

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Northeast Ohio Natural Gas Corp. for an)	Case No. 18-1720-GA-AIR
Increase in Gas Distribution Rates.)	
In the Matter of the Application of)	
Northeast Ohio Natural Gas Corp. for)	Case No. 18-1721-GA-ATA
Tariff Approval.)	
In the Matter of the Application of)	
Northeast Ohio Natural Gas Corp. for)	Case No. 18-1722-GA-AAM
Approval of Certain Accounting Authority.)	

**OHIO PARTNERS FOR AFFORDABLE ENERGY'S
OBJECTIONS TO THE STAFF REPORT**

Ohio Partners for Affordable Energy ("OPAE") files with the Public Utilities Commission of Ohio ("Commission") these Objections to the Staff Report of Investigation in the above-referenced applications made by Northeast Ohio Natural Gas Corp. ("Northeast") requesting an increase in gas distribution rates, tariff approval, and approval of certain accounting authority.

OPAE objects to the Staff Report's Acceptance of Extremely Increased Fixed Customer Service Charges for the Small General Service ("SGS") and General Service ("GS") customer classes.

The Staff Report states that Northeast proposed to increase the amount of base rate revenue recovered through fixed customer charges to 49% and the remaining 51% through a variable rate. Currently, Northeast recovers about 20% of base rate revenue through fixed charges and 80% through variable rates. For SGS customers, the application proposes an increase from the current \$6.30 customer charge in the Northeast region to \$20, from the current

\$9 to \$20 in the Orwell region, and from the current \$7 to \$20 in the Brainard region. The Staff Report accepted these increases. Staff Report at 25.

For GS customers, the proposal for the Northeast region is from the current \$17.50 to \$100, for the Orwell region from the current \$50 to \$100, and for Brainard region from the current \$7 to \$100. The Staff Report accepted these increases. Staff Report at 25.

In accepting Northeast's proposal, the Staff recognizes that the current customer service charges will be increased by 217% for Northeast SGS customers, 122% for Orwell SGS customers, and 186% for Brainard SGS customers. For GS customers, the fixed customer charge increases are for the Northeast region 471%, for the Orwell region 100%, and for the Brainard region 1329%. Staff Report at 25.

The Staff Report states that the current rate design leaves the Applicant very sensitive to weather and that increasing the amount of base revenue recovered through a fixed charge makes the rate design less weather sensitive. The Staff states the new rate design will also reduce large spikes in winter bills while giving customers the opportunity to control costs by reducing consumption. Id. at 24.

The Staff's only attempt to moderate Northeast's request is that the Staff recommends that GS customers using less than 200 mcf be re-classified as SGS customers. The Staff further recommends that the Company work with its low-use GS customers to review the customer's rate selection. Id. at 25.

OPAE objects to these increased customer service fixed charges for several reasons. First, the proposed increases in fixed charges conflict with ratemaking principles of gradualism and customer acceptance of utility rates. The increases are extreme. Customers will notice the change in rates even though customers have not changed their usage patterns. Such a radical change in ratemaking should not occur overnight. Fixed customer charges reduce the variable component of the charges, thus reducing opportunities for customers to control their bills. The customer cannot act to reduce the fixed charge, except by ceasing to be a customer.

Second, high fixed customer charges harm low-income customers when low-income households are in smaller housing structures and when low-income customers strive to lower their consumption. Low-income households may live in higher density housing and impose a lower distribution cost. The rate design favors those customers living in large housing structures and not striving to lower their consumption. Therefore, high residential fixed customer charges shift costs from higher-income, less-energy efficient households to lower-income, more-efficient households. High fixed customer charges result in the placement of an unjust burden of revenue responsibility upon low-income and more efficient households.

Third, with high fixed charges, customers are inclined to consume more natural gas rather than conserve because the distribution charge is fixed regardless of usage. Conservation and energy efficiency are discouraged. 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. It is the low-income, low-use, and efficient-use customers who experience the rate increase.

A fixed monthly customer charge used to recover the larger portion of the revenue requirement resulting from a distribution base rate case violates public policy favoring efficient use of resources.

Fourth, there is no indication that the Staff considered the number of customers that would be harmed by (or benefited from) this rate design or the effects of the implementation of the rate design. Schedule E-5 shows typical bill comparisons. Looking at the Northeast Region SGS customers, a customer using 1 mcf in a month sees a 90.48% increase in the total bill (including gas), whereas beginning with usage as high as 15 mcf, a customer sees a bill reduction to the point that a customer using 50 mcf experiences a 13.26% bill reduction (including gas). Staff Report at 82.

Given the Staff's acceptance of the proposal, the SG customers experience even greater shifts in their bill payment responsibilities than SGS customers. In the Northeast Region, SG customers using 1 mcf in a month see a 26.23% increase (including gas), whereas beginning with usage as high as 75 mcf, customers experience bill reductions to the point that a customer using 5,000 mcf sees a bill reduction of 10.06% (including gas).

Clearly, the Staff is shifting the responsibility for payment from the high users to the low users so that low users are paying more and high users are

paying less, despite the overall increase in the base rates. Given the extreme disparity in usage among customers, it is likely that average customer usage data distort the effect on customers if there are a few extremely large users experiencing a bill decrease (despite the base rate increase) and many small users experiencing a bill increase. Such a radical change in rate design should have been justified by real data about median customer usage and about how many (and what) customers are harmed and how many (and what) customers benefit from the new rate design.

Staff should have considered alternatives when the application for a rate increase results in extremely higher fixed customer charges and a bill increase only for certain low-use customers. If there is no data about how many (and what) customers are harmed and how many (and what) customers benefit, there should be no radical change. The Staff Report results in rates that cannot be considered just and reasonable.

Respectfully submitted,

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CERTIFICATE OF SERVICE

A copy of the foregoing Objections to the Staff Report will be served electronically by the Commission's Docketing Division upon the parties identified below on this 25th day of July 2019.

/s/Colleen L. Mooney
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Case No(s). 18-1720-GA-AIR, 18-1721-GA-ATA, 18-1722-GA-ALT

Summary: Objection to the Staff Report electronically filed by Colleen L Mooney on behalf of Ohio Partners for Affordable Energy