1 average, their distribution bill will increase close to 15% under VEDO's proposal
2 and over six percent on Staff's proposal.

3 Overall, a Fixed Charge rate design has intra-class impacts, invariably shifting
4 cost from high-usage, high-income customers to low usage or low income/fixed
5 income customers. Increasing natural gas bills presents an undue hardship for
6 low usage, low income/fixed income customers and may lead to increasing PIPP
7 arrearages and costs.

8
9 **IV. OTHER CONCERNS WITH A STRICT FIXED CHARGE RATE DESIGN**

10
11 ***Q10. WHAT OTHER PROBLEMS MAY A STRICT FIXED CHARGE***
12 ***EXACERBATE?***

13 ***A10.*** While a strict Fixed Charge rate design is easy to administer, it contains other
14 elements that are problematic.

- 15 1. **A strict Fixed Charge rate design penalizes those**
16 **customers who have undertaken energy efficiency**
17 **investments.** This occurs because the higher fixed charge
18 results in a lower per Ccf charge. The lower volumetric
19 charge encourages consumption and discourages customer-
20 initiated conservation and, adversely affects the Utility's
21 and its customers' energy efficiency efforts. Customers
22 who have invested in additional home insulation, purchased
23 more efficient furnaces and water heaters as a rational

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

1 response to increasing gas costs will see their investment
2 returns diminished and payback periods increased as a
3 result of a Fixed Charge rate design.

4 2. **A strict Fixed Charge rate design leads to less energy**
5 **efficiency by lessening consumer incentives for self-**
6 **initiated efficiency.** A Fixed Charge rate design lengthens
7 the payback period⁸ of customers contemplating energy
8 efficiency investments by eliminating the variable portion
9 of the distribution rate.

10 3. **A strict Fixed Charge sends improper price signals,**
11 **encouraging more natural gas consumption that may**
12 **conflict with energy efficiency policy goals (Objection**
13 **15).** For example, ORC 4905.70 states that “The public
14 utilities commission shall initiate programs that will
15 promote and encourage conservation of energy and a
16 reduction in the growth rate of energy consumption,
17 promote economic efficiencies, and take into account long-
18 run incremental costs.” A lower volumetric charge that

⁸ A Fixed Charge rate design reduces the Participant Test Benefit-Cost ratio as defined by the 2002 “CALIFORNIA STANDARD PRACTICE MANUAL: ECONOMIC ANALYSIS OF DEMAND-SIDE PROGRAMS AND PROJECTS”.

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

encourages consumption may adversely affects the Utility's
and its customers' energy efficiency efforts.⁹

4. **A strict Fixed Charge rate design has a more extreme
impact when compared to a revenue reconciling form of
decoupling.** The Utility has not presented any evidence
that the increase in its fixed charge will be well accepted by
customers. In fact, the large increase in the customer
charge for all customers and the increased bills of low
usage customers may be a recipe for customer complaints
and protests. A sales reconciling form of decoupling
without an increase to the customer charge is a less extreme
approach because it represents a less dramatic shift in
customer bills and its impact does not fall
disproportionately on low usage low income and fixed
income customers.

5. **A strict Fixed Charge rate design violates the tenant of
Gradualism (Objection 15).** for low use customers as the
numerical examples discussed above clearly demonstrate.

⁹ As such, it requires utility sponsored energy efficiency programs to provide higher customer incentives to move customers to invest in energy efficient measures. The existing residential energy efficiency rebates program participant test is marginally passing in the Utility's filing. See page 86 in the Direct Testimony of Rina Harris.

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

1 Without some regulatory relief, rate shock for low usage
2 customers usually accompanies a Fixed Charge rate design.

3 6. **A strict Fixed Charge rate design takes away some of**
4 **the control customers have to manage their utility bills.**

5 With all the distribution costs charged on a fixed charge,
6 financially stressed customers can only control the
7 commodity portion of their bill. This is important because
8 of current lower commodity costs relative to the years the
9 PUCO approved the Fixed Charge rate design. Fixed
10 charges now make up a larger relative portion of a
11 customer's bill.

12 7. **A strict Fixed Charge rate design may cause very low**
13 **usage customers to drop off of the system.** A Fixed
14 Charge rate design can result in very low volume users
15 discontinuing their gas service. For example, those
16 customers who only use natural gas for secondary non-
17 heating purposes such as fireplace logs, decorative lighting,
18 and outdoor grills may opt to switch to other energy
19 sources.

20 8. **There is also currently a push by some in the**
21 **environmental community for fuel switching from all**
22 **natural gas end-uses to electric end-uses.** Losing more

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

1 natural gas customers would then necessitate a further
2 reallocation of the fixed costs they would contribute to
3 remaining customers in the form of higher fixed rates
4 creating increased costs for remaining customers and
5 potentially starting a vicious cycle of ever-increasing costs
6 for potentially fewer customers.

7 9. **A strict Fixed Charge rate design is an exercise of**
8 **monopoly power.** The imposition of a customer fixed
9 charge is not often seen in competitive markets. Even
10 competitive companies with large fixed costs recover their
11 fixed and variable costs through volumetric pricing. An
12 important aim of regulation is to impart competitive market
13 pricing discipline on natural monopolies.

14 10. **The strict Fixed Charge rate design is not particularly**
15 **fair** because all residential consumers contribute equally to
16 VEDO's distribution revenue regardless of the level of their
17 usage. Those who make a greater use of the distribution
18 system should bear a proportionately greater share of its
19 cost.¹⁰

¹⁰ Generally, it would cost less to serve a residential customer who lives in a small apartment in an area with high customer density than it would to serve a customer who lives in a neighborhood with a larger

1 **V. REVENUE DECOUPLING**

2

3 ***Q11. ARE YOU ALSO RECOMMENDING THAT VEDO IMPLEMENT A***
4 ***REVENUE DECOUPLING MECHANISM IF THE PUCO APPROVES A***
5 ***VOLUMETRIC COMPONENT TO THE RESIDENTIAL DISTRIBUTION***
6 ***RATE DESIGN (Objection 16)?***

7 ***A11.*** Yes.

8

9 ***Q12. WHAT IS A REVENUE DECOUPLING MECHANISM?***

10 ***A12.*** Revenue decoupling is an approach to rate design that addresses the revenues that
11 can be lost when customers use less utility service such as when they are
12 participating in energy efficiency programs. The symmetrical mechanism of a
13 decoupling mechanism will reconcile VEDO's revenue loss with a true-up
14 annually and provide residential customers with a credit when VEDO's
15 authorized revenue requirement is exceeded. Decoupling can be defined
16 generally as separating utility revenues and profits from the volume of kWh sold.
17 Decoupling mechanically trues-up revenues via a per Ccf rider adjustment when

home and large frontage in less densely populated areas. Also, demand charges and customer charges are not the same thing, but an Fixed Charge rate design forces high demand and low demand customers to pay the same even if their demand characteristics are different. Even in a gas distribution system, fixed costs do vary partly as a function of individual customer demand. The Fixed Charge rate used by Atlanta Gas Light, for example, estimates the fixed charge as a function of the maximum daily demand for gas imposed by each premise. American Gas Association, Natural Gas Rate Round-Up: Innovative Rate Designs for Fixed Cost Recovery, June 2006.

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

1 actual sales are different than the test year levels approved in a utility's
2 distribution rate case.¹¹

3

4 ***Q13. WHAT CONSUMER PROTECTIONS USUALLY ACCOMPANY REVENUE***
5 ***DECOUPLING MECHANISMS.?***

6 ***A13.*** The consumer protections that have been adopted in Ohio are:

7

8 1. The revenue decoupling mechanisms approved contain an
9 annual cap to protect consumers (a three percent annual cap
10 is the norm);¹²

11 2. The revenue decoupling rider rate designs are based on
12 easily understood per kWh (Ccf for LDCs) charge; and

13 3. The interest on the annual revenue balances is at the long-
14 term cost of debt (rather than the weighted average cost of
15 capital [WACC]).¹³

¹¹ See AEP-Ohio mechanism containing a sample example in Attachment WG-2.

¹² The three percent cap is the percentage caps that were approved in the PUCO Orders for AEP-Ohio and Duke Energy Ohio. Opinion and Order in Case No. 11-351-EL-AIR filed on 12/14/11, page 7 and Finding and Order in Case No. 11-5905-EL-RDR filed on 5/30/12, page 4.

¹³ In its Finding and Order in the Duke Energy Ohio Decoupling case the PUCO approved the interest rate to be the long-term cost of debt. Finding and Order in Case No. 11-5905-EL-RDR filed on 5/30/12, page 4. OPAE for example, commented on the inappropriateness of interest and the WACC as the interest charged. "Nonetheless, OPAE recommends that no carrying charges be assessed during the pilot. The differences between the adjusted revenue requirement and actual recovery should not be of a scale to warrant carrying charges, particularly given that there is a working capital allowance already built into base rates which negates the impact of under-recovery. In addition, the lag time between the end of the year and

1 **VI. CONCLUSION**

2

3 ***Q14. WHAT ARE YOUR RECOMMENDATIONS?***

4 ***A14.*** I recommend that the PUCO reject VEDO's strict adherence to a Fixed Charge
5 rate design.

6

7 As a secondary alternative, I recommend that the PUCO maintain the current
8 Fixed Charge residential charge of \$18.37 and apply any PUCO approved base
9 rate increases and DRR to a volumetric rate component.

10 In addition, the PUCO should approve a volumetric revenue decoupling
11 mechanism.

12

13 ***Q15. DOES THIS CONCLUDE YOUR TESTIMONY?***

14 ***A15.*** Yes. However, I reserve the right to incorporate new information and/or
15 discovery responses that may subsequently become available. I also reserve the
16 right to supplement my testimony in response to positions taken by VEDO or
17 other parties.

the recovery or repayment is less than one year. Traditionally, carrying charges are not assessed in Ohio for when costs are recovered less than one year after they are incurred. Moreover, Duke's approved WACC of 9.1% is excessive for the purposes of this pilot program. Should the [PUCO] opt to provide for carrying charges, the long-term cost of debt would be adequate." OPAE comments filed on 3/22/12, page 2.

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing *Direct Testimony of Wilson Gonzalez on Behalf of the Office of the Ohio Consumers' Counsel* has been served electronically this 7th day of November 2018.

/s/ William J. Michael

William J. Michael
Assistant Consumers' Counsel

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

Mr. Gonzalez has submitted testimony in the following cases before the
Public Utility Commission of Ohio:

1. Vectren Energy Delivery of Ohio, Case No. 04-571-GA-AIR
2. Dominion East Ohio, Case No. 05-474-GA-ATA
3. Dominion East Ohio, Case No. 07-829-GA-AIR
4. Vectren Energy Delivery of Ohio, Case No. 05-1444-GA-UNC
5. Columbus Southern Company/Ohio Power Company, Case No. 06-222-EL-SLF
6. Duke Energy of Ohio, Case No. 07-589-GA-AIR
7. FirstEnergy Companies, Case Nos. 07-551-EL-AIR, et al
8. Vectren Energy Delivery of Ohio, Case No. 07-1080-GA-AIR
9. FirstEnergy Companies, Case No. 08-935-EL-SSO
10. FirstEnergy Companies, Case No. 08-936-EL-SSO
11. Duke Energy of Ohio, Case No. 08-920-EL-SSO
12. AEP Ohio Case No. 08-917-EL-SSO
13. Dayton Power and Light, Case No. 08-1094-EL-SSO
14. FirstEnergy Companies, Case No. 09-906-EL-SSO
15. Duke Energy of Ohio, Case No. 10-1999-EL-POR
16. FirstEnergy Companies, Case No. 10-388-EL-SSO
17. FirstEnergy Companies, Case No. 10-1128-EL-CSS

18. AEP Ohio Case No. 11-351-EL-AIR
19. FirstEnergy Companies, Case No. 11-5201-EL-RDR
20. FirstEnergy Companies, Case No. 12-1230-EL-SSO
21. FirstEnergy Companies, Case No. 12-2190-EL-POR
22. Duke Energy Ohio Case No. 13-431-EL-POR
23. Duke Energy Ohio Case No. 13-753-EL-RDR
24. Dayton Power and Light Case No. 13-833-EL-POR, et al
25. Duke Energy Ohio Case No. 14-1580-EL-RDR
26. Duke Energy Ohio Case No. 14-457-EL-RDR
27. AEP Ohio Case No. 13-1939-EL-RDR
28. Duke Energy Ohio 17-1263-EL-SSO

Work paper WG-1

Vectren																
Case No. 18-298-GA-AIR & 18-299-GA-ALT														OCC Proposed		
Residential E-4.1 Schedule														Current		
								Current		Applicant		Staff				
Schedule	Customer	CCF Sales		<1000	>1000		Current	Cust Chrg+		Proposed		Proposed		CC+DRR		
							Customer	Current DRR		Customer		Customer		with		
310	218,009	13,570,190	<1000	13,570,190	23,739	13,593,929								Increase on		
311	1,971,583	119,406,219	<1000	119,406,219	161,416	119,567,635	Charge	Revenue	Revenue	Charge	Revenue	Charge	Revenue	Volumetric	Revenue	
315	1,351,597	83,089,178	<1000	83,089,178	51,691	83,140,869			18.37					Basis (\$/CCF)		
		236,846	>1000	216,065,587	236,846	216,302,433			9.25							
Total	3,541,189	216,302,433					\$18.37	\$65,051,642	\$27.62	\$97,807,640	\$35.31	\$125,039,384	\$30.95	\$109,599,800	\$27.62	
															\$97,807,640	
														\$0.05452	\$11,792,159	
															\$109,599,800	
														18.37	\$ 65,051,642	
														0.20595311	\$ 44,548,158	
															\$ 109,599,800	

Attachment Y

**Pilot Throughput Balancing Adjustment Rider
For Inclusion in
The AEP Ohio Distribution Case Settlement**

- A. For purposes of settling Case Nos. 11-351-EL-AIR and 11-352-EL-AIR, the Company shall submit to the PUCO as a part of its Compliance Tariffs to establish a pilot Throughput Balancing Adjustment Rider, applicable to the residential and GS-1 tariff rate schedules based upon usage and revenues for the calendar years 2012, 2013 and 2014 that does the following:
1. On a monthly basis compare by customer class the amounts calculated in i and ii below:
 - i. Authorized base distribution rate revenues that are based on kWh usage, except those authorized pursuant to any Rider, surcharge or other adjustment factor authorized by the Commission. In 2012, and subsequent years, authorized revenues shall be the amount of revenue designed to be collected in charges based on kWh usage from Case Nos. 11-351-EL-AIR and 11-352-EL-AIR, et al, adjusted by the annual average number of customers added or subtracted to AEP Ohio's distribution system subsequent to the test year, and excluding those revenues authorized pursuant to any Rider, surcharge or other adjustment factor authorized by the Commission
 - ii. The base distribution rate revenues actually collected for that customer class based on kWh usage, excluding those revenues collected pursuant to any Rider, surcharge or other adjustment factor authorized by the Commission.

Attachment Y

2. AEP Ohio shall accrue the positive or negative difference in balancing accounts specific to each customer class (residential and GS-1), which shall accrue interest at the long-term debt rate authorized by the Commission in Case Nos. 11-351-EL-AIR and 11-352-EL-AIR (5.50% for CSP, 5.27% for OP, 5.34% upon approval of the merged company).
3. The pilot will be for calendar years 2012, 2013 and 2014 and shall cap annual rate increases resulting from the pilot to 3% of the total annual distribution revenues for a customer class. There shall be no cap of an annual over-recovery that results in a rate decrease to customers. Any rate increase that exceeds the cap amount shall remain in the balancing account and accrue interest at the long-term debt rate authorized by the Commission in Case Nos. 11-351-EL-AIR and 11-352-EL-AIR (5.50% for CSP, 5.27% for OP, 5.34% upon approval of the merged company).
4. For calendar year 2012, the initial Throughput Balancing Adjustment Rider rates shall be \$0.00 per kWh. Commencing in 2013, AEP shall allocate the prior calendar year amount in each balancing account to the corresponding customer class, and adjust the proposed Rider amount for each customer class accordingly. The Company will then submit to the Commission the following information by March 1 of each year:
 - i. The proposed rate changes under this Rider to be effective on July 1st of the submittal year shall be based on the amount in the Balancing Account at the end of the 12-month period commencing on January 1, 2012, and at the end of each succeeding calendar year.
 - ii. Revisions to the Throughput Balancing Adjustment Rider which reflect the new proposed rates and supporting work papers detailing the calculation of the new proposed rates.
 - iii. The Commission Staff and other interested Parties shall review the accuracy of the Company's submission and file comments at the Commission by May 1. Without a Commission order to the contrary, the Company's proposed rate changes shall go into effect July 1 of the submittal year.

Attachment Y

5. Absent an agreement to the contrary of the interested Parties and approval by the Commission, calendar year 2014 shall be the final calendar year for which a comparison under Paragraph A.1 shall be performed. The final 12 month period for the Throughput Balancing Adjustment Rider shall be July 2015 through June 2016. Any amounts remaining in the balancing accounts at the end of June 2016 shall be charged or refunded to customers through a final reconciliation in the month of October 2016. The Commission Staff will perform a review for the final reconciliation.

The following Table demonstrates the Pilot Throughput Balancing Adjustment Rider calculation.

Test Year Data

Rate Area: Tariff Class:		CSP <u>Residential</u> (1)	CSP <u>GS-1</u> (2)	OP <u>Residential</u> (3)	OP <u>GS-1</u> (4)	<u>Source</u>
Test Year Energy Revenue	(A)	\$ 187,051,099	\$ 5,447,568	\$ 160,109,144	\$ 1,075,747	1/
Test Year Average # of Customers	(B)	667,428	52,231	606,402	65,575	2/
Test Year Energy Revenue per Customer	(C)=(A)/(B)	\$ 280.26	\$ 104.30	\$ 264.03	\$ 16.40	

1/ CSP and OP Schedule E-4.1, As Filed February 28, 2011

2/ CSP WP E-3.2z & E-3.2aa OP WP E-3.2q

Example 2012 Calculation (Annual Values for Illustration Only, Excluding Interest)

2012 Average # of Customers	(D)	668,000	52,500	606,000	65,500	
2012 Change in Customers	(E)=(D)-(B)	572	269	(402)	(75)	
Change in Energy Revenue Target	(F)=(C)x(E)	\$ 160,309	\$ 28,057	\$ (106,140)	\$ (1,230)	
Energy Revenue Target	(G)=(A)+(F)	\$ 187,211,408	\$ 5,475,625	\$ 160,003,004	\$ 1,074,517	
2012 Actual Energy Revenue	(H)	\$ 187,000,000	\$ 5,500,000	\$ 160,000,000	\$ 1,000,000	
Balancing Account Charge/(Credit)	(I)=(G)-(H)	\$ 211,408	\$ (24,375)	\$ 3,004	\$ 74,517	

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/7/2018 3:58:51 PM

in

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

Summary: Testimony Direct Testimony of Wilson Gonzalez electronically filed by Ms. Jamie Williams on behalf of Michael, William Mr.