**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |  |  |
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| In the Matter of the Application of Northeast Ohio Natural Gas Corp. for an Increase in Gas Distribution Rates. In the Matter of the Application of Northeast Ohio Natural Gas Corp. for Tariff Approval.In the Matter of the Application of Northeast Ohio Natural Gas Corp. for Approval of an Alternative Rate Plan. | ))))))))) | Case No. 23-154-GA-AIRCase No. 23-155-GA-ATACase No. 23-156-GA-ALT |

**OBJECTIONS TO THE PUCO STAFF’S REPORT OF INVESTIGATION**

**BY**

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**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |  |  |
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| In the Matter of the Application of Northeast Ohio Natural Gas Corp. for an Increase in Gas Distribution Rates. In the Matter of the Application of Northeast Ohio Natural Gas Corp. for Tariff Approval.In the Matter of the Application of Northeast Ohio Natural Gas Corp. for Approval of an Alternative Rate Plan. | ))))))))) | Case No. 23-154-GA-AIRCase No. 23-155-GA-ATACase No. 23-156-GA-ALT |

**OBJECTIONS TO THE PUCO STAFF’S REPORT OF INVESTIGATION**

**BY**

**OFFICE OF THE OHIO CONSUMERS’ COUNSEL**

# I. INTRODUCTION

Ohio’s residential utility consumers are being squeezed in all directions by inflation, rising energy costs, and increases in the rates for other utility services. Despite these consumer challenges, Northeast Ohio Natural Gas Corp. (“NEO”) seeks to increase the rates it charges its 29,000 consumers for essential natural gas distribution service. Through its application, NEO proposes to increase its rates by $5,981,455, which amounts to a 10.71 percent rate hike.[[1]](#footnote-2) NEO proposes the following increases in Rate SGS, which is the rate residential consumers pay:

|  |  |
| --- | --- |
|  | **Rate SGS – Current and Proposed Rates[[2]](#footnote-3)** |
| **NEO Service Area** | **Orwell Service Area** |
| **Current** | **Proposed** | **Current** | **Proposed** |
| **Customer****charge** | $21.77 | $35.00 | $21.77 | $35.00 |
| **Volumetric****charge** | 1.6405 | 1.6590 | 2.5747 | 2.5747 |

 The Staff of the Public Utilities Commission of Ohio (“PUCO”) filed its report of investigation (the “Staff Report”) in this case on October 4, 2023. The PUCO Staff recommends a revenue requirement between $55,528,329 and $55,958,297.[[3]](#footnote-4) The PUCO Staff’s recommended revenue requirement would result in a rate decrease of 0.61% at the lower bound to a rate increase of 0.16% at the upper bound. The PUCO Staff’s recommendations would give consumers some important protections but the Staff Report does not go far enough to protect consumers, as discussed in more detail below.

In Case No. 23-156-GA-ALT, NEO proposes an alternative regulation program to implement a Capital Expenditure Program (“CEP”) rider and an Infrastructure Replacement Program (“IRP”) rider. The CEP would be a five-year program where NEO would spend $47.2 million and increase its plant-in-service by 41%.[[4]](#footnote-5) Rider CEP would result in additional rate hikes each year, as follows:

|  |
| --- |
| **Rider CEP Annual Increases[[5]](#footnote-6)** |
| **2024** | **2025** | **2026** | **2027** | **2028** |
| $0.83 | $2.00 | $6.00 | $8.00 | $13.00 |

The IRP would also be a five-year program, involving the replacement of meters for certain locations, bare steel equipment and low-pressure pipe.[[6]](#footnote-7) NEO proposes to spend $10.5 million over five years for the IRP.[[7]](#footnote-8)

Rider IRP would result in additional rate hikes each year, as follows:

|  |
| --- |
| **Rider IRP Annual Increases[[8]](#footnote-9)** |
| **2024** | **2025** | **2026** | **2027** | **2028** |
| $1.00 | $2.50 | $2.50 | $3.00 | $4.00 |

 PUCO Staff recommended approval of the CEP and IRP, subject to certain adjustments.[[9]](#footnote-10) However, OCC objects to PUCO Staff’s recommended approval of the CEP and IRP because NEO’s proposed CEP and IRP programs are unjust and unreasonable, as discussed in more detail below.

It is important to note that, if NEO’s application is approved, residential consumers would pay $35.00 per month in fixed monthly charges even if the residential consumer uses no gas at all in a certain month.[[10]](#footnote-11) The CEP and IRP programs would add additional fixed monthly charges on top of the $35.00 per month, as noted above. It would be unjust and unreasonable for consumers to pay such a high amount in fixed charges for natural gas distribution service, without even burning a single cubic foot of gas.

# II. SUMMARY OF STAFF REPORT RECOMMENDATIONS SUPPORTED OR NOT OPPOSED BY OCC

OCC supports many findings and recommendations in the Staff Report. OCC also does not oppose certain consumer protection positions and adjustments proposed in the Staff Report. OCC reserves the right to amend and/or supplement these Objections if the PUCO Staff changes, modifies, or withdraws its position, at any time prior to the closing of the record, on any issue contained in the Staff Report.

Additionally, if the PUCO Staff has indicated that its position on a particular issue is not known at the date of the Staff Report, OCC reserves the right to later supplement these Objections once the PUCO Staff’s position is made known. OCC also reserves the right to file additional expert testimony, produce fact witnesses, and introduce additional evidence.

The lack of an Objection to any aspect of the Staff Report does not preclude OCC from cross-examination or introduction of evidence or argument regarding issues on which the PUCO Staff changes, modifies, newly raises, or withdraws its position on any issue between the issuance of the Staff Report and the close of the record. Moreover, OCC reserves the right to contest other aspects of NEO’s Application not specifically addressed by the Staff Report. A summary of these findings and recommendations is included here and OCC may choose to file testimony explaining their support or non-opposition.

OCC generally agrees with the following adjustments to Rate Base and Operating Income proposed by the PUCO Staff in the Staff Report.

* PUCO Staff’s adjustments to Plant-in-Service to remove the estimated cost of an asset that following a relocation project is no longer used and useful in the amount of ($61,485).[[11]](#footnote-12)
* PUCO Staff’s adjustments to Plant-in-Service and Accumulated Depreciation for the Company’s inadequate recording of retirements of legacy assets associated with relocation or replacement projects in the aggregate amount of ($299,963).[[12]](#footnote-13)
* PUCO Staff’s adjustments to Plant-in-Service to remove the cost of a vehicle that is no longer being used in the amount of ($28,084). [[13]](#footnote-14)
* PUCO Staff’s adjustments to Plant-in-Service to remove capitalized incentives related to financial performance metrics in the amount of ($1,087).[[14]](#footnote-15)
* PUCO Staff’s Plant-in-Service reclassification of $53,769 computer hardware expenses from Account 397 (Communication Equipment) to Account 391 (Office Equipment) and of $5,628,290 in computer software expenses from Account 391 (Office Equipment) to Account 303 (Miscellaneous Intangible Plant).[[15]](#footnote-16)
* PUCO Staff’s adjustments to Plant-in-Service to remove capitalized incentives related to financial performance metrics in the amount of ($1,087).[[16]](#footnote-17)
* PUCO Staff’s adjustments to reduce Depreciation Reserves in the net amount of $312,806 to correspond with the Plant-in-Service adjustments.[[17]](#footnote-18)

* PUCO Staff’s proposal to amortize over ten years the $11,714,025 in over-accrued depreciation due to the Company’s accounting software limitations that prematurely book capital additions to plant-in-service.[[18]](#footnote-19)

* PUCO Staff’s corresponding adjustment to reduce depreciation expenses in the amount of ($1,171,430) in order to implement the amortization of the over-accrued depreciation reserve.[[19]](#footnote-20)
* PUCO Staff’s elimination of the Company’s normalization adjustment for worker’s compensation in the amount $4,033.[[20]](#footnote-21)
* PUCO Staff’s adjustment to update the five-year amortized rate case expenses of this proceeding to reflect most recent actuals which results in an annualized amount of $121,544.[[21]](#footnote-22)
* PUCO Staff’s adjustment to decrease test year regulatory fees in the amount of ($26,746). [[22]](#footnote-23)
* PUCO Staff’s adjustment to decrease test year property tax expenses in the amount of ($15,533). [[23]](#footnote-24)
* PUCO Staff’s adjustment to decrease test year miscellaneous expenses for removal of expenses associated with holiday gifts, employee appreciation, non-travel food purchases, out of period expenses, promotional advertising and an employee meeting expense at Salt Fork Lodge in the amount of ($42,291). [[24]](#footnote-25)
* PUCO Staff’s adjustment to decrease operating expenses for the removal of expenses from the test year related to a three-year system leak survey that is currently in its third and final year in the amount of ($341,387). [[25]](#footnote-26)
* PUCO Staff’s acceptance of the Company’s revised cost of service study (COSS) results. [[26]](#footnote-27) PUCO Staff’s corresponding use of the revised COSS study results to move closer to the goals of reducing the current intraclass subsidy provided to the Large General Service (LGC) class and consolidation of rates across the NEO and Orwell Service Areas. [[27]](#footnote-28)
* PUCO Staff’s rate design proposal that keeps the monthly base distribution customer charge for the Small General Service (SGS) customers at the same $20.00 per month and collects the remaining revenue assigned to the SGS class using the base volumetric charge.[[28]](#footnote-29)

# III. OBJECTIONS TO THE STAFF REPORT

The PUCO Staff, in its Staff Report, should have made additional recommendations or revised some of its recommendations to protect NEO’s consumers from unlawful, unjust, and unreasonable rates. OCC requests that, consistent with R.C. 4909.19, R.C. 4909.15 and other authority, the PUCO should adopt the following Objections to the Staff Report when determining how much NEO’s consumers should pay for natural gas distribution service and rider charges.

## A. Revenue Requirement, Rate Base and Operating Income

### Objection No. 1: The Staff Report erred and harms consumers by proposing a higher revenue requirement for base rates and other charges to NEO’s consumers, that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

OCC objects to the PUCO Staff’s recommended revenue increase on Schedule A-1 because it is unjust and unreasonable due to the use of inappropriate and incorrect rate base, operating expenses, and rate of return. The specific objections from which these overall conclusions are drawn are detailed below in OCC’s Objections to the Staff Report. OCC objects to each component, including rate base, operating income, and rate of return, of the Staff Report's Schedule A-1 to the extent that other OCC Objections have an impact on the calculation of the recommended revenue increase to NEO consumers.

### Objection No. 2: The Staff Report erred and harms consumers by proposing an overstated Working Capital requirement that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

OCC agrees with Staff’s acceptance of the Company’s materials and supplies and gas in storage components of working capital. However, OCC calculates its own estimates for cash working capital based on adjustments to labor expenses, that will be discussed next, which further reduces Staff’s cash component of working capital by $26,665, resulting in OCC’s proposed working capital amount of $3,076,429.

### Objection No. 3: The Staff Report erred and harms consumers by proposing overstated O&M expenses that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

OCC objects to the PUCO Staff’s use of the three-year average O&M ratio to derive total O&M payroll, total O&M payroll tax, and total O&M benefits. The Company’s O&M ratio for 2022 is an extreme outlier compared to previous years: 94.41% compared to 78.08% for 2021 and 78.63% for 2020. Including the 2022 O&M ratio in the three-year average produces an average ratio that skews too high and is not representative of the O&M expenses expected to be incurred when the rates are placed into effect.

It would be more appropriate to use an average of the previous five years to reduce the influence of the outlier year in the average. The five-year average is 79.79%. Using this as the O&M ratio increases the downward adjustments proposed by Staff in Schedule C-3.12. OCC’s proposed Payroll Adjustment reduces the Company’s proposal by $1,499,928 instead of Staff’s proposed $1,263,786. OCC’s proposed Payroll Tax Adjustment decreases the Company’s proposal by $114,669 instead of Staff’s $94,174. OCC’s proposed Benefits Adjustment decreases the Company’s proposal by $183,870 instead of Staff’s proposed $136,476. OCC’s proposed total labor adjustment is therefore $1,798,467 instead of Staff’s $1,494,436.

These adjustments to the O&M ratio are further justified by the fact that the Company’s 2022 O&M ratio is high because the Company has not been making many capital investments; this increases the ratio because there are fewer labor expenses capitalized in plant additions. Given that the Company proposes to make substantially higher capital investments through CEP and IRP, the use of such a high O&M ratio is inappropriate.

### Objection No. 4: The Staff Report erred and harms consumers by proposing an overstated Reconnection Fee calculation that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

The increase in technician wages from 2018 to 2022 should be 51.6%. The increase to the reconnection charge should be limited to the 51.6% increase in technician wages. This results in a reconnection charge of $38.66. Based on NEO’s stated preference to round to the nearest $5.00 increment, the amount should be rounded down to a recommended reconnection charge of $35.00 in the interest of gradualism.

### Objection No. 5: The Staff Report erred and harms consumers by proposing an overstated Revenue Requirement calculation that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

OCC’s Objections Nos. 2 through 4 that are discussed above recommend further adjustments to the PUCO Staff’s revenue requirement. In aggregate, the OCC objections result in a $388,419 decrease in the revenue requirement (smaller charges to consumers) than the midpoint rate of return revenue requirements in the PUCO Staff Report.

In addition to OCC’s Objections Nos. 2 through 4, OCC also objects to the proposed revenue requirement, as discussed in more detail below. Applying the recommended proper rate of return contributes another decrease of between $168,067 and $598,038 in revenue requirements. In total, OCC’s recommended revenue requirement is $.74 million below the Staff’s midpoint revenue requirement proposed in the PUCO Staff Report.

## B. Rate of Return

### Objection No. 6: The Staff Report erred to consumers’ detriment by proposing a too-high rate of return that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

The Staff Report recommends a rate of return in the 7.15 percent and 7.70 percent range. OCC objects to the Staff Report because it contains a proposed rate of return for NEO that is not just and reasonable. The PUCO Staff used data and a methodology that are inconsistent with current financial market conditions, recognized financial analysis, and established regulatory principles and state policies, as discussed in more detail below. Applying OCC’s recommended capital structure and return on equity, the appropriate rate of return is 6.94%. PUCO Staff’s use of an inappropriately high rate of return would produce unjustly and unreasonably high charges to consumers in violation of Ohio law.

### Objection No. 7: The Staff Report erred to consumers’ detriment by proposing an unjust and unreasonable capital structure that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

The capital structure proposed by the PUCO Staff of 45.61 percent long-term debt and 54.39 percent equity is inappropriate, unjust and unreasonable for ratemaking purposes. The PUCO Staff’s proposal is a hypothetical capital structure that does not fairly reflect NEO’s actual risk profile. The appropriate risk profile for NEO based on its corporate structure, actual debt levels and industry conditions is 52% debt and 48% equity.

### Objection No. 8: The Staff Report erred to consumers’ detriment by proposing an unjust and unreasonable return on equity that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

The PUCO Staff calculated the return on equity by averaging the results of calculations of the CAPM and DCF to arrive at a cost of equity estimate of 9.75 percent. PUCO Staff then applied an adjustment of one-hundred basis points to provide a range of reasonableness. Using this approach, the PUCO Staff’s recommended cost of equity estimate is 9.25 percent to 10.25 percent.[[29]](#footnote-30)

NEO’s proposed debt level ratio of 35% and is significantly lower than the average debt ratio of the proxy group, which is 52%.[[30]](#footnote-31) This means that NEO has less financial risk relative to the proxy group. Thus, in order for the indicated cost of equity under the financial models to be accurate, the cost of equity modeling must be adjusted based on NEO’s lower risk profile and would properly be calculated as follows:

##### **Cost of Equity Model Results**



 As a result, a reasonable return on equity to use for ratemaking purposes is 9.4% for NEO, but only if the PUCO also adopts a ratemaking capital structure for NEO consisting of 52% debt and 48% equity. Any other capital structure used would affect the return on equity and rate of return, which would then need to be adjusted to reflect the capital structure actually used by the PUCO.

## C. Alternative Rate Plan

### Objection No. 9: The Staff Report harms consumers by recommending approval of NEO’s Capital Expenditure Program (“CEP”) and Infrastructure Replacement Program (“IRP”) despite the fact that NEO failed to adequately define the scope of the programs or the need for the programs or the justness and reasonableness of the programs. NEO’s alternative rate programs would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

 The PUCO Staff Report recommended approval of NEO’s proposed CEP and IRP programs, which would significantly increase the rates paid by consumers in violation of Ohio law. This is an error because NEO failed to adequately define the scope of either program and failed to justify the need for either program. As a result, the Staff Report’s recommended approval of the programs is unjust and unreasonable.

### Objection No. 10: To protect consumers, the Staff Report should have recommended that the Capital Expenditure Program and Infrastructure Replacement Program include an O&M offset. Failure to require an O&M offset would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

OCC objects to the Staff Report because it fails to recommend that NEO’s proposed CEP and IRP alternative rate plans include an operation and maintenance (“O&M”) savings offset. It should be recognized that the CEP and IRP spending categories involve replacement and upgrade of existing infrastructure and facilities. Similar to Duke’s Accelerated Mains Replacement Program (“AMRP”), which also involves replacement of older infrastructure, replacement and upgrade of existing infrastructure and facilities, NEP’s proposed CEP and IRP should also generate O&M savings by virtue of increased operation efficiencies or reduction in maintenance expenses for consumers. Those savings should be passed back to consumers via reduction of charges under the CEP and IRP. Failure to include such offset results in unjust and unreasonable rates to consumers in violation of Ohio law.

### Objection No. 11: To protect consumers, the Staff Report should have recommended that the Capital Expenditure Program and Infrastructure Replacement Program include a depreciation offset. Failure to include a depreciation offset would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

OCC objects to the PUCO Staff Report’s failure to recommend a depreciation offset for calculating the CEP and IRP charge. The CEP and IRP are special regulatory mechanisms that allow NEO to charge consumers for capital and infrastructure investments. A depreciation offset recognizes the decline in legacy plant that is included in rate base used to set base rates.

If the depreciation offset is not included as component to the CEP or IRP charge, NEO will enjoy enhanced and unreasonably high profits while charging consumers through the CEP and IRP outside of a general rate case for investment placed into service. The PUCO Staff Report’s failure to recommend a depreciation offset is unfair, unjust and unreasonable to NEO’s consumers. A depreciation offset is needed as a fair balancing between NEO and its consumers to pay for the burden of the CEP and IRP programs.

### Objection No. 12: To protect consumers, the Staff Report should have recommended lower rate caps for Rider CEP and Rider IRP. The Staff Report’s failure to do so would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

 The PUCO Staff Report recommended certain reductions in the rate caps for Rider CEP and Rider IRP. However, these recommendations do not go far enough to protect consumers from paying unjust and unreasonable rates in violation of Ohio law. The PUCO Staff Report should have recommended a revenue cap of $0.50 for each rider, with annual increases of $0.50. This would be a reasonable level of rate caps given the high amount of NEO’s existing fixed monthly charge.

## D. Service Monitoring and Enforcement

### OCC Objection 13: The Staff Report erred and harms consumers because it failed to include a detailed analysis of NEO’s service disconnections for non-payment, which is needed to protect at-risk consumers.

OCC objects to the failure of the Staff Report to examine and report on disconnection data in NEO’s Annual Disconnection Reports. The PUCO Staff Report should have analyzed the number of service disconnections, service reconnections, disconnection notices issued, the dollar amount of the disconnection notices in previous NEO Annual Disconnection Reports.

 From 2022 to 2023, Ohio’s poverty rate has increased from 12.7%[[31]](#footnote-32) to 13.4%[[32]](#footnote-33), during a time Ohioans are experiencing exceptionally low unemployment at 3.4%[[33]](#footnote-34) as of September 2023. When consumers are employed and still are in poverty, it becomes a challenge to have enough money to pay for basic needs, which includes natural gas service. With the increasing poverty rate in Ohio, it is important to conduct an analysis of disconnection data to see if NEO consumers are having a tough time paying their natural gas bill, or even keeping the service connected.

### OCC Objection 14: The Staff Report erred and harms consumers by not requiring NEO to provide bi-annual disconnection reports in a public domain reflecting certain nonconfidential reporting of information such as: (1) the number of final notices along with dollar amounts; (ii) the number of disconnections by service area along with dollar amounts; (iii) the number of accounts in 60-days arrears along with dollar amounts; (iv) the number of NEO customers on payment plans along with dollar amounts; (v) the number of reconnections by service area, and (vi) the number of NEO residential consumers by service area.

OCC objects to the failure in the Staff Report to require NEO to publicly provide disconnection data as outlined in R.C. 4933.123 by zip code on a bi-annual basis. Disconnection data by zip code can identify communities who are experiencing a high rate of disconnections and disconnection notices. This type of data can be useful to state and local government agencies and social service organizations. Agencies and organizations can use the data to identify and target communities where financial assistance is needed towards the NEO bill. The data reporting is needed, especially due to the increase in service disconnections and disconnection notices as reported in the previous NEO Annual Disconnection Reports.[[34]](#footnote-35)

### OCC Objection 15: The Staff Report erred and harms consumers by not recommending that annual shareholder funding of $6,500 or more be provided as part of NEO’s application in this case for a bill payment assistance program to assist low-income consumers throughout its Ohio service territory to prevent disconnection of natural gas service.

OCC objects to the failure of the Staff Report to recommend an annual bill payment assistance program funded by shareholder dollars through the approval of a future rate case. From 2022 to 2023, Ohio’s poverty rate has increased from 12.7%[[35]](#footnote-36) to 13.4%[[36]](#footnote-37), along with an increase in service disconnections, disconnection notices, and total dollar amount of the disconnection notices.[[37]](#footnote-38) Also, there is a substantial number of consumers who are disconnected, but not reconnected.[[38]](#footnote-39)

A bill payment assistance program would help consumers stay connected when facing a disconnection notice or currently disconnected. Also, the bill payment assistance program would help close the gap between the number of consumers who are disconnected, compared to the number of consumers who are reconnected.

### OCC Objection 16: The Staff Report erred and harms consumers because it failed to perform a current Customer Service Audit to examine the quality of customer service that NEO is providing consumers.

OCC objects to the failure of the Staff Report in performing a recent customer service audit to examine the level of customer service Northeast Ohio Natural Gas is currently providing consumers. The Staff Report relied on an outdated 2019 customer service audit that may or may not reflect Northeast Ohio Natural Gas’ current performance in being responsive to its consumers.[[39]](#footnote-40) The Staff Report should have performed a customer service audit that coincides with the test year in the case to review Northeast Ohio Natural Gas current customer service performance.

Since 2019, Ohio experienced a pandemic, which resulted in Governor DeWine declaring a state of emergency to protect the health and safety of Ohioans from the dangerous effects of the coronavirus pandemic.[[40]](#footnote-41) Subsequently, the PUCO opened a docket that directed all utilities to “review their service disconnection policies, practices, and tariff provisions and to promptly seek any necessary approval to suspend otherwise applicable requirements that may impose a service continuity hardship on residential and non-residential customers or create unnecessary COVID-19 risks associated with social contact.[[41]](#footnote-42) With the hardships Ohioans has experienced since 2019, a current audit would provide a snapshoot of Northeast Ohio Natural Gas’ responsiveness in meeting consumer services needs in 2023, not 2019.

### OCC Objection 17: The Staff Report erred and harms consumers by failing to perform a detailed analysis of the PUCO’s consumer call center contacts regarding NEO, which is needed for consumer protection.

While OCC appreciates the PUCO Staff review of PUCO call center contacts from June 2022 through June 2023, the report failed to provide any meaningful analysis of the type of issues NEO consumers are experiencing or to recommend where improvement may be necessary. The Staff Report claims that 140 consumer contacts were made to the call center during this time involving the requirement to contact the company first, competition issues and inquiries, and meter reading issues.[[42]](#footnote-43) However, the Staff Report does not contain an analysis of those contacts to provide recommendations for ways in which NEO could be more responsive to its consumers. For example, consumer contacts involving meter reading issues could prompt Staff Report recommendations for other alternatives to report a meter reading if a NEO consumer receives an estimated bill.

## E. Rejection of NEO’s Application

### Objection No. 18: Based on the foregoing, the Staff Report is flawed and harms consumers. The PUCO Staff should have recommended an outright rejection of NEO’s unjust and unreasonable application that would result in consumers paying unjust, unreasonable, and unlawful rates under R.C. 4905.22, 4909.15, 4909.154, 4909.17 and 4909.18.

Although the PUCO Staff recommended an increase that is lower than NEO’s requested increase, the PUCO Staff failed to account for the overall impact of NEO’s application, including additional increasing charges, on residential consumers. In addition, the PUCO Staff recommended approval of NEO’s proposed CEP and IRP programs even though NEO lacks adequate accounting systems to identify the date its equipment is placed in service.

NEO, as the applicant, has the burden of proof under R.C.4909.18 and 4909.19 to show that its proposed rates and charges are just and reasonable. When considering the impact of NEO’s proposed application, particularly the Rider CEP and Rider IRP proposals, the application is unjust and unreasonable to residential customers. Accordingly, the PUCO Staff should have recommended that NEO’s application be rejected and recommended that NEO file a new rate case application.

# V. CONCLUSION

To protect consumers from paying unjust, unreasonable and unlawful rates, OCC respectfully requests that the PUCO adopt OCC’s recommendations as set forth in these Objections and in the supporting testimony.

Respectfully submitted,

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*/s/ John Finnigan*

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**CERTIFICATE OF SERVICE**

It is hereby certified that a true copy of the foregoing Objections to the Staff Report were served by electronic transmission upon the parties below this 3rd day of November 2023.

 */s/ John Finnigan*

 John Finnigan

 Assistant Consumers’ Counsel

The PUCO’s e-filing system will electronically serve notice of the filing of this document on the following parties:

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1. Staff Report at 6 (October 4, 2023). [↑](#footnote-ref-2)
2. NEO Notice of Intent to File Application for an Increase in Rates, PFN Exhibit 2 (March 31, 2023). [↑](#footnote-ref-3)
3. *Id.* at Schedule A-1. [↑](#footnote-ref-4)
4. *Id.* at 38. [↑](#footnote-ref-5)
5. *Id.*  [↑](#footnote-ref-6)
6. *Id.* at 41. [↑](#footnote-ref-7)
7. *Id.* [↑](#footnote-ref-8)
8. Staff Report at 42 (October 4, 2023). [↑](#footnote-ref-9)
9. *Id.* at 37-45. [↑](#footnote-ref-10)
10. NEO Notice of Intent to File Application for an Increase in Rates, PFN Exhibit 2 (March 31, 2023). [↑](#footnote-ref-11)
11. Staff Report at 8 (October 4, 2023). [↑](#footnote-ref-12)
12. *Id.* [↑](#footnote-ref-13)
13. *Id.* at 9. [↑](#footnote-ref-14)
14. *Id.* [↑](#footnote-ref-15)
15. *Id.* [↑](#footnote-ref-16)
16. *Id.* [↑](#footnote-ref-17)
17. *Id.* [↑](#footnote-ref-18)
18. *Id.* at 10. [↑](#footnote-ref-19)
19. *Id.* at 10 and 14. [↑](#footnote-ref-20)
20. *Id.* at 13. [↑](#footnote-ref-21)
21. *Id.* at 14. [↑](#footnote-ref-22)
22. *Id.*  [↑](#footnote-ref-23)
23. *Id.* [↑](#footnote-ref-24)
24. *Id.* at 15. [↑](#footnote-ref-25)
25. *Id.* at 15-16. [↑](#footnote-ref-26)
26. *Id.* at 12. [↑](#footnote-ref-27)
27. *Id.* at 28. [↑](#footnote-ref-28)
28. *Id.*  [↑](#footnote-ref-29)
29. *Id.,* Schedule D-1. [↑](#footnote-ref-30)
30. *See* Exhibit DJG-14. The average capital structure of the Company’s and my proposed proxy group consist of 51.8% debt and 48.2% equity. Throughout my testimony, I refer to these figures in rounded numbers of 52% and 48%, respectively, which is also equal to my proposed ratemaking capital structure. [↑](#footnote-ref-31)
31. 2023, The State of Poverty in Ohio: Vulnerable to Disruption 2023 Report at page 5, Ohio Association of Community Action Agencies. [↑](#footnote-ref-32)
32. 2023, The State of Poverty in Ohio: Vulnerable to Disruption 2023 Report at page 5, Ohio Association of Community Action Agencies. [↑](#footnote-ref-33)
33. Ohio Department of Job and Family Services, Ohio’s Unemployment Rate was 3,4% in September, Unchanged from August, <https://jfs.ohio.gov/about/communications/news/ohios-unemployment-rate-was-3.4-in-september>. October 20, 2023. [↑](#footnote-ref-34)
34. 22-513-GE-UNC, Annual Report of Service Disconnections for Non-Payment of Northeast Ohio Natural Gas (July 12, 2022). & 23-532-GE-UNC, Annual Report of Service Disconnections for Non-Payment of Northeast Ohio Natural Gas (June 27, 2023). [↑](#footnote-ref-35)
35. 2023, The State of Poverty in Ohio: Vulnerable to Disruption 2023 Report at page 5, Ohio Association of Community Action Agencies. [↑](#footnote-ref-36)
36. 2023, The State of Poverty in Ohio: Vulnerable to Disruption 2023 Report at page 5, Ohio Association of Community Action Agencies. [↑](#footnote-ref-37)
37. 22-513-GE-UNC, Annual Report of Service Disconnections for Non-Payment of Northeast Ohio Natural Gas (July 12, 2022). & 23-532-GE-UNC, Annual Report of Service Disconnections for Non-Payment of Northeast Ohio Natural Gas (June 27, 2023). [↑](#footnote-ref-38)
38. 22-513-GE-UNC, Annual Report of Service Disconnections for Non-Payment of Northeast Ohio Natural Gas (July 12, 2022). & 23-532-GE-UNC, Annual Report of Service Disconnections for Non-Payment of Northeast Ohio Natural Gas (June 27, 2023). [↑](#footnote-ref-39)
39. Staff Report at 48. [↑](#footnote-ref-40)
40. Executive Order, 2020-01(D). [↑](#footnote-ref-41)
41. *In the Matter of the Proper Procedures and Process for the Commission’s Operations and Proceedings During the Declared State of Emergency and Related Matters*, Case No. 20-591-AU-UNC, Entry (March 12, 2020), at ¶1. [↑](#footnote-ref-42)
42. Staff Report at 48. [↑](#footnote-ref-43)