

FILE

OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-829-GA-AIR
Ohio for Authority to Increase Rates for its)
Gas Distribution Service.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-830-GA-ALT
Ohio for Approval of an Alternative Rate)
Plan for its Gas Distribution Service.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-831-GA-AAM
Ohio for Approval to Change Accounting)
Methods.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Recover)
Certain Costs Associated with a Pipeline) Case No. 08-169-GA-ALT
Infrastructure Replacement Program)
Through an Automatic Adjustment Clause)
and for Certain Accounting Treatment.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Recover) Case No. 06-1453-GA-UNC
Certain Costs Associated with Automated)
Meter Reading and for Certain Accounting)
Treatment.)

**DIRECT TESTIMONY
OF
FRANK W. RADIGAN**

**ON BEHALF OF THE
OFFICE OF THE OHIO CONSUMERS' COUNSEL
10 West Broad St., Suite 1800
Columbus, OH 43215**

June 23, 2008

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ATTACHMENTS

FWR-1	Frank W. Radigan Curriculum Vitae
FWR-2	PUCO Rate Case Staff Report Summary and Supporting Documents

1 **I. INTRODUCTION**

2 ***Q1. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS***
3 ***ADDRESS.***

4 ***A1.*** My name is Frank W. Radigan. I am a principal in the Hudson River Energy
5 Group, a consulting firm providing services regarding utility industries and
6 specializing in the fields of rates, planning and utility economics. My office
7 address is 237 Schoolhouse Road, Albany, New York 12203.

8
9 ***Q2. WOULD YOU PLEASE SUMMARIZE YOUR EDUCATION AND BUSINESS***
10 ***EXPERIENCE?***

11 ***A2.*** I received a Bachelor of Science degree in Chemical Engineering from Clarkson
12 College of Technology in Potsdam, New York (now Clarkson University) in
13 1981. I received a Certificate in Regulatory Economics from the State University
14 of New York at Albany in 1990. From 1981 through February 1997, I served on
15 the Staff of the New York State Department of Public Service ("DPS") in the
16 Rates and System Planning sections of the Power Division and on the Rates
17 Section of the Gas and Water Division. My responsibilities included resource
18 planning and the analysis of rates, depreciation rates and tariffs of electric, gas,
19 water and steam utilities in the State and encompassed rate design and performing
20 embedded and marginal cost of service studies as well as depreciation studies.

21
22 Before leaving the DPS, I was responsible for directing all engineering staff
23 during major proceedings including those relating to rates, integrated resource

1 planning and environmental impact studies. In February 1997, I left the DPS and
2 joined Louis Berger & Associates as a Senior Energy Consultant.

3
4 In December 1998, I formed my own Company. In my 27 years of experience, I
5 have testified as an expert witness in utility rate proceedings on more than 60
6 occasions before various utility regulatory bodies including the Nevada Public
7 Utilities Commission, the New York State Department of Taxation and Finance,
8 the New York State Public Service Commission, the Arizona Corporation
9 Commission, the Connecticut Department of Utility Control, the Vermont Public
10 Service Board, the Rhode Island Public Utilities Commission, the Michigan Public
11 Service Commission and the Federal Energy Regulatory Commission. A summary
12 of my qualifications and experience is included in Attachment FWR-1.

13
14 **Q3. ON WHOSE BEHALF ARE YOU APPEARING?**

15 **A3.** I am appearing on behalf of the Office of Ohio Consumers' Counsel ("OCC").
16

17 **Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 **A4.** My testimony will support certain OCC objections to the Staff Report and address
19 the issues raised by those objections as they relate to the development of rates for
20 DEO. Specifically I will address the reasonableness of the Class Cost of Service
21 Study presented by the East Ohio Gas Company d/b/a Dominion East Ohio
22 ("DEO" or "the Company") in Schedule E, and the revenue allocation and rate

1 design proposed by both the Company and Staff of the Public Utilities
2 Commission of Ohio ("Staff").
3

4 **Q5. WHAT HAVE YOU REVIEWED IN THE PREPARATION OF YOUR**
5 **TESTIMONY?**

6 **A5.** From the current case I have reviewed the Company's Rate Case Application,
7 Standard Filing Requirements and associated workpapers, Company testimony,
8 the PUCO Staff Report of Investigation ("Staff Report") and associated
9 workpapers, the Report of Conclusions and Recommendations on the Financial
10 Audit of the East Ohio Gas Company d/b/a Dominion East Ohio performed by
11 Blue Ridge Consulting Services, Inc. ("Blue Ridge Report"), Company responses
12 to Blue Ridge data requests and Company responses to OCC discovery. I have
13 also reviewed documents and Opinions and Orders from other proceedings, in
14 Ohio and other jurisdictions.
15

16 **II. STRAIGHT FIXED VARIABLE RATE DESIGN**

17 **Q6. PLEASE SUMMARIZE STAFF'S RATIONALE FOR PROPOSING A**
18 **STRAIGHT FIXED VARIABLE ("SFV") RATE DESIGN.**

19 **A6.** Staff recommended a rather significant change in its rate structure policy. Rather
20 than recovery through a minimal fixed customer charge and relatively higher
21 volumetric rates, Staff recommended that the Commission approve a rate
22 structure primarily based on a fixed distribution service charge. Staff opines that
23 most distribution-related costs are fixed and that the distribution facilities required

to serve a small residence are most likely the same as those required to serve a larger residence. Staff also stated that its proposed rate design accomplishes other rate objectives: 1) it levelizes the distribution component of a customer's bill; 2) it reduces the revenue deterioration of a utility in a time of reduced consumption; 3) it alleviates the need for a decoupling mechanism which requires frequent controversial reconciliations; and 4) it eliminates the Company's natural disincentive to promote energy conservation.¹

Q7. DO YOU AGREE WITH STAFF'S PROPOSAL?

A7. No, for the purpose of this testimony I will use the Staff proposed rate design for DEO general sales service ("GSS") customers, in the Eastern portion of DEO's service territory,² to show the unreasonableness of the Staff position.

Table 1

Charge	Present	Staff Proposed	percent Change
Customer per month	\$5.70	\$17.50	+207 percent
< 50 MCF per MCF	\$1.236	\$0.365	-70 percent
>50 MCF per MCF	\$1.236	\$0.620	-50 percent

¹ Staff Report at 34.

² The traditional East Ohio and River Gas service territory

1 As can be seen from Table 1, the increase in the customer charge from \$5.70 to
2 \$17.50 is substantial and is being done at the expense of the volumetric charge
3 which is decreased to account for it.³
4

5 ***Q8. DO YOU AGREE WITH THE RATIONALE STAFF HAS OFFERED FOR***
6 ***PROPOSING THE SFV RATE DESIGN?***

7 ***A8.*** No, I do not agree. There are several reasons why Staff's position is
8 unreasonable.
9

10 ***Q9. PLEASE EXPLAIN YOUR DISAGREEMENT WITH THE STAFF'S***
11 ***RATIONALE FOR SUPPORTING THE SFV RATE DESIGN.***

12 ***A9.*** Although the distribution-related costs for low use residential customers may be
13 fixed, the PUCO Staff improperly applied this factor to the GSS customer class
14 which includes mostly residential customers with monthly consumptions under 25
15 MCF, but it also includes non-residential customers with much greater
16 consumption (e.g. in excess of 2000 MCF) (Schedule E-4.1, pages 6 and 12).
17

18 Contrary to what Staff said in its report, the GSS class is not a homogenous class.
19 Although most GSS customers are residential customers, as noted above there is a
20 large disparity in usage among customers within this service class. This disparity
21 includes the disparity between residential customers as well as the disparity

³ Staff Report at 34 (The Staff proposes a more significant increase for the DEO customers in the Western portion of the service territory currently \$4.38 to \$17.50).

1 between residential and non-residential GSS customers. A properly designed rate
2 should limit the customer charge to recover only the costs associated with the cost
3 of serving the lowest use customers in that class.

4 Contrary to what Staff said in its report, the GSS is not a homogenous class
5 consisting primarily of residential customers. As noted above there is a large
6 disparity in usage among customers within this service class. A properly
7 designed rate should limit the customer charge to recover only the costs
8 associated with the cost of serving the minimum sized customer in that class.

9
10 Typically these costs include the cost of the service connection, the meter and
11 billing, but they should be calculated at the minimum levels to serve low use
12 customers. Large use customers generally have a larger service laterals and
13 meters which are more expensive and would result in a higher customer charge.
14 For example a two bedroom home located next to a ten unit apartment building
15 will generally have a smaller service and meter than the facilities used to serve the
16 apartment building. This is just natural as the apartment building is just using so
17 much more volume.

18
19 The larger non-residential GSS customers also impose a greater demand on the
20 gas distribution infrastructure,⁴ and the billing can become more complicated
21 thereby increasing the cost to serve these larger customers. Whereas the PUCO

⁴ This is the reason that the Federal Energy Regulatory Commission ("FERC") SFV requires allocation of the fixed costs based on peak demand, not the number of customers.

1 Staff has not performed studies or offered a basis for how it derived its proposed
2 GSS customer charge, it did admit that large volume general service customers
3 are much less homogeneous than residential customers and a simple fixed charge
4 *may not be the appropriate cost recovery mechanism.*⁵ Absent evidence or
5 support that the distribution facilities required to serve a DEO small residential
6 customer are the same as those required to serve a larger non-residential
7 customer, the Commission should reject Staff's rate design proposal.

8
9 Not only is the Staff proposed customer charge of \$17.50 unsupported by a study
10 or analysis, the volumetric charge for larger customers in the GSS is unsupported
11 as well. These larger customers have greater throughput making the per unit cost
12 to serve them less, so that a customer charge combined with a usage charge, or a
13 even step down usage charge, is an acceptable approach to rate design. But,
14 absent better cost information; I have no reason to believe that the proposed rate
15 design appropriately reflects the cost of serving the various customers that
16 comprise the GSS class. Thus, setting the second block at such a low level, as
17 Staff proposes, can result in the smaller customers subsidizing the larger
18 customers. If the Commission is to consider adopting a SFV rate design it should
19 wait until the GSS class has been separated into residential and non-residential
20 customers with separate customer costs for each class that also indicate the cost to

⁵ Staff Report at 34 (emphasis added).

1 serve the lowest usage customers in that class. Until such time, implementing
2 the SFV rate design is premature, unjust and unreasonable.

3
4 **Q10. DO YOU AGREE WITH THE STAFF'S STATEMENT THAT THE SFV**
5 **RATE DESIGN LEVELIZES THE DISTRIBUTION COMPONENT OF A**
6 **CUSTOMER'S BILL?**

7 **A10.** Yes, I do agree with that statement however, I do not believe that such levelizing
8 of a customer's bill is a major benefit for customers. Currently DEO's residential
9 customers can subscribe to budget billing if they choose to levelize their monthly
10 bills over the year. So the bill leveling benefit of the SFV rate design identified by
11 the Staff is already available to DEO residential customers. The fact that the
12 majority of DEO's residential customers subscribe to budget billing means that
13 eligible customers have decided not to voluntarily levelize their bills. It would be
14 presumptuous for the Staff to force customers who have rejected this option to
15 have to ascribe to it. It is even more presumptuous to then call this a benefit for
16 those very customers who previously rejected this option.

17
18 **Q11. IS A SFV RATE DESIGN THE BEST SOLUTION TO THE REVENUE**
19 **DETERIORATION THAT A UTILITY EXPERIENCES IN A TIME OF**
20 **REDUCED CONSUMPTION?**

21 **A11.** No. It is my contention that a decoupling mechanism with appropriate consumer
22 safeguards will appropriately address the Staff's concern for revenue deterioration
23 that might result from energy conservation, but in a more efficient manner than

1 the proposed SFV. Energy savings only reduces gas consumption, it does not
2 eliminate it. Thus, the savings from energy conservation is some fraction of the
3 total bill. As such, the lost revenues in any year are only a small portion of the
4 total base revenues derived by the Company so the rate impacts for individual
5 customers of a decoupling mechanism would not be large. Contrast this to a rate
6 design that has large impacts, either positive or negative, on the vast majority of
7 customers every single month, if an energy conservation mechanism is to be
8 employed, the less disruptive mechanism would be decoupling.

9
10 Further, a decoupling mechanism provides a more transparent way to monitor that
11 the company is receiving the revenues it needs. Thus, if the company under
12 collects, customers pay a surcharge, but if they over collect, they get a refund.
13 Under SFV, the utility keeps the revenues even when they are over recovering
14 because there is no accountability.

15
16 ***Q12. DO YOU CONCUR WITH THE STAFF'S CONTENTION THAT AN SFV***
17 ***RATE DESIGN ALLEVIATES THE NEED FOR A DECOUPLING***
18 ***MECHANISM WHICH REQUIRES FREQUENT CONTROVERSIAL***
19 ***RECONCILIATIONS?***

20 ***A12.*** No, annual reconciliations, if properly designed with appropriate consumer
21 safeguards, will not necessarily be controversial or overly complicated. Although
22 a SFV rate design can be less complex to administer than a sales reconciliation
23 type of decoupling mechanism because it eliminates periodic reconciliations and

1 weather adjustments,⁶ an SFV rate design introduces a host of other analytical
2 problems that are not present with a decoupling mechanism:

3 **1. The SFV rate design decreases the natural gas price signal:** A proper price
4 signal serves as an important motivation for consumers making energy
5 consumption decisions. Because of decreases in the volumetric charge, the
6 Staff proposed rate design will result in a 5 percent decrease in bills for GSS
7 customers using greater than 50 MCF per month⁷. Staff also notes that
8 another disadvantage of its rate design is that the fixed charge structure
9 reduces the incentive on the part of DEO's customers to reduce their usage.⁸
10 This is the wrong price signal to give to customers at a time of increasing
11 marginal costs for natural gas in particular and energy in general.⁹

12
13 For the Energy Choice Transportation Service ("ECTS") customers, the price
14 signal is more distorted as the non-residential customers in this service
15 classification that use over 50 MCF per month will receive a 21 percent rate
16 decrease under Staff's rate design¹⁰. This impact demonstrates that the PUCO
17 Staff violated its own rate design principle that rate design changes should

⁶ Some also view an SFV rate design as adhering more closely to cost causation as they tend to view fixed costs as a function of the number of customers.

⁷ Staff Report – Schedule E.5, page 1 of 12.

⁸ Staff Report at 34.

⁹ See Kushler, M., D. York, and P. Witte. 2005, "Examining the Potential for Energy Efficiency to Help Address the Natural Gas Crisis in the Midwest," Washington, DC: American Council for and Energy Efficiency Economy.

¹⁰ Staff Report Schedule E.5, page 2 of 12.

1 cause minimal impact when implemented.¹¹ Finally, under the Staff's rate
2 design proposal, small customers have significantly less incentive to reduce
3 usage (as it does not have a significant impact on their bill) and large
4 customers are sent the price signal which encourages them to use more (they
5 could be wasteful with energy and still pay less than they did last year).

6
7 **2. The SFV rate design is regressive on low usage customers (some of**
8 **which are low income or on fixed incomes) and it will produce**
9 **significant rate shock:** Staff states it is keenly aware of the pitfalls of its
10 proposed rate design with the biggest being rate impacts to low use
11 customers.¹² If so, it is unclear why the Staff would propose the SFV rate
12 design for DEO. The DEO service territory is suffering from well
13 documented economic challenges, high gasoline prices and continued loss
14 of manufacturing jobs. The US Census Bureau reports that in 2006
15 Cleveland ranked fourth in having the lowest median household income in
16 the nation. With such a large segment of DEO's customer base living in
17 dire economic conditions it is unclear why the Staff is so eager for a SFV.
18 Staff admits that one pitfall of an SFV rate design is its impact on the low-
19 use customer. The Energy Information Administration ("EIA") tracks
20 usage and household income. The EIA reports that low use customers are
21 also low income customers. This is true for both electric and gas utilities

¹¹ Staff Report at 28.

¹² Staff Report at 34.

1 As a result, the SFV rate design it is inherently unfair to non-PIPP low
2 income customers . According to the EIA in 2001 customers living below
3 the poverty line use 57.9 MMBTU per household while the average of all
4 households was 72.4 MMBTU.¹³ Therefore, the Staff's proposed SFV
5 rate design will adversely impact the low use/ low-income customers with
6 a larger increase than the higher-use higher-income customer

7
8 All low usage customers (using less than average consumption) will bear a
9 disproportionately greater increase in their natural gas bills if they
10 maintain their current usage patterns. As can be seen from the Staff
11 Report, this could have an even greater impact on low use or low income
12 customers or elderly customers on fixed incomes. An SFV rate design
13 will have intra-class impacts, invariably shifting cost from high usage,
14 high income customers to low usage or low income/fixed income
15 customers. Increasing natural gas bills presents an undue hardship for low
16 usage or low income/fixed income customers and may lead to increasing
17 PIPP arrearages and disconnections for those low income customers not
18 on PIPP.

19
20 **3. The SFV rate design may cause very low usage customers to drop off**
21 **of the system:** Since the increased customer charge may exceed the cost

¹³ http://www.eia.doe.gov/emeu/consumptionbriefs/recs/natgas/nat_gas_piece.html and
http://www.eia.doe.gov/emeu/recs/recs2001/ce_pdf/enduse/ce1-3c_hhincome2001.pdf

1 to serve, the proposed rate design unfairly punishes small users. This is
2 especially heinous when there are other more balanced methods to achieve
3 the same end. For customers that use gas for discretionary purposes
4 (cooking only, decorative lighting, etc.) the SFV rate design with a high
5 and fixed monthly customer charge could drive customers from the
6 system. While it may make economic sense under a SFV rate design not
7 to add new low-usage customers to the natural gas system, the cost of
8 existing customers who leave the system is more problematic. The
9 facilities to serve the former low-use customers remain installed in the
10 ground. In the event low-usage customers do drop off of the system, DEO
11 might seek to charge higher rates for remaining customers on DEO's
12 system to compensate it for the fixed charges formerly paid by those
13 customers (for the facilities used to serve those customers) who decided to
14 leave the system.

- 15
- 16 **4. The SFV rate design penalizes those customers who have**
17 **undertaken energy efficiency investments and leads to less**
18 **energy efficiency by lessening consumer incentives for self-**
19 **initiated efficiency:** The SFV rate design is unfair to any DEO
20 residential customer who attempted to reduce energy consumption
21 through energy efficiency investments (i.e. customers who have
22 invested in additional home insulation and purchased more
23 efficient furnaces and water heaters, etc). This is because the large

1 fixed cost nature of the SFV design diminishes the value of
2 reductions in consumption consumers achieve through energy
3 conservation, because a smaller of the customers' bill is
4 determined by the volumetric rate.

5
6 By diminishing the value of consumption reductions, the SFV rate
7 design thereby extends the pay back period for energy efficiency
8 investments made by consumers. Despite the fact that investing in
9 energy efficiency technology should be viewed as a rational
10 response to increasing gas costs (and to Ohio State policy),¹⁴

11 customers who do so under the SFV rate design will see their
12 investment returns diminished and payback periods lengthened.

13 By diminishing the value of consumption reductions, customers
14 not only lose control over their utility bills, but more importantly,
15 lose the incentive to invest in more energy efficiency and to
16 control their utility bills.

17
18 Staff believes, however, that this argument is much less relative in the case
19 of distribution rates because the distribution portion of a customer's bill is
20 relatively small compared to the total bill¹⁵. Contrary to Staff's claim, the
21 delivery portion of the bill is not small. Per Schedule E 3-2 of the DEO

¹⁴ See R.C. 4929.02 and R.C. 4905.70.

¹⁵ Staff Report, page 34

1 Application, for GSS customers, Non-Gas Cost Revenues are
2 \$448,072,288 and the number of customers is 1,207,807, yielding an
3 average of \$370.98 per year, or almost \$31 per month, hardly a trivial
4 amount. Thus, the proposed reduction in the volumetric rate resulting
5 from the SFV rate design will affect consumers' conservation investment
6 decisions.

7
8 Larger use customers naturally have more opportunities to
9 conserve than smaller customers, and lowering the price to those
10 with the greatest opportunity to conserve can only lead to less
11 conservation than would otherwise have occurred

12
13 **5. The SFV rate design violates the "gradualism" doctrine of rate**
14 **design:** The SFV rate design proposed by the Staff violates the rate-
15 making principle of gradualism in changing rate design. Based on a
16 review of numerous gas rate cases in Ohio over the past twenty-years, the
17 Staff has generally recommended a customer charge equal to or less than
18 the calculated average customer charge and within \$2.00 or \$3.00 dollars
19 of the then-current customer charge. (See Attachment FWR-2.) In those
20 cases, the Staff Reports often relied on gradualism as rationale for its
21 recommendation.

1 Most recently the Commission deviated from this rate-making principle in
2 the recent Duke Energy Ohio ("Duke") natural gas rate case (Case No. 07-
3 589-GA-AIR), in which the Commission approved a SFV rate design for
4 Duke's residential customers. In that case, the SFV design features a
5 monthly customer charge of \$15.00 through September 30, 2008,¹⁶ \$20.25
6 for the balance of year one and \$25.33 in year two.¹⁷ Given that Duke's
7 current customer charge is \$6.00 per month, the increases approved by the
8 Commission are not gradual increases. Rather they represent enormous
9 and unprecedented increases in the customer charge and they violate the
10 principle of gradualism. Commissioner Centolella expressed concern for
11 the PUCO's pace to implement an SFV rate design by stating: "In my
12 view, the pace of the transition in this case is more rapid than should be
13 selected given the consumer expectations created by long-standing rate
14 design practices."¹⁸

15
16 While the Staff has demonstrated a willingness to abandon the
17 rate-making principle of gradualism in the recent Duke rate case,
18 that would be inappropriate in this case for the following reasons:
19 First and foremost, the Company has not asked for the SFV rate
20 design. Second, the Staff has proposed the SFV rate design for the

¹⁶ Order at 20.

¹⁷ Order at 20 (citing Joint Ex. No. 1 (Stipulation) at Exhibit 2.).

¹⁸ Order at Opinion of Commission Paul A. Centolella Concurring in part and Dissenting in Part page 2 of 4.

1 GSS class of customers which do not represent customers with
2 homogenous usage patterns. . Third, the PUCO Staff proposed a
3 very high fixed charge without a cost of service study to support it.
4 Fourth, the PUCO Staff is not taking into consideration the impact
5 the SFV rate design will have on low-usage/low-income customers
6 in DEO's service territory, a prevalent and economically
7 challenged segment of DEO's customer base.
8
9

10 **6. The SFV rate design has a more extreme impact on customer bills**
11 **compared to a revenue reconciling form of decoupling:** Interestingly,
12 the Company did not propose the significant increase to DEO's customer
13 charge from \$5.70 to \$17.50, rather the Staff did. The Company proposal
14 was to maintain customer charges for the Eastern portion of DEO's
15 service territory (currently and proposed \$5.70),¹⁹ and to gradually
16 increase the customer charge in the Western portion of the service territory
17 (currently \$4.38 to the proposed \$5.70).²⁰ The Staff has presented no
18 evidence to support how its move towards the SFV rate design will be
19 viewed by DEO's residential customers. In fact, the combination of the
20 large increase in the customer charge for all customers and the increased
21 bills of low usage customers could generate many customer complaints.

¹⁹ Staff Report at 35.

²⁰ Staff Report at 35.

1 There were well documented problems experienced by Atlanta Gas Light
2 ("AGL") when it implemented an SFV rate design. When asked "[w]hat
3 were the most difficult decisions that you've had to make?" AGL energy
4 executive Paula Rosput answered, "[w]hen we first implemented the
5 straight fixed variable rate structure last winter and it was causing
6 enormous bill impacts was one of the hardest..."²¹

7
8 The Company's own proposal to retain a more reasonable customer
9 charge in conjunction with the Sales Reconciliation Rider ("SRR") would
10 be less extreme, and may be more readily accepted by DEO's residential
11 customers. Under a rate design with a decoupling mechanism, the impact
12 of the rate increase would not fall disproportionately on low usage low
13 income and fixed income customers. The PUCO Staff did not perform
14 any studies or analysis to allow the Commission to fully gauge the
15 public's tolerance for the SFV rate design as proposed by the Staff, or to
16 fully understand its disparate impact on DEO's residential customers.
17 Therefore, the Commission should not approve a SFV rate. Should the
18 Commission choose to proceed anyway, it should be done as a pilot or

²¹ See also "Rosput Tells How Atlanta Gas Light Took On Deregulation and Survived," Pipeline & Gas Journal, April Issue 2000. See also Ken Costello's NRRI report; "Retail Competition in the Natural Gas Sector: The Georgia Market" where he states that the turmoil from restructuring "can be compared to the chaos caused by restructuring of the electricity industry in California." One of the reasons for the chaos stated is "a major change in the rate design of distribution service to a straight fixed variable method..." See, also http://64.233.169.104/search?q=cache:d_0cmbD_FgkJ:www.nrri.ohio-state.edu/dspace/bitstream/2068/161/1/Case+percent2BStudy+percent2Bof+percent2BGeorgia+percent2Bgas+percent2Bmarket.pdf+costello+nrri+georgia+natural+gas+restructuring&hl=en&ct=clnk&cd=1&gl=us.

1 under appropriate Commission supervision and there should be data
2 collection and evaluation to determine the impact on low use/low income
3 customers and to determine customer acceptance.
4

5 **III. ALTERNATIVES TO SFV**

6 ***Q13. IF THE PUCO DECIDES TO ENDORSE STAFF'S RATE DESIGN***
7 ***CONCEPT, COULD IT BE IMPROVED?***

8 ***A13.*** OCC does not support a SFV rate design and strongly encourages the
9 Commission to adopt the customer charge DEO has proposed; however, if the
10 PUCO is insistent on implementing a SFV rate design, then the SFV rate design
11 proposed by the Staff must be improved. The OCC proposes the following
12 options as a means to improve the Staff's proposed SFV rate design:

- 13 1. Delay implementation until a more complete CCOSS is developed -- A
14 Customer charge should be based on the minimum cost to serve a
15 customer. In this case, the Company chose not to change the current
16 customer charge (except for the issue of the merger of DEO and the West
17 Ohio Gas Company) and Staff has not presented any evidence in support
18 of its proposal.
19
- 20 2. Limit its implementation of a SFV rate design to a PILOT program --
21 Consideration of a SFV rate design should be limited to a pilot program
22 over a discreet period of time, and with required periodic update reports to
23 the Commission on the actual quantifiable impact of the SFV

1 implementation on low-use and low-income customers. The report
2 should also determine the level of customer acceptance.

- 3
4 3. Phase in the implementation -- OCC suggests that the increase be phased
5 in over a number of years by limiting the increase in any year by either a
6 percentage amount, (i.e. 15 percent), or by a specified dollar amount, (i.e.
7 \$1.00) At the current DEO customer charge of \$5.70 and Staff's
8 proposed charge of \$17.50, this gradual approach would take eight years if
9 done on a percent basis and twelve years if done on a dollar limited basis.

- 10
11 4. Limit Applicability -- The PUCO should limit the number of customers
12 the SFV applies to and study its effectiveness. The rate design could be
13 limited to a select number of the customers taking service under GSS. A
14 statistically significant number of customers could be as small a 1,000 to
15 2,000 customers. These customers could be put into a new rate class with
16 Staff's proposed rate design. A study of how this rate design change
17 impacts low and high consumption customers would be presented in the
18 next rate case and the rate design reconsidered. If the rate design works, it
19 could be applied to a large set of customers and if it does not work the
20 customers could be put back into the larger service classification.
21 Customers selected for this study who were dissatisfied with being on the
22 rate should be able to opt out after one year.

23

1 **IV. CLASS COST OF SERVICE STUDY**

2 ***Q14. PLEASE COMMENT ON THE DEVELOPMENT OF THE CLASS COST OF***
3 ***SERVICE STUDY.***

4 ***A14.*** While the Class Cost of Service Study ("CCOSS") appears to have been
5 reasonably conducted and to follow generally accepted guidelines for such
6 studies, the Staff has recommended a drastic change to the rate design from the
7 current rate design. This is problematic because the GSS class includes both
8 residential and nonresidential customers. Furthermore, as discussed earlier the
9 large volume general service customers (non-residential) are much less
10 homogeneous than residential customers and the cost to serve these customers
11 should be separately developed for rate-making purposes. Because Staff failed to
12 require DEO to segregate the current GSS class into residential and non-
13 residential and to perform separate cost of service studies for these different
14 customer classes the existing cost of service study does not support Staff's SFV
15 rate design proposal. Staff admitted this concern in the Staff Report by stating,
16 "Large volume general service customers are much less homogeneous than
17 residential customers and a simple fixed charge *may not be the appropriate cost*
18 *recovery mechanism.*"²²

19
20 The Company has allocated mains on the basis an average and excess method,
21 which is one of the accepted methods used for gas utilities. There are a variety of

²² Staff Report at 34 (emphasis added).

1 acceptable approaches to performing a CCOSS, and the results of the CCOSS can
2 vary depending on the approach used. For example, in a recent rate case in New
3 York State, Con Edison's Gas Department allocated demand related distribution
4 costs on a peak demand basis and also included the concept of a customer related
5 minimum grid where the customer charge should support the infrastructure costs
6 of bringing gas to the customer's home/business.²³

7
8 Thus, with many different concepts and approaches, the CCOSS should only be a
9 guide to revenue allocation. For example, the New York State Public Service
10 Commission has used a tolerance band around the system average rate of return
11 and classes that have relative rates of return within that tolerance band are
12 considered to have rates that are in line with costs. Classes with relative rates of
13 returns that are outside the tolerance band would be assessed deficiencies or
14 surpluses only to the extent needed to bring them within the tolerance band. The
15 tolerance band used has varied from 10 to 20 percent, depending on the
16 confidence the Commission has in the accuracy of the study.²⁴

17
18 The results of the CCOSS indicate that rates are somewhat out of line with costs.
19 This may be the result of gradual changes over the years, or rates may never have
20 been in line with costs. Generally, the Company is proposing to bring its rates
21 more in line with CCOSS results, but not in one fell swoop. Staff recommended a

²³ Case 07-G-1332, Con Edison Direct Filing, Gas Rate Panel Testimony, Exhibit GRP-1.

²⁴ Case 07-E-0523, Commission Opinion and Order, Issued March 25, 2008, page 128.

1 revenue allocation very similar to one proposed by the Company, but with an
2 even more gradual movement of rates to costs.²⁵ While both the DEO and Staff
3 revenue allocations are reasonable, I support the Staff proposal. In contrast to its
4 position on rate design, on the issue of revenue allocation the Staff Report
5 moderates the impacts by not bringing the class relative rates of return, as
6 indicated by the CCOSS, to precisely equal the system average rate of return,
7 which is, in effect, applying a wider tolerance band than the DEO had done. The
8 implicit tolerance band used by DEO and by Staff can be seen from the chart on
9 Page 29 of the Staff Report. DEO had recommended revenue allocations so that
10 the GSS and LVGSS were both three percent below the system average, while the
11 Staff has recommended that the GSS class be nine percent below the system
12 average, and LVGSS be at 12 percent above system average.

13
14 ***Q15. WHAT CHANGES DO YOU RECOMMEND IN ANY CCOSS DEO***
15 ***PRESENTS IN FUTURE RATE CASES?***

16 ***A15.*** The customer service classifications should be re-evaluated as the current General
17 Sales Service (GSS) class is too broad to give accurate cost of service
18 information. The GSS class includes mostly residential customers with monthly
19 consumptions under 25 MCF, but it also includes non-residential customers with
20 consumption in excess of 2000 MCF (Schedule E-4.1, pages 6 and 12). As
21 discussed in the rate design section above if a SFV rate design is adopted then the

²⁵ Staff Report Table 4.

1 GSS class has to be separated into different and more homogenous groups. One
2 possibility is to split the GSS class between residential and non-residential
3 customers, a second would be to divide the class into small and medium use
4 classes of customers.

5
6 Regardless of whether the GSS class does get subdivided, future CCOSS studies
7 should not assume, as DEO has done here, that the cost of service laterals and
8 meters and regulators is independent of the size of the customers. Rather, these
9 costs should be allocated based on either the actual costs of service laterals and
10 meters and regulators serving each class, or a sampling of the equipment that
11 serves customers in each class combined with estimates of the average costs for
12 each type of equipment.

13
14 Further, in order to support any proposed customer charge, DEO should clearly
15 identify the customer cost component and explain which of these costs may vary
16 with the usage of the customer. As I stated earlier, I find the CCOSS to be proper,
17 and the resulting class rates of return to be reasonably accurate. But the study
18 does not provide the detail needed to establish an average customer costs, or the
19 customer costs that represent the costs of serving the lowest use customers in the
20 class.

1 **V. MERGING OF RATES**

2 ***Q16. PLEASE COMMENT ON DEO'S PROPOSAL TO MERGE THE RATES OF***
3 ***THE WEST OHIO GAS COMPANY AND DEO.***

4 ***A16.*** The West Ohio Gas Company was merged into East Ohio as of December 31,
5 1996. Since that time, the two companies operated as one but are charging
6 different rates for the same type of service. The Company proposes to implement
7 uniform rates for the combined East Ohio and West Ohio systems. While there
8 are customer rate impacts from the implementation of uniform rates, they are not
9 unreasonable by themselves. Rate impacts become an issue only with Staff's
10 proposed straight fixed variable rate design. As such, OCC does not oppose the
11 proposal to merge the rates and set the customer charge at \$5.70 per month for all
12 customers within DEO's service territory.

13

14 **VI. CONCLUSION**

15 ***Q17. DOES THIS CONCLUDE YOUR TESTIMONY?***

16 ***A17.*** Yes. However, I reserve the right to incorporate new information that may
17 subsequently become available. I also reserve the right to supplement my
18 testimony in the event the PUCO Staff fails to support the recommendations made
19 in the Staff Report and/or changes positions made in the Staff Report.

FRANK W. RADIGAN

EDUCATION

B.S., Chemical Engineering -- Clarkson University, Potsdam, New York (1981)

Certificate in Regulatory Economics -- State University of New York at Albany (1990)

SUMMARY OF PROFESSIONAL EXPERIENCE

1998–Present Principal, Hudson River Energy Group, Albany, NY -- Provide research, technical evaluation, due diligence, reporting, and expert witness testimony on electric, steam, gas and water utilities. Provide expertise in electric supply planning, economics, regulation, wholesale supply and industry restructuring issues. Perform analysis of rate adequacy, rate unbundling, cost-of-service studies, rate design, rate structure and multi-year rate agreements. Perform depreciation studies, conservation studies and proposes feasible conservation programs.

1997–1998 Manager Energy Planning, Louis Berger & Associates, Albany, NY -- Advised clients on rate setting, rate design, rate unbundling and performance based ratemaking. Served a wide variety of clients in dealing with complexities of deregulation and restructuring, including OATT pricing, resource adequacy, asset valuation in divestiture auctions, transmission planning policies and power supply.

1981–1997 Senior Valuation Engineer, New York State Public Service Commission, Albany, NY -- Starting as a Junior Engineer and working progressively through the ranks, served on the Staff of the New York State Department of Public Service in the Rates and System Planning Sections of the Power Division and in the Rates Section of the Gas and Water Division. Responsibilities included the analysis of rates, rate design and tariffs of electric, gas, water and steam utilities in the State and performing embedded and marginal cost of service studies. Before leaving the Commission, was responsible for directing all engineering staff during major rate proceedings.

FIELDS OF SPECIALIZATION

Electric power restructuring, wholesale and retail wheeling rates, analysis of load pockets and market power, divestiture, generation planning, power supply agreements and expert witness testimony, retail access, cost of service studies, rate unbundling, rate design and depreciation studies. Wholesale power system modeling with GE-MAPS.

PROJECT HIGHLIGHTS

Wholesale Commodity Markets

Transmission Expansion Planning -- Various Utilities -- Member of Transmission Expansion Advisory Committee in the New England Power Pool -- the Committee is charged with the study of transmission expansion needs in the deregulated New England electric market. Ongoing

Locational Based Pricing -- Reading Municipal Light Department -- Using GE multi-area production simulation model (MAPS), analyzed New England wholesale power market to cost differences between various generators and load centers. 2003

Merchant Plant Analysis -- Confidential client -- Using GE multi-area production simulation model (MAPS), analyzed New York City wholesale power market to determine economics of restructuring PURPA era contract to market priced contract. 2002

Market Price Forecasting – El Paso Merchant Energy – Analyzed New England power market using MAPS for purpose of pricing natural gas supply in order to ensure that plant was dispatched at 70% capacity factor as required under its gas supply contract. 2002

Market Price Analysis – Novo Windpower – Analyzed hourly market price data in New York for each load zone in State in order to optimize location of new wind power projects. 2002

Gas Aggregation – Village of Ilion – Advised client on costs/benefits of aggregating residential gas customers for purpose of gas purchasing. 2002

Gas Procurement – Albany County, New York – Assisted client in analysis of economics of existing gas purchase contract; negotiated termination of contract; designing request for proposal for new natural gas supply. 2000

HQ Prudence Review – Selected by Vermont Public Service Board to perform prudence review power supply contract between Hydro Quebec and Central Vermont Public Service Corporation. 1998

Wholesale Power Supply – Prepared comprehensive RFP to optimize power supply for Solvay municipal utility by complementing existing low cost power supplies in order to entice new industrial load to locate within Village. 1997

Analysis of Load Pockets and Market Power – Performed analysis of load pockets and market power in New York State; determined physical and financial measures that could mitigate market power. 1996

Study of IPP Contracts and Impacts in New York – Performed study to determine rate impacts of power purchase contracts entered into by investor owned utilities and independent power producers (IPPs); separately measured rate impacts resulting from statewide excess-capacity; determined level of non-optimal reserves for each utility. 1995

Power Purchase Contract Policies and Procedures – Directed NYSPSC Staff teams in formulation of short- and long-run avoided cost estimates (LRACs) using production simulation model (PROMOD); forecasted load and capacity requirements; developed utility buy-back rates; presented expert witness testimony on buy-back rate estimates and calculation methodologies, thereby implementing curtailment of IPPs as allowed under PURPA. 1990-1994

Integrated Resource Planning - Led NYSPSC Staff team's examination of each utility's IRP process and examination of impacts of processes and regulatory policies influencing the decision making process. 1994

Intrastate Wheeling Commission Transmission Analysis and Assessment – Chairman of NYSPSC Proceeding to examine plans for meeting future electricity needs in New York State. Addressed measures for estimating and allocating costs of wheeling, including embedded cost, short-run marginal cost and long run incremental cost methods. 1990

Rate Setting

Economic Development Rate – Massena Electric Department – For municipal electric utility, developed tariffs for economic development rates for new or expanded load.

Rate Case Cost of Service Study – Village of Hamilton, NY – For small municipal electric utility, prepared full cost of service study before the New York Public Service Commission. 2004

Rate Study – Pascoag Utility District – Reviewed the application of the Power Authority of the State of New York to increase rates to its wholesale power customers. 2003

Rate Study - Kennebunk Power and Light Department – Performed rate study of new multi-year wholesale power contract against existing rates to determine impact on overall revenue recovery and cash flows of utility. 2003

Rate Case Cost of Service Study – Village of Arcade, NY – For small municipal electric utility, assisted in the preparation full cost of service study before the New York Public Service Commission. 2003

Rate Case Cost of Service Study – Village of Philadelphia, NY – For small municipal electric utility, assisted in the preparation full cost of service study before the New York Public Service Commission. 2003

Rate Case Cost of Service Study – Village of Hamilton, NY – For small municipal electric utility, prepared full cost of service study before the New York Public Service Commission. 2004

Rate Case Cost of Service Study – Fillmore Gas Company – For small natural gas local distribution company, performing cost of service study for internal budget controls and formal rate case before the New York Public Service Commission. 2003

Rate Case Cost of Service Study – Rowlands Hollow Water Works – For small water company, performing cost of service study for internal budget controls and formal rate case before the New York Public Service Commission. 2003

Standby Rates – Independent Power Producers of New York – Analyzed reasonableness of proposed standby rates of Niagara Mohawk Power Corporation; proposed alternate rate designs; participated in settlement negotiations for new rates. 2002

Economic Development Rates – Pascoag Utility District – Designed new cost based economic development rates charged to large industrial customer contemplating locating within the municipality. 2002

Municipalization Study – Kennebunk Power and Light Department – Performed economic analysis of municipal utility serving remaining portions of Village not already served; performed valuation of the plant currently owned by Central Maine Power. 2001

Water Rate Study – Pascoag Utility District – Performed cost of service study for water utility; presented alternate methods of funding revenue requirement. 2001

Pole Attachment Rates – Middleborough Gas and Electric Department – Designed cost based pole attachment rates charged to CATV customers. 2000

ISO Service Tariff – On behalf of three municipal utilities, analyzed cost basis and proposed rate design of ISO Service Tariffs. 2000

Pole Attachment Rates – City of Farmington, New Mexico municipal electric department – Designed cost based pole attachment rates for CATV customers. 1999

OATT Rates – On behalf of four municipal utilities in New England – Developed cost based annual revenue requirements for regional network transmission rates; represent utilities before ISO New England committees on transmission rate setting issues. 1998-2004

Consolidated Edison Restructuring – Member NYPSC Staff team – Negotiated major restructuring settlement with Consolidated Edison, which decreased utility's rates by \$700 million over five years; implemented retail access program; performed rate unbundling; divestiture of utility generation and the allowance of the formation of a holding company; accelerated depreciation of generation; established customer education programs on restructuring; established service quality and service reliability incentive to ensure that provision of electric service will diminish as competitive market emerges. The agreement served as the template for restructuring in New York. 1997

Cost-of-service Review and Rate Unbundling – Performed rate unbundling of retail rates of Orange & Rockland Utilities, Inc. to facilitate delivery of New York Power Authority energy to customer located in Orange & Rockland's service territory. 1992

Vintage Year Salvage and Study - Managed joint study of staff from Rochester Gas and Electric Corporation and NYSPSC to determine feasibility of using vintage year salvage accounting for determining future salvage rates. 1985

Environmental Issues

Energy Conservation Study – Pascoag Utility District – Designed energy conservation rebate program based on cost benefit study of various alternatives. Program funded through State mandated collection of energy conservation monies from ratepayers. 2002

Clean Air Act Lawsuit – New York State Attorney General – Investigated modifications made at coal fired generating units of New York utilities to determine whether major modifications were made with obtaining pre-construction permits as required by the prevention of Significant Deterioration (PSD) provisions of the Act. 1999-2002.

Environmental Impact Study and Simulation Modeling Analysis – Analyzed potential environmental impacts of restructuring electric industry in NY using production simulation model PROMOD. 1996

Renewable Resources – Project Leader in NYSPSC proceeding regarding development and implementation of utility plans to promote use of renewable resources. 1995

Environmental and Economic Impacts Study – Directed study of pool-wide power plant dispatch with environmental adders to determine environmental and economic effects of dispatching electric power plants with monetized environmental adders. 1994

Clean Air Impact Study – Directed study of effects of the Clean Air Act of 1990. Measured statewide cost savings if catalytic reduction control facilities were elected to comply with 1990 Clean Air Act Amendments; installed components on units in metropolitan NY region. 1994

Environmental Externalities and Socioeconomic Impacts Study – Managed NYSPSC proceeding to determine whether to incorporate environmental costs into Long-Run Avoided Costs for the State's electric utilities. Study purposes: explore the socioeconomic impacts of electric production as compared with DSM; monetize environmental impacts of electricity. 1993

EXPERT WITNESS TESTIMONY

Case No. 9134 – Green Ridge Utilities, Inc. – on behalf of the Maryland Office of People's Counsel examined the reasonableness of the utility's proposed rate application including the appropriate cost allocation and amortization period for expenses incurred to develop and implement Project Phoenix (a new software and financial accounting system project), the appropriate level of rate case expense, the requested rate of return and the appropriate level and allocation for common expenses from the parent company. 2008

Case No. 9135 -- Provinces Utilities, Inc. – on behalf of the Maryland Office of People's Counsel examined the reasonableness of the utility's proposed rate application including the appropriate cost allocation and amortization period for expenses incurred to develop and implement Project Phoenix (a new software and financial accounting system project), the appropriate level of rate case expense, the requested rate of return and the appropriate level and allocation for common expenses from the parent company. 2008

Case 07-M-0906 – Energy East and Iberdola – On behalf of Nucor Steel, Auburn, Inc. examined the reasonableness of the proposed Acquisition of Energy East Corporation by Iberdrola merger. 2008

Case 07-E-0523 – Consolidated Edison – Electric Rates -- On behalf of County of Westchester testified to the

reasonableness of the Company's proposal to increase retail electric rates by over \$1.2 billion or 33%. 2007

Docket Nos. ER07-459-002, ER07-513-002, and EL07-11-002 – Vermont Transco – on behalf of the Vermont Towns of Stowe and Hardwick, and the Villages of Hyde Park, Johnson and Morrisville on whether the direct assignment and rate impacts of a proposed transmission line were with current policy of the Federal Energy Regulatory Commission 2007

Docket No. 07-05-19 – Aquarion Water Company – On behalf of the Connecticut Office of Peoples Counsel examined the reasonableness of the utility's proposed revenue allocation, rate design, weather normalization and depreciation rates 2007

Docket No. E-04204A-06-0783 – UNS Electric – On behalf of the Arizona Corporation Commission testified on the reasonableness of the utility's proposed revenue allocation and rate design. 2007

Docket Nos. 06-11022 and 06-11023 – Nevada Power Company – On behalf of the Staff of the Nevada Public Utilities Commission testified on the reasonableness of the utility's proposed depreciation rates and expense levels. 2007

Case 06-G-1186 – KeySpan Delivery Long Island – on behalf of the Counties of Nassau and Suffolk analyzed the Company's proposed rate design and its for amortization of costs for expenditures relating to Manufactured Gas Plants. 2007

Case 06-M-0878 – National Grid and KeySpan Corporation – on behalf of the Counties of Nassau and Suffolk analyzed the public benefit of the proposed merger, customer service, demand side management programs, rate relief as it relates to competition and customer choice, the repowering of the existing generating stations on Long Island, and the remediation of contamination caused by Manufactured Gas Plants. 2007

Docket No. 06-07-08 – Connecticut Water Company – On behalf of the Connecticut Department of Utility Control examined the reasonableness of the utility's proposed depreciation rates, revenue allocation and rate design. 2006

Docket No. EL07-11-000 – Vermont Transco -- on behalf of the Vermont Towns of Stowe and Hardwick, and the Villages of Hyde Park, Johnson and Morrisville evaluated whether the proposed and subsequently abandoned allocation of costs for the Lamaille County Project was reasonable and whether the direct assignment and rate impacts of a proposed transmission line were with current policy of the Federal Energy Regulatory Commission. 2006

Case 05-S-1376 – Consolidated Edison – Steam Rates -- On behalf of County of Westchester testified to the reasonableness of the method of allocating costs between the utility's steam system and its electric system. 2006

Docket No. 06-48-000 – Braintree Electric Light Department – On behalf of the municipal utility presented an cost of service study used to calculate the annual revenue requirement for a generating station that was deemed to be required for reliability purposes. 2006

Case 05-E-1222 – New York State Electric and Gas Corporation – On behalf of Nucor Steel, Auburn, Inc. examined the reasonableness of the utility's proposed average service lives, forecast net salvage figures, and proposal to switch from whole life to remaining life method. 2006

Docket No. 05-10004 – Sierra Pacific Power Company – On behalf of the Staff of the Nevada Public Utilities Commission testified on the reasonableness of the utility's proposed electric depreciation rates and expense levels. 2006

Docket No. 05-10006 – Sierra Pacific Power Company – On behalf of the Staff of the Nevada Public Utilities Commission testified on the reasonableness of the utility's proposed gas depreciation rates and expense levels. 2006

Docket No. ER06-17-000 – ISO New England, Inc. – On behalf of a group of municipal utilities in Massachusetts

prepared an affidavit on the reasonableness of proposed changes to the Regional Network Service transmission revenue requirements rate setting formula. 2005

Case 04-E-0572 – Consolidated Edison – Electric Rate – On behalf of the County of Westchester testified to the reasonableness of the Company's revenue allocation amongst service classes and the company's fully allocated embedded cost of service study. 2004

Docket No. 04-02-14 – Aquarion Water Company – On behalf of the Connecticut Department of Utility Control examined the reasonableness of the utility's proposed depreciation rates, weather normalization proposal and certain operation and maintenance expense forecasts. 2004

Docket No. U-13691 – Detroit Thermal, LLC – On behalf of the Henry Ford Health Systems testified on the reasonableness of the utility's proposed default tariffs for steam service. 2004

Docket No. 04-3011 – Southwest Gas Corporation – On behalf of the Staff of the Nevada Public Utilities Commission testified on the reasonableness of the utility's proposed depreciation rates and expense levels. 2004

Docket No. ER03-563-030 -- Devon Power, LLC, *et al.* – On behalf of the Wellesley Municipal Light Plant filed a prepared affidavit with FERC with respect to the proposal of ISO New England, Inc. to establish a locational Installed Capability market in New England.

Docket No. 03-10002 – Nevada Power Company – On behalf of the Staff of the Nevada Public Utilities Commission testified on the reasonableness of the utility's proposed depreciation rates and expense levels. 2004

Case 03-E-0765 – Rochester Gas and Electric Corporation - Before the New York Public Service Commission submitted testimony on rate design, rate unbundling, depreciation, commodity supply and reasonableness and ratemaking treatment of proceeds from the sale of a nuclear generating plant. 2003

New York State Department of Taxation and Finance Versus Brooklyn Navy Yard Cogeneration Partners – Testified on behalf of independent power producer in income tax case regarding tax payments associated with gas used to produce electricity. Testimony focused on ratemaking policies and practices in New York State. 2003

Docket No. 2930 – Narragansett Electric – Before the Rhode Island Public Utilities Commission submitted testimony on the reasonableness of the utility's proposed shared savings filing and its implications for the overall reasonableness of the Company's distribution rates. 2003

Docket No. 03-07-01 – Connecticut Light and Power Company – Before the Connecticut Department of Public Utility Control testified to the recovery of "federally mandated" wholesale power costs. 2003

Docket No. ER03-1274-000 – Boston Edison Company – Before the Federal Energy Regulatory Commission submitted affidavit on the reasonableness of the utility's proposed depreciation rates and expense levels. 2003

Case 210293 – Corning Incorporated – Before the New York Public Service Commission submitted an affidavit on certain actions of New York State Electric & Gas Corporation regarding the wholesale price of power in New York and the utility's billing practices as they relate to flex rate contracts. 2003

Case 332311 – Nucor Steel Auburn, Inc. – Before the New York State Public Service Commission submitted an affidavit on certain actions of New York State Electric & Gas Corporation regarding the wholesale price of power in New York and the utility's billing practices as they relate to flex rate contracts. 2003

Case 6455/03 – Prepared affidavit for consideration by the Supreme Court of the State of New York as to the purpose, need and fuel choice for the Jamaica Bay Energy Center (Jamaica Bay) as it related to good utility planning practice for meeting the energy needs of utility customers. 2003

Case 00-M-0504 – New York State Electric and Gas Corporation – Reviewed reasonableness of utility's fully

allocated embedded cost of service study and proposed unbundled delivery rates. 2002

Docket No. TX96-4-001 – On behalf of the Suffolk County Electrical Agency proposed unbundled embedded cost rates for wheeling of wholesale power across distribution facilities. 2002

Case 00-E-1208 – Consolidated Edison: Electric Rate Restructuring – On behalf of Westchester County, addressed reasonableness of having differentiated delivery services rates for New York City and Westchester. 2001

Case 01-E-0359 – Petition of New York State Electric & Gas – Multi-Year Electric Price Protection Plan – Addressed reasonableness of Price Protection Plan (PPP); presented alternative rate plan that called for 20% decrease in utility's base rates. 2001

Case 01-E-0011 – Joint Petition of Co-Owners of Nine Mile Nuclear Station – Addressed the reasonableness of the proposed nuclear asset sale and the ratemaking treatment of the after gain sale proposed by NYSEG. 2001

Docket No. EL00-62-005 – ISO New England Inc. – Submitted affidavit on reasonableness of ISO's proposed \$4.75/kW/month Installed Capability Deficiency Charge. June 2001

Docket No. EL00-62-005 – ISO New England Inc. – Submitted affidavit on reasonableness of proposed \$0.17/kW/month Installed Capability Deficiency Charge. January 2001

Docket No. 2861 – Pascoag Fire District: Standard Offer, Charge, Transition Charge and Transmission Charge – Testified on elements of individual charges, procedures for calculation and reasons for changes from previous filed rates. 2001

Case 96-E-0891 – New York State Electric & Gas: Retail Access Credit Phase – On behalf of a large industrial customer, testified on cost of service considerations regarding NYSEG's earnings performance under the terms of a multi-year rate plan and the appropriate level of Retail Access Credit for customers seeking alternate service from alternate suppliers. 2000

Docket No. ER99-978-000 – Boston Edison Company: Open Access Transmission Tariff – Testified on design, revenue requirement, and reasonableness of proposed formula rates proposed by Boston Edison Company for calculating charges for local network transmission service under open access tariff. 1999

Docket Nos. OA97-237-000, et. al. – New England Power Pool: OATT – Testified on design, revenue requirement, and reasonableness of proposed formula rate for transmission service; testified to proposed rates, charges, terms and conditions for ancillary services. 1999

Docket No. 2688 – Pascoag Fire District: Electric Rates – Testified on elements of savings resulting from renegotiation of contract with wholesale power supplier and presented analysis that justified need for and amount of base rate increase. 1998

New York State Department of Taxation and Finance Versus Zapco Energy Tactics Corporation – Testified on behalf of independent power producer in income tax case regarding tax payments associated with electric interconnection equipment. Testimony focused on policies and practices faced in doing business in New York State. 1998

Docket No. 2516 – Pascoag Fire District: Utility Restructuring – Testified on manner and means for utility's restructuring in compliance with Rhode Island Utility Restructuring Act of 1996. Testimony presented a methodology for calculating stranded cost charge, unbundled rates, and new terms and conditions of electric services in deregulated environment. 1997

Case 94-E-0334 – Consolidated Edison: Electric Rates – Led Staff team in review of utility's multi-year rate filing seeking increased rates of \$400 million. Directed team in review of resource planning, power purchase contract administration, and fuel and purchased power expenses and testified on reasonableness of company's actions

regarding buy-out of contract with an independent power producer and renegotiation of contract with another independent power producer. Lead negotiations for multi-year settlement and performance-based ratemaking package that resulted in a three-year rate freeze. 1994

Case 93-G-0996 – Consolidated Edison: Gas Rates – Testified on reasonableness of utility's proposed depreciation rates. 1994

Case 93-S-0997 – Consolidated Edison: Steam Rates – Testified on reasonableness of utility's resource planning for steam utility system. 1994

Case 93-S-0997 and 93-G-0996 – Consolidated Edison: Steam Rates – Testified on reasonableness of multi-year rate plan proposed by the utility. 1994

Case 94-E-0098 – Niagara Mohawk: Electric Rates – Reviewed utility's management of its portfolio of power purchase contracts with independent power producers for the reasonableness of recovery of costs in retail rates. 1994

Case 93-E-0807 – Consolidated Edison: Electric Rates – Testified on rate recovery mechanism for costs associated with termination of five contracts with independent power producers. 1993

Case 92-E-0814 – Petition for Approval of Curtailment Procedures – Testified on methodology for estimating amount of power required to be curtailed and staff's estimate of curtailment. 1992

Case 90-S-0938 – Consolidated Edison: Steam Rates – Testified on reasonableness of utility's embedded cost of service study, and proposed revenue re-allocation and rate design. 1991

Case 91-E-0462 – Consolidated Edison: Electric Rates – Implementation of partial pass-through fuel adjustment incentive clause. 1991

Case 90-E-0647 – Rochester Gas and Electric: Electric Rates – Analysis and estimation of monthly fuel and purchased power costs for use in utility's performance based partial pass-through fuel adjustment clause. 1990

Case 29433 – Central Hudson Gas and Electric: Electric Rates – Analysis of utility's construction budgeting process, rate year electric plant in service forecast, lease revenue forecast, forecast and rate treatment of profits from sales of wholesale power and estimation of fuel and purchased power expenses for use in the utility's partial pass-through fuel adjustment clause. 1987

Case 29674 – Rochester Gas and Electric: Electric Rates – Review of utility's historic and forecast O&M expenditure levels forecast and rate treatment of profits from wholesale power, and estimation of fuel and purchased power expenses, and price out of incremental revenues from increased retail sales. 1987

Case 29195 – Central Hudson Gas and Electric: Electric Rates – Review of utility's construction budgeting process, analysis of rate year electric plant in service, forecast and rate treatment of profits from sales of wholesale power, and estimation of fuel and purchased power expenses. 1986

Case 29046 – Orange and Rockland Utilities: Electric Rates – Testified on the reasonableness of the utility's proposed depreciation rates and expense levels. 1985

Case 28313 – Central Hudson Gas and Electric: Electric Rates – Review of utility's construction budgeting process; analysis of rate year electric plant in service forecast; review of rate year operations and maintenance expense forecast; forecast and rate treatment of profits from sales of wholesale power; estimation of fuel and purchased power expenses. 1984

Case 28316 – Rochester Gas and Electric: Steam Rates – Price out of steam sales including the review of historic sales growth, usage patterns and forecast number of customers. 1984

PRESENTATIONS

Multiple Intervenors Annual Conference – What Will Impact Market Prices? 1998, Syracuse, New York – Speaker on the impact that deregulation would have on market prices for large industrial customers.

IBC Conference – Successful Strategies for Negotiating Purchased Power Contracts, 1997, Washington, DC – Speaker on NY power purchase contract policies, ratepayer valuation, contract approval process and policy on recovery of buyout costs.

Gas Daily Conference – Fueling the Future: Gas' Role in Private Power Projects, 1992, Houston, Texas – Panel member addressing changing power supply requirements of electric utilities.

MEMBERSHIPS/ASSOCIATIONS

Member Municipal Electric Utility Association, Northeast Public Power Association and New York State ISO.

Rate Case Staff Report Summary

1. Suburban Natural Gas Company, Case No. 07-689-GA-AIR

Then Current Customer Charge	\$6.50
Co. Proposed Customer Charge	\$9.18
Staff Calculated Avg. Customer Charge (Staff Report)	\$12.15
Staff Recommended Customer Charge (Staff Report)	\$9.18
Stipulation/O&O Customer Charge	Still pending

2. Oxford Natural Gas Co., Case No. 06-350-GA-CMR.

Then Current Customer Charge	\$8.00
Co. Proposed Customer Charge	\$7.50
Staff/ Co. Calculated Avg. Customer Charge (Staff Report)	\$8.51
Staff Recommended Customer Charge (Staff Report)	\$6.00
Stipulation/O&O Customer Charge	\$6.50 ¹

3. Vectren Energy Delivery of Ohio, Case No. 04-571-GA-AIR

Then Current Customer Charge	\$4.00
Co. Proposed Customer Charge	\$8.00
Staff Calculated Avg. Customer Charge (Staff Report)	\$7.69
Staff Recommended Customer Charge (Staff Report)	\$6.50
Stipulation/O&O Customer Charge	\$7.00 ²

4. Northeast Ohio Natural Gas Co., Case No. 03-2170-GA-AIR

Then Current Customer Charge	\$5.65
Co. Proposed Customer Charge	\$6.50
Staff Calculated Avg. Customer Charge (Staff Report)	\$7.06
Staff Recommended Customer Charge (Staff Report)	\$6.25
Stipulation/O&O Customer Charge	\$6.30 ³

¹ In the Matter of the Complaint and Appeal of Oxford Natural Gas Company From Ordinance No. 2896 Passed by Council of the City of Oxford in February 7, 2006, Case No. 06-350-GA-CMR, Opinion and Order (September 19, 2007) at 4.

² In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Authority to Amend its filed Tariffs to Increase the Rates and Charges for Gas Service and Related Matters, Case No. 04-571-GA-AIR, Opinion and Order (April 13, 2005) at 14.

³ In the Matter of the Application of Northeast Natural Gas Corp. for an Increase in its Rates and Charges for Natural Gas Service, Case No. 03-2170-GA-AIR, Opinion and Order (November 10, 2004). Stipulation (October 22, 2004) Third Revised Sheet No. 13.

5. Cincinnati Gas & Electric, Case No. 01-1228-GA-AIR

Then Current Customer Charge	\$5.24
Co. Proposed Customer Charge	\$10.00
Staff Calculated Avg. Customer Charge (Staff Report)	\$9.11
Staff Recommended Customer Charge (Staff Report)	\$6.50
Stipulation/O&O Customer Charge	\$6.00 ⁴

6. Cincinnati Gas & Electric, Case No. 95-0656-GA-AIR

Then Current Customer Charge	\$5.50
Co. Proposed Customer Charge	\$10.00
Staff Calculated Avg. Customer Charge (Staff Report)	\$7.43
Staff Recommended Customer Charge	\$7.00
Staff Recommended Customer Charge (Revised)	\$5.50
Stipulation/O&O Customer Charge	\$5.24 ⁵

7. Eastern Natural Gas Co., Case No. 95-488-GA-AIR

Then Current Customer Charge	\$5.35
Company Proposed Customer Charge	\$6.75
Staff Calculated Avg. Customer Charge (Staff Report)	\$6.05
Staff Recommended Customer Charge (Staff Report)	\$6.05
Stipulation/O&O Customer Charge	\$6.35 ⁶

⁴ *In the Matter of the Application of the Cincinnati Gas & Electric Company for an Increase in Gas Rates in its Service Territory*, Case No. 01-1228-GA-AIR, Opinion and Order (May 30, 2002). Stipulation at Exhibit 2 (April 17, 2002).

⁵ *In the Matter of the Application of the Cincinnati Gas & Electric Company for an Increase in Gas Rates in its Service Territory*, Case No. 95-0656-GA-AIR, Opinion and Order (December 12, 1996) at 24-25 and 45-46. The O&O approved a customer charge of \$5.50, but also approved an excise tax rider to collect excise tax amounts formerly recovered through base rates. Therefore, the final tariff for customer charge reflected \$5.24 instead of \$5.50.

⁶ *In the Matter of the Application of Eastern Natural Gas Company to Increase Rates for its Natural Gas Service Area and Related Matters*, Case No. 95-488-GA-AIR, Opinion and Order (May 2, 1996). *In the Matter of the Application of Pike Natural Gas Company and Eastern Natural Gas Company to Reduce Base Rates and Establish a GCR-Related Gross Receipts Tax Expense Rider, Establish A New Main Line Extension Tariff Option, and Modify its Existing Transportation Tariff*, Case No. 02-2671-4A-ATA, Application (October 15, 2002).

8. Columbia Gas of Ohio, Inc., Case No. 94-987-GA-AIR

Then Current Customer Charge	\$6.50
Co. Proposed Customer Charge	\$6.50
Staff Calculated Avg. Customer Charge (Staff Report)	N/A
Staff Recommended Customer Charge (Staff Report)	N/A
Stipulation/O&O Customer Charge	\$6.50 ⁷

9. East Ohio Gas Co., River Gas Co., Case No. 93-2006-GA-AIR

Then Current Customer Charge	\$4.28 (DEO)/\$5.90 (River)
Co. Proposed Customer Charge	\$7.80
Staff Calculated Avg. Customer Charge (Staff Report)	\$5.72
Staff Recommended Customer Charge (Staff Report)	\$5.70
Stipulation/O&O Customer Charge	\$5.70 ⁸

10. Murphy Gas Co., Case No. 93-312-GA-AIR

Then Current Customer Charge	\$5.25
Co. Proposed Customer Charge	\$3.25
Staff Calculated Avg. Customer Charge (Staff Report)	\$3.42
Staff Recommended Customer Charge (Staff Report)	\$3.25
Stipulation/O&O Customer Charge	\$3.25 ⁹

11. Cincinnati Gas & Electric, Case No. 92-1463-GA-AIR

Then Current Customer Charge	\$5.30
Co. Proposed Customer Charge	\$6.00
Staff Calculated Avg. Customer Charge (Staff Report)	\$6.77
Staff Recommended Customer Charge (Staff Report)	\$6.00
Stipulation/O&O Customer Charge	\$5.50

⁷ In the Matter of the Application of Columbia Gas of Ohio, Inc., for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Service, Case No. 94-987-GA-AIR, Opinion and Order (September 29, 1994). Stipulation (June 3, 1994) at Attachment A, Seventh Revised Sheet No. 37.

⁸ In the Matter of the Application of the East Ohio Gas Company and the River Gas Company for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Service, Case No. 93-2006-GA-AIR, Opinion and Order (November 3, 1994). Stipulation (October 12, 1994) at Exhibit A-1.

⁹ In the Matter of the Application of Murphy Gas Inc., for an Increase in Rates and Charges, Case No. 93-312-GA-AIR, Opinion and Order (October 14, 1993) at 4.

12. Columbia Gas of Ohio, Inc., Case No. 91-195-GA-AIR

Then Current Customer Charge	\$6.25
Co. Proposed Customer Charge	\$7.40
Staff Calculated Avg. Customer Charge (Staff Report)	\$7.00
Staff Recommended Customer Charge (Staff Report)	\$7.00
Stipulation/O&O Customer Charge	\$6.50 ¹⁰

13. Dayton Power & Light Co., Case No. 91-415-GA-AIR

Then Current Customer Charge	\$4.15
Co. Proposed Customer Charge	\$5.00
Staff Calculated Avg. Customer Charge (Staff Report)	\$5.23
Staff Recommended Customer Charge (Staff Report)	\$5.00
Stipulation/O&O Customer Charge	\$4.00 ¹¹

14. River Gas Co., Case No. 90-395-GA-AIR

Then Current Customer Charge	\$4.30
Co. Proposed Customer Charge	\$6.50
Staff Calculated Avg. Customer Charge (Staff Report)	\$5.70
Staff Recommended Customer Charge (Staff Report)	\$5.70
Stipulation/O&O Customer Charge	\$5.90 ¹²

15. Cincinnati Gas & Electric, Case No. 90-390-GA-AIR

Then Current Customer Charge	\$4.00
Co. Proposed Customer Charge	\$6.00
Staff Calculated Avg. Customer Charge (Staff Report)	\$6.10
Staff Recommended Customer Charge (Staff Report)	\$6.00
Stipulation/O&O Customer Charge	\$5.30 ¹³

¹⁰ *In the Matter of the Application of Columbia Gas of Ohio, Inc. to Increase Gas Sales and Certain Transportation Rates Within its Service Area*, Case No. 91-195-GA-AIR, Opinion and Order (November 27, 1991). Stipulation (October 23, 1991) Attachment A, Sixth Revised Sheet No. 37.

¹¹ *In the Matter of the Application of Dayton Power and Light Company for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services*, Case No. 91-415-GA-AIR, Opinion and Order (February 20, 1992). Stipulation (January 3, 1992) Exhibit B Eighth Revised Sheet No. 16.

¹² *In the Matter of the Application of the River Gas Company for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Service*, Case No. 90-395-GA-AIR, Opinion and Order (January 10, 1991) at 5.

¹³ *In the Matter of the Application of the Cincinnati Gas & Electric Company to File an Application for an Increase in Gas Rates in its Service Area*, Case No. 90-390-GA-AIR, Opinion and Order (January 3, 1991) at 45.

16. Eastern Natural Gas Co., Case No. 89-1714-GA-AIR

Then Current Customer Charge	\$5.00
Co. Proposed Customer Charge	\$6.50
Staff Calculated Avg. Customer Charge (Staff Report)	\$9.32
Staff Recommended Customer Charge (Staff Report)	\$9.30
Stipulation/O&O Customer Charge	\$5.35 ¹⁴

17. Columbia Gas of Ohio, Inc., Case No. 89-616-GA-AIR

Then Current Customer Charge	\$6.00
Co. Proposed Customer Charge (Seasonal)	\$7.64 -- \$9.03
Staff Calculated Avg. Customer Charge (Staff Report)	\$7.88
Staff Recommended Customer Charge (Staff Report)	\$6.25
Stipulation/O&O Customer Charge	\$6.25 ¹⁵

18. Columbia Gas of Ohio, Inc., Case No. 88-716-GA-AIR

Then Current Customer Charge	\$4.5- to \$5.25
Co. Proposed Customer Charge (Seasonal)	\$7.29 to \$9.25 (summer) \$4.68 to \$6.03 (winter)
Staff Calculated Avg. Customer Charge (Staff Report)	\$7.79
Staff Recommended Customer Charge (Staff Report)	\$6.00
Stipulation/O&O Customer Charge	\$6.00 ¹⁶

¹⁴ In the Matter of the Application of the Eastern Natural Gas Company to Increase Rates for its Natural Gas Service Area and Related Matters, Case No. 89-1714-GA-AIR, (November 6, 1990) at 5-6.

¹⁵ In the Matter of the Applications of Columbia Gas of Ohio, Inc. to Establish a Uniform Rate Natural Gas Service Within the Company's Northwestern Region, Lake Erie Region, Central Region, Eastern Region, and Southeastern Region, Case Nos. 89-616-GA-AIR et. al., Opinion and Order (April 5, 1990) at 82.

¹⁶ In the Matter of the Applications of Columbia Gas of Ohio, Inc. to Establish a Uniform Rate Natural Gas Service Within the Company's Northwestern Region, Lake Erie Region, Central Region, Eastern Region, and Southeastern Region, Case Nos. 88-716-GA-AIR et. al., Opinion and Order (October 17, 1989) at 89.



The Public Utilities
Commission of Ohio

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A report by the Staff of the
Public Utilities Commission of Ohio

Suburban Natural Gas Company

Case No. 07-689-GA-AIR

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Rate Design and Schedules

Staff Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred. In recommending customer charges, Staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

Table 5 illustrates the Staff's method for the calculation of the customer charges.

SUBURBAN NATURAL GAS COMPANY
Case No. 07-889-GA-AIR

Given the results of the analysis, Staff supports a customer charge of \$9.18 which is what the Applicant is asking for in this case. However, it should be noted that the Commission Staff would like to see the Applicant move towards a "Straight Fixed Variable Costing" methodology for future customer charge calculation.

Table 5

Customer Charge Analysis

<u>Account</u>		
	<u>Distribution Expenses:</u>	
878	Meter and House Regulators	288,366
879	Customer Installations	<u>161,885</u>
	Total Distribution Expenses	450,240
	<u>Customer Accounting and Expenses:</u>	
901	Supervision	70,464
902	Meter Reading	124,753
903	Customer Records and Collection	<u>1,388</u>
906	Customer Assistance Information	
	Total Customer Expenses	196,605
	Total Distribution Expenses	<u>450,240</u>
	Total Distribution and Customer Expenses	646,843
	<u>Net Plant Expenses</u>	
380	Services	3,302,278
381	Meters	1,621,884
383	House Regulators	<u>347,343</u>
	Total Plant Accounts	5,271,303
	Return on Total Plant Accounts	8.77% 462,293
	Property Taxes	322,852
	Depreciation Expenses	<u>504,303</u>
	Total	1,289,448
	Total Distribution and Customer Expenses	<u>646,843</u>
	Customer Charge Revenue	1,936,291
	Customer Bills	13,281
	Average Monthly Customer Charge	\$12.15
	Staff Recommended Monthly Customer Charge	\$9.18

Current and Proposed Rate Design

The Applicant proposes to continue its current rate design. Staff recommends Applicant's general rate design, with adjustments made to compensate for differences in revenue requirements.

Rate Schedule Comparison

A table showing Applicant's Current and Proposed rate schedules, along with Staff recommended rate schedules are shown in Table 6.

Table 6

	<u>Current</u>	<u>Company Proposed</u>	<u>Staff Proposed</u>
<u>General Service</u>			
Northern System	\$ 6.50	\$ 9.18	\$ 9.18
Southern System	\$ 5.00	\$ 9.18	\$ 9.18
<u>All Mat</u>			
Northern System	2.6835	2.97874	2.84541
Southern System	2.271	2.97874	2.84541

TYPICAL BILLS

Typical bills are shown in E-5 Schedules at the end of this report.

**STAFF'S REPORT
OF
INVESTIGATION**

In the Matter of the Complaint and Appeal)
of Oxford Natural Gas Company from)
Ordinance No. 2896 Passed by the Council)
of the City of Oxford on February 7, 2006.)

Case No. 06-350-GA-CMR

Submitted
to
The Public Utilities Commission

OXFORD NATURAL GAS COMPANY
Case No. 08-350-GA-CMR

Table 4

Total Revenue Distribution Including Gas Costs and Miscellaneous Revenues

	<u>Current</u>	<u>Company Proposed</u>	<u>Staff Rec'd</u>
General Service	94.21%	93.82%	95.13%
Industrial/ Transportation	3.97	4.30	2.57 (Excludes Miami low pressure)
Late Payment Revenues	1.82	1.49	1.80
Misc. Revenues	0.21	0.39	0.50
Total Revenue	100.00%	100.00%	100.00%

Current & Company Proposed based on Table 2
Staff Rec'd based on Table 2(a)

Rate Design and Schedules

Staff Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred. In recommending customer charges, Staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

The Applicant provided a customer charge rationale using a methodology similar to Staff's. Although, Staff finds the methodology reasonable, the expense amounts used in the rationale can not be supported. To validate the expense amounts as shown in the Applicant's calculation, Staff requested that the Applicant provide a copy of the document/documents

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR

supporting these numbers. The Applicant's calculation generated an average monthly charge of \$8.51. However, the Applicant is proposing a \$7.50 residential customer charge and a \$15.00 commercial customer charge. The commercial charge is premised on commercial meters costing more than the standard residential meter. Staff does not disagree with the fact that commercial meters are generally higher. What staff does disagree with is the lack of support showing how the proposed commercial customer charge is reasonable and justified. Staff recommends that the company establish record keeping according to FERC guidelines so that costs can be identified in appropriate accounts and expenses are allocated by class supporting such proposal. In this case Staff is proposing a revenue requirement that is less than what the Applicant is currently recovering. Several considerations are factored in this case taking into account the amount of the proposed reduction and the fixed revenue recovery through the customer charge.

Given the results of the analysis and Staff's proposed revenue recovery, Staff is proposing a \$6.00 customer charge for both residential and commercial customers.

Current and Proposed Rate Design

Applicant proposes to continue its current rate design. Staff recommends Applicant's general rate design, with adjustments made to compensate for differences in revenue requirements.

Rate Schedule Comparison

A table showing Applicant's Current and Proposed rate schedules, along with the Staff recommended rate schedules are shown in Table 5.

Table 5

	<u>Current</u>	<u>Company Proposed</u>	<u>Staff Proposed</u>
General Service			
Customer Charge:			
Residential	\$ 8.00	\$ 7.50	\$ 6.00
Commercial	8.00	15.00	6.00
All Mcf:	\$ 3.05	\$ 4.10	\$ 0.7623

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A report by the Staff of the Public Utilities Commission of Ohio

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Staff Report of Investigation

In the Matter of the Application of
Vectren Energy Delivery of Ohio, Inc.
For Authority to Amend its Filed Tariffs
To Increase the Rates and Charges for
Gas Service and Related Matters.

Case No. 04-571-GA-AM

In the Matter of the Application of
Vectren Energy Delivery of Ohio, Inc.
For Authority to Modify Current Accounting
Procedures to Defeat Expenditures
Incurred Arising from Compliance with
Federal Pipeline Safety Requirements.

Case No. 04-421-GA-AM

In the Matter of the Application of Vectren
Energy Delivery of Ohio, Inc. for Authority
to Change Depreciation Accrual Rates for
its Gas Facilities.

Case No. 04-734-GA-AM



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VECTREN ENERGY DELIVERY OF OHIO INC.
Case No. 04-571-GA-AIR

Table 6
SGS - Small General Service

<u>Account</u>		
<u>Distribution Expenses</u>		
878	Meter and House Regulators	\$ 170,540
879	Customer Installations	<u>2,212,666</u>
	Total Distribution Expensed	2,383,206
<u>Customer Accounting and Expenses</u>		
901	Supervision	1,112,018
902	Meter Reading	2,405,764
903	Customer Records and Collection	9,358,573
905	Customer Assistance Information	<u>972,830</u>
	Total Customer Expenses	13,849,185
	Total Distribution Expenses	<u>2,383,206</u>
	Total Distribution and Customer Expenses	16,232,391
<u>Net Plant Expenses</u>		
380	Services	29,855,644
381	Meters	12,785,872
383	House Regulators	<u>1,872,152</u>
	Total Plant Accounts	44,513,668
	Return on Total Plant Accts.	8.59% 3,823,724
	Property Taxes	915,043
	Depreciation Expenses	<u>5,868,872</u>
	Total	10,607,639
	Total Distribution and Customer Expenses	<u>16,232,391</u>
	Customer Charge Revenue	\$ 26,840,030
	Customer Bills	3,489,280
	Average Monthly Customer Charge	7.69
	Staff Recommended Monthly Customer Charge	6.50

Given the results of the analysis, Staff supports a customer charge of \$6.50 for the residential sales and residential transportation service. If approved, the new charge represents an increase of \$2.50 per month. This recommendation contrasts with Applicant's proposal of \$8.00, an increase of \$4.00 per month.

VECTREN ENERGY DELIVERY OF OHIO INC.
Case No. 04-571-GA-AIR

Applicant records are insufficient, Staff is unable to support the two customer charges as proposed by the Applicant. Staff recommends a customer charge of \$10.00 for both customer groups for Rates 320 and Rate 325.

The current customer charge for small sales service, general sales service and small transportation service is \$5.40 and \$12.00 for general transportation customers. The general transportation customers represent approximately 5% of customers served under the proposed Rate 325. In order to maintain continuity within the group of these customers, Staff believes that the general transportation customers should be in line with total customer group.

Table 8
LGS - Large General Service

<u>Account</u>			
	<u>Distribution Expenses</u>		
878	Meter and House Regulators	\$	16,284
879	Customer Installations		<u>2,001</u>
	Total Distribution Expenses		18,285
	<u>Customer Accounting and Expenses</u>		
901	Supervision		1,005
902	Meter Reading		2,175
903	Customer Records and Collection		8,461
905	Customer Assistance Information		<u>879</u>
	Total Customer Expenses		12,530
	Total Distribution Expenses		<u>18,285</u>
	Total Distribution and Customer Expenses		30,805
	<u>Net Plant Expenses</u>		
380	Services		139,028
381	Meters		<u>1,220,839</u>
383	House Regulators		178,759
	Total Plant Accounts		1,588,626
	Return on Total Plant Accts.	8.59%	136,463
	Property Taxes		27,989
	Depreciation Expenses		<u>83,077</u>
	Total		247,529
	Total Distribution and Customer Expenses		<u>30,805</u>
	Customer Charge Revenue		278,334
	Customer Bills	3,156	
	Average Monthly Customer Charge		88.19
	Staff Recommended Monthly Customer Charge		100.00



**A report by the Staff of the
Public Utilities Commission of Ohio**

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Staff Report of Investigation

**In the Matter of the Application of
Northeast Ohio Natural Gas Corp. for
an increase in its Rates and Charges for
Natural Gas Service.**

Case No. 03-2170-GA-AIR

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NORTHEAST OHIO NATURAL GAS CORP.
Case No. 03-2170-GA-AIR

Table 6

Small General Service
Customer Charge Analysis

<u>Account</u>		
	<u>Distribution Expenses:</u>	
878	Meter and House Regulators	\$ 0
879	Customer Installations	0
	Total Distribution Expenses	<u>\$ 0</u>
	<u>Customer Accounting and Expenses:</u>	
901	Supervision	\$ 0
902	Meter Reading	97,103
903	Customer Records and Collection	116,547
905	Customer Assistance Information	<u>0</u>
	Total Customer Expenses	\$ 213,650
	Total Distribution Expenses	<u>0</u>
	Total Distribution and Customer Expenses	<u>\$ 213,650</u>
	<u>Net Plant Expenses:</u>	
380	Services	\$1,165,867
381	Meters	600,927
383	House Regulators	<u>2,413</u>
	Total Plant Accounts	<u>\$1,769,207</u>
	Return on Total Plant Accounts:	8.70% \$ 153,921
	Property Taxes	22,896
	Depreciation Expenses	<u>66,214</u>
	Total	243,031
	Total Distribution and Customer Expenses	<u>213,650</u>
	Customer Charge Revenue	<u>\$ 456,681</u>
	Customer Bills	64,662
	Average Monthly Customer Charge	<u>\$ 7.06</u>
	Staff Recommended Monthly Customer Charge	<u>\$ 6.25</u>

NORTHEAST OHIO NATURAL GAS CORP.
Case No. 03-2170-GA-AIR

The Residential/Commercial Service Schedule calculation shows the average expense associated with connection of an individual to the system. It is important that the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

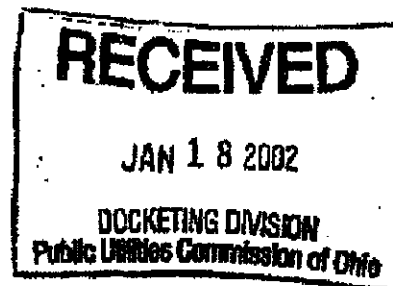
Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

In recommending customer charges, Staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

Given the results of the analysis, Staff supports a customer charge of \$6.25 for the Small General Service customers. If approved, the new charge represents an increase of \$.60 per month. This recommendation contrasts with Applicant's proposal which set a customer charge in the Small General Service of \$6.50, an increase of \$.85 per month.

Staff supports the Applicant's proposed customer charge of \$17.50 for the General Service and General Transportation customers. If approved, the new charges represent an increase of \$2.00 per month.

FILE



Staff Report of Investigation

The Public Utilities Commission of Ohio

In the Matter of the Application
of The Cincinnati Gas & Electric
Company for an Increase in its
Gas Rates in its Service Territory.

Case No. 01-1228-GA-AIR

In the Matter of the Application
of The Cincinnati Gas & Electric
Company for Approval of an
Alternative Rate Plan for its
Gas Distribution Service.

Case No. 01-1478-GA-ALT

In the Matter of the Application
of The Cincinnati Gas & Electric
Company for Approval to Change
Accounting Methods.

Case No. 01-1539-GA-AAM

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Table 6

Residential Service Schedule (Rate RS)
Customer Charge Analysis

<u>Account</u>		
<u>Distribution Expenses:</u>		
878	Meter and House Regulators	\$ 364,893
879	Customer Installations	<u>420,178</u>
	Total Distribution Expenses	<u>\$ 785,071</u>
<u>Customer Accounting and Expenses:</u>		
901	Supervision	\$ 416,892
902	Meter Reading	3,347,848
903	Customer Records and Collection	7,996,364
905	Customer Assistance Information	<u>544,953</u>
	Total Customer Expenses	\$ 12,306,057
	Total Distribution Expenses	<u>785,071</u>
	Total Distribution and Customer Expenses	<u>\$ 13,091,128</u>
<u>Net Plant Expenses:</u>		
380	Services	\$104,186,779
381	Meters	15,122,675
383	House Regulators	<u>4,588,854</u>
	Total Plant Accounts	<u>\$123,898,308</u>
	Return on Total Plant Accounts:	9.43% \$ 11,683,610
	Property Taxes	6,335,843
	Depreciation Expenses	<u>3,225,197</u>
	Total	21,244,650
	Total Distribution and Customer Expenses	<u>13,091,128</u>
	Customer Charge Revenue	<u>\$ 34,335,778</u>
	Customer Bills	3,768,726
	Average Monthly Customer Charge	\$ <u>9.11</u>
	Staff Recommended Monthly Customer Charge	\$ <u>6.50</u>

The Residential/Commercial Service Schedule calculation shows the average expense associated with connection of an individual to the system. It is important that the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred. In recommending customer charges, staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

Given the results of the analysis, staff supports a customer charge of \$6.50 for the RS Schedule. If approved, the new charge represents an increase of \$1.26 per month. This recommendation contrasts with applicant's proposal which set a customer charge in the RS Schedule of \$10.00, an increase of \$4.76 per month.

Staff supports a customer charge of \$18.00 for the GS Schedule. If approved, the new charges represent an increase of \$1.79 per month.

Administrative Charge Analysis

As in the Residential/General Service Schedules, certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of administrative charges in the design of rates.

The following Table 8 illustrates staff's calculation of the Administrative Charge.



Staff Report of Investigation

The Public Utilities Commission of Ohio

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Public Utilities Commission of Ohio

In the Matter of the Application)
of The Cincinnati Gas & Electric)
Company for an Increase in its)
Rates for Gas Service to All)
Jurisdictional Customers)

Case No. 95-656-GA-AIR

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THE CINCINNATI GAS & ELECTRIC COMPANY
Case No. 95-656-GA-AIR

block, declining rate design, with \$1.894 for 100 Mcf and less, \$1.824 for the next 400 Mcf, and \$1.757 for all over 500 Mcf.

Applicant proposes to continue its current Residential Service Schedule, General Service Schedule, and the respective rate designs.

Staff-Recommended Rate Design

Previously, Staff has recommended rate designs with many different characteristics: single block rates; multiple block rates; separate schedules for general service and large volume sales customers; and schedules of specialized services. Conditions surrounding the business activities of each company justified such recommendations by the Staff.

Pursuant to the Staff adjusted Cost of Service Study applied to revenue distribution levels, Staff recommends Applicant's general rate design, with adjustments made to compensate for differences in revenue requirements.

Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

The Commission approved a stipulation that established the Applicant's current customer charges during the previous rate case (Case No. 92-1463-GA-AIR). Applicant's current and proposed customer charges do not apply the same rate to all classes of customers, but rather separates various classes by tariff (Residential Service Schedule/General Service Schedule), then bases the charges on fully allocated components of the cost of service study.

Tables 2 and 3 illustrate the Staff's method for the calculation of the customer charges.

THE CINCINNATI GAS & ELECTRIC COMPANY
Case No. 95-656-GA-AIR

Table 2

Residential Service Schedule (Rate RS)
Customer Charge Analysis

<u>Account</u>		
<u>Distribution Expenses:</u>		
878	Meter and House Regulators	\$ 1,387,000
879	Customer Installations	<u>670,315</u>
	Total Distribution Expenses	<u>\$ 1,977,314</u>
<u>Customer Accounting and Expenses:</u>		
901	Supervision	\$ 178,158
902	Meter Reading	2,205,813
903	Customer Records and Collection	7,391,010
905	Customer Assistance Information	<u>142,321</u>
	Total Customer Expenses	\$ 9,917,303
	Total Distribution Expenses	<u>1,977,314</u>
	Total Distribution and Customer Expenses	<u>\$ 11,894,617</u>
<u>Net Plant Expenses:</u>		
380	Services	\$ 75,003,611
381	Meters	10,366,335
383	House Regulators	<u>3,102,325</u>
	Total Plant Accounts	<u>\$ 88,472,272</u>
	Return on Total Plant Accts.:	9.37% \$ 8,285,428
	Property Taxes	5,283,362
	Depreciation Expenses	<u>3,884,276</u>
	Total	17,453,066
	Total Distribution and Customer Expenses	<u>11,894,617</u>
	Customer Charge Revenue	<u>\$ 29,347,684</u>
Customer Bills		3,950,694
Average Monthly Customer Charge		<u>\$ 7.43</u>
Staff Recommended Monthly Customer Charge		<u>\$ 7.00</u>

The Residential/Commercial Service Schedule calculation shows the average expense associated with connection of an individual to the system. It is important that the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Some approaches attempt to determine customer charges based on the action of customers as a whole group. This is inappropriate. If no gas is used by any of the customers, there is no further requirement to perform customer-related activities such as meter reading. Additional elements and expenses could be included or excluded according to other costing methods. For instance, the cost of minimum sized mains and/or services could be included as part of the customer charge. Or only a fraction of the Customer Installations account could be included. This requires the application of judgment or allocations to determine the decremental (or incremental) cost of these items. Inclusion of such expenses, resulting from judging the potential customer use of the facilities, presents an artificial level of accuracy and unnecessarily increases (or decreases) the customer charge. Staff has avoided this escalation (or de-escalation) in the costs and resulting charges by allocating usage-related costs to all classes based on the interclass cost of service allocations. Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included, yet has made few changes to the formula.

Given the results of the analysis, Staff supports a customer charge of \$7.00 for the RS Schedule. If approved, the new charge represents an increase of \$1.50 per month. This recommendation contrasts with Applicant's proposal which set a customer charge in the RS Schedule of \$10.00, an increase of \$4.50 per month.

Staff supports a customer charge of \$21.00 for the GS Schedule. If approved, the new charges represent an increase of \$4.00 per month. This recommendation is consistent with Applicant's proposal.

In recommending customer charges, Staff recognizes and is continuing the established ratemaking principle of gradualism within the revenue distributions.



Staff Report of Investigation

The Public Utilities Commission of Ohio

In the Matter of the Application of)
Eastern Natural Gas Company to)
Increase Rates for its Natural Gas)
Service Area and Related Matters.)

Case No. 95-488-GA-AIR

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DOCKETING DIVISION
Public Utilities Commission of Ohio

Table 2
Residential/Commercial Service Schedule
Customer Charge Analysis

Account	Distribution Expenses	
878	Meter and House Regulators	\$ 9
879	Customer Installations	<u>59,485</u>
	Total Distribution Expenses	<u>\$ 59,493</u>
	Customer Accounting and Expenses	
902	Meter Reading	57,128
903	Customer Records and Collection	212,551
905	Customer Assistance Information	<u>15,510</u>
	Total Customer Expenses	\$ 285,189
	Total Distribution Expenses	<u>59,493</u>
	Total Distribution and Customer Expenses	<u>\$ 344,683</u>
	Not Plant Expenses	
380	Services	\$ 435,621
381	Meters	52,210
383	House Regulators	<u>6,542</u>
	Total Plant Accounts	<u>\$ 494,373</u>
	Return on Total Plant Accts.:	9.76% \$ 48,226
	Property Taxes	20,446
	Depreciation Expenses	<u>32,601</u>
	Total	\$ 108,273
	Total Distribution and Customer Expenses	<u>344,683</u>
	Customer Charge Revenue	<u>\$ 452,945</u>
	Customer Bills	74,868
	Average Monthly Customer Charge	<u>\$ 6.05</u>
	Staff Recommended Monthly Customer Charge	<u>\$ 6.05</u>

The Residential/Commercial Service Schedule calculation shows the average expense associated with connection of an individual to the system. It is important the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Some approaches attempt to determine customer charges based on the action of customers as a whole group. This is inappropriate. If no gas is used by any of the customers, there is no further requirement to perform customer-related activities such as meter reading. Additional elements and expenses could be included or excluded according to other costing methods. For instance, the cost of minimum sized mains and/or services could be included as part of the customer charge. Or

only a fraction of the Customer Installations account could be included. This requires the application of judgment or allocations to determine the decremental (or incremental) cost of these items. Inclusion of such expenses, resulting from judging the potential customer use of the facilities, presents an artificial level of accuracy and unnecessarily increases (or decreases) the customer charge. Staff has avoided this escalation (or deescalation) in the costs and resulting charges by allocating usage-related costs to all classes based on the interclass cost of service allocations. Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included, yet has made few changes to the formula.

Staff recommends a customer charge of \$6.05 for all general service customers. If approved, the new charge represents an increase of \$0.70 per month. This recommendation contrasts with Applicant's proposal which set a customer charge of \$6.75, an increase of \$1.40 per month. Absent any supporting analysis or testimony from Applicant, establishment of Applicant's proposed customer charge overrecovers costs associated with providing those services.

Large Volume/Transportation Service

Applicant Proposed Rate Design

Applicant proposes to combine its rate schedule for industrial and transportation customers with volumetric four-block, declining rates, with a customer charge. The proposed industrial and transportation rates are \$2.00/Mcf for the first 100 Mcf, \$1.75/Mcf for the next 300 Mcf, \$1.50/Mcf for the next 100 Mcf, and \$1.10/Mcf for all over 500 Mcf. The fixed/customer charge analysis will follow.

Staff-Recommended Rate Design

The Commission's Gas Transportation Program Guidelines, as provided in the Entry on Rehearing in Case No. 85-800-GA-COI signed on November 2, 1995, provides that transportation rates shall be specified and may included a range. The minimum rate must cover the variable costs plus provide a contribution to fixed costs. The maximum rate is generally calculated by taking the otherwise applicable General Service rate, minus the excise tax attributable to the gas cost recovery.

In the Matter of the Application of
Columbia Gas of Ohio, Inc. for
Authority to Amend Filed Tariffs
to Increase the Rates and Charges
for Gas Service.

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) Case No. 94-987-GA-AIR
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**Joint Report
Of
Investigation**

to the

**Public Utilities Commission
of Ohio**

Rate Schedule Design

The tariff rates and charges were developed based on three criteria. First, customer charges were not increased. Second, the SGS, SGTS, GS, and GTS rate schedules were designed to recognize only the excise tax savings associated with the cost of gas at \$3.905 per MCF. ($4.75\% \times \3.905 removed from the sales rates) Finally, the LGS and LGTS rate schedules were then designed from the remaining revenue to, also, align the sales and transport schedules except for the excise tax savings associated with the cost of gas.

	<u>Current</u>	<u>Proposed</u>
<u>Small General Service Schedule</u>		
Customer Charge:	\$6.5000	\$6.5000
All Mcf:	\$1.5274	\$1.7753
<u>General Service Schedule</u>		
Customer Charge:	\$16.5000	\$16.5000
First 25 Mcf:	\$1.4872	\$1.7175
All Over 25 Mcf:	\$1.4049	\$1.6352
<u>Large General Service Schedule</u>		
First 2,000 Mcf:	\$0.6825	\$0.6981
Next 13,000 Mcf:	\$0.5025	\$0.5180
Next 85,000 Mcf:	\$0.4725	\$0.4880
All Over 100,000 Mcf:	\$0.4125	\$0.4280
<u>Small General Transportation Service Schedule</u>		
Customer Charge:	\$6.5000	\$6.5000
Administrative Charge:	\$6.0000	\$6.0000
All Mcf:	\$1.3349	\$1.5828
<u>General Transportation Service Schedule</u>		
Customer Charge:	\$16.5000	\$16.5000
Administrative Charge:	\$6.0000	\$6.0000
First 25 Mcf:	\$1.2947	\$1.5250
All Over 25 Mcf:	\$1.2124	\$1.4427



Staff Report of Investigation

The Public Utilities Commission of Ohio

In the Matter of the Application
of The East Ohio Gas Company and
The River Gas Company for Authority
to Amend Filed Tariffs to Increase
the Rates and Charges for Gas Service.

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Case No. 93-2006-CA-AHK

Staff recommends that in Schedule 500, in section 1, Applicability, that a period be inserted after the words "service area" and the remainder of that sentence deleted.

Staff recommends that in Schedule 500a, in section 1, Applicability, that sub paragraph 1.1 be deleted; the subparagraph number removed from subparagraph 1.2; and the last sentence in that section beginning with "the customer shall " be deleted.

Staff Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

East Ohio's current General Service (500) customer charge is \$4.28 per month. River's current General Service (200) customer charge is \$5.90 per month. Applicants propose a 500 customer charge of \$7.80 per month. Given the results of the analysis below (Table 1), Staff supports a customer charge of \$5.70 for all General Service (500) customers. If approved, the new charge represents an increase of \$1.42 per month for East Ohio's customers, and a decrease of \$0.20 per month for River's customers.

East Ohio's current Large General Service (500A) customer charge is \$40.00 per month, for applicable Large General Service and transportation customers. River currently has no such rate schedule. Applicants propose a 500A customer charge of \$127.00 per month. Staff's analysis of the costs associated with the customer charge for 500A customers indicates that no change in the rate is warranted. Therefore, Staff recommends no change in the current \$40.00 per month Large General Service (500A) rate.

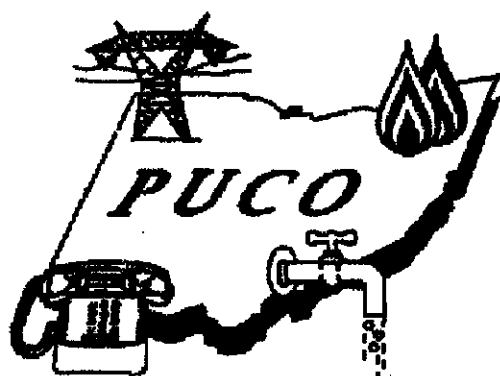
Tables 1 and 2 illustrate the Staff's standard methodology, using allocated costs, for the calculation of the customer charge.

Table 1

General Service (500) Customer Charge Analysis

Acct.

<u>Distribution Expenses:</u>		
878	Meter and House Regulators	\$ 6,143,003
879	Customer Installations	<u>10,741,586</u>
	Total Distribution Expenses	<u>\$ 16,884,589</u>
<u>Customer Accounting and Expenses:</u>		
901	Supervision	\$ 682,330
902	Meter Reading	8,632,507
903	Customer Records and Collection	20,515,673
905	Customer Assistance Information	<u>157,927</u>
	Total Customer Expenses	\$ 29,988,437
	Total Distribution Expenses	<u>16,884,589</u>
	Total Distribution and Customer Expenses	<u>\$ 46,873,026</u>
<u>Net Plant Expenses:</u>		
380	Services	\$ 77,890,759
381	Meters	48,629,784
383	House Regulators	<u>3,325,581</u>
	Total Plant Accounts	<u>\$129,846,124</u>
	Return on Total Plant Accounts @ 10.67%	\$ 13,848,089
	Property Taxes	6,491,019
	Depreciation Expenses	<u>6,975,099</u>
	Total	\$ 27,314,207
	Total Distribution and Customer Expenses	<u>46,873,026</u>
	Maximum Customer Charge Revenue	<u>\$ 74,187,233</u>
	Customer Bills: 12,969,378	
	Average Monthly Customer Cost	<u>\$ 5.72</u>
	Staff Recommended Monthly Customer Charge	<u>\$ 5.70</u>



Staff Report of Investigation

In the Matter of the Application of
Murphy Gas, Inc. for an increase
in Rates and Charges.

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Case No. 93-312-GA-AIR

The Public Utilities Commission of Ohio

The Public Utilities Commission of Ohio
is an Equal Opportunity Employer and Service Provider

MURPHY GAS COMPANY
Case No. 93-312-GA-AIR

Table 1 illustrates the Staff's methodology for the calculation of the customer charge.

Table 1
Customer Charge Analysis

Distribution & Customer Service Expenses

Labor @ 50%	\$ 3,254
Office Supplies @ 75%	<u>893</u>
Total Distribution & Customer Service Expenses	<u>\$ 4,147</u>

Net Plant Expenses

Mains	<u>\$ 1,177</u>
Return on Total Plant Accounts at 11.00%	\$ 129
Depreciation Expenses	<u>103</u>
Total Net Plant Expenses	<u>\$ 232</u>
Total Customer Charge Expenses	<u>\$ 5,556</u>
Customer Bills: 1,626	
Maximum Monthly Customer Charge	<u>\$ 3.42</u>
Staff Recommended Customer Charge	<u>\$ 3.25</u>

The calculation shows the average expense associated with connection of an individual to the system. It is important that the the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Customers charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff's approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has seldom wavered from the basic analysis. Due to the accounting methods used by Applicant, it was necessary to make a reasonable

MURPHY GAS COMPANY
 Case No. 93-312-GA-AIR

estimate as to the amount of Distribution and Customer Service Expenses which were appropriate for inclusion in the calculation.

Given the results of the analysis, Staff supports the proposed customer charge of \$3.25 for all residential customers.

A table showing Applicant's Current and Proposed rate schedules, along with the Staff Recommended rate schedule is shown in Table 2.

Table 2
General Service Schedule

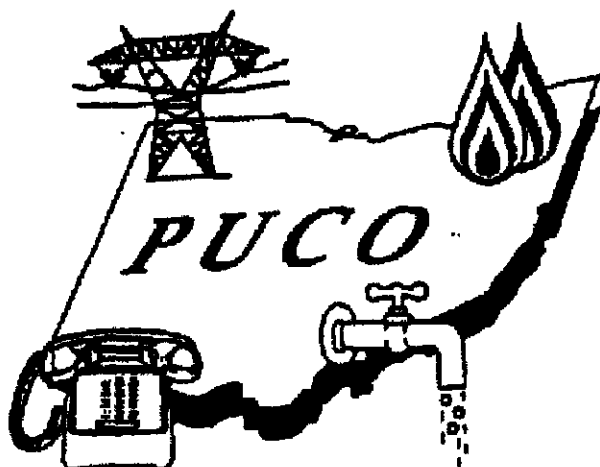
	Current		Company Proposed	Staff Rec'd
Minimum Charge:	\$ 5.25	Customer Charge:	\$ 3.25	\$ 3.25
1ST Mcf:	2.421	All Mcf:	\$ 0.9673	\$ 0.9673
Next 1 Mcf:	1.421			
Next 48 Mcf:	0.771			
All Over 50 Mcf:	\$ 0.671			

RATE AND REVENUE ANALYSIS

Rate and Revenue Guidelines

The following general guidelines, or objectives are considered in Staff's review of revenue allocations, rate schedules, and rate design. The applicable schedules should provide the utility the opportunity of recovering the authorized revenue. The various schedules should represent a reasonable distribution of revenue among the various customer groups. The particular schedules should be equitable, reasonable, and should provide for customer understanding, continuity of rates, and result in reasonable changes in customers' bills.

The following analyses in this section reflect Staff's recommended rates and charges which are based on the revenue requirement found proper by the Staff, as fully described in this Staff Report of Investigation. Rates and charges shown in the rate schedule tables may require adjustment based on the revenue requirement granted by the Commission, and/or changes in the rate areas, or changes in rate structure approved by the Commission.



Staff Report of Investigation

In the Matter of the Application of
The Cincinnati Gas & Electric Company
to file an Application for an Increase
in Gas Rates in its Service Area.

Case No. 92-1463-GA-AIR

The Public Utilities Commission of Ohio

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Table 1
Residential Customer Charge Analysis

<u>Acct. No.</u>	<u>Account Title</u>	<u>Account Balance</u>
	<u>Distribution Expenses</u>	
878	Meter and House Regulators	\$ 978,713
879	Customer Installations	<u>1,927,031</u>
	Total Distribution Expenses	\$ 2,905,744
	<u>Customer Accounting and Expenses</u>	
901	Supervision	\$ 210,489
902	Meter Reading	2,058,960
903	Customer Records and Collection	6,083,286
905	Customer Assistance Information	<u>42,031</u>
	Total Customer Expenses	\$ 8,394,765
	Total Distribution Expenses	<u>2,905,744</u>
	Total Distribution and Customer Expenses	<u>\$ 11,300,509</u>
	<u>Net Plant Expenses</u>	
380	Services	\$ 60,420,095
381	Meters	8,955,003
383	House Regulators	<u>2,369,161</u>
	Total Plant Accounts	<u>\$ 71,744,258</u>
	Return on Total Plant Accounts @ 10.07%	\$ 7,221,060
	Property Taxes	3,348,427
	Depreciation Expenses	<u>3,451,760</u>
	Total	\$ 14,021,246
	Total Distribution and Customer Expenses	<u>11,300,509</u>
	Maximum Customer Charge Revenue	<u>\$ 25,321,755</u>
	Customer Bills: 3,738,961	
	Average Monthly Customer Cost	<u>\$ 6.77</u>
	Staff Recommended Monthly Customer Charge	<u>\$ 6.00</u>

The calculation shows the average expense associated with connection of an individual to the system. It is important that the the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

The Commission approved a stipulation that established the Applicant's current customer charges during the previous rate case (Case No. 90-390-GA-AIR). Applicant's current and proposed customer charges do not apply the same rate to all classes of customers, but rather separates various classes by tariff (Residential Service Schedule/General Service Schedule), then bases the charges on fully allocated components of the cost of service study.

Given the results of the analysis, Staff supports the proposed customer charge of \$6.00 for all residential customers. If approved, the new charge represents an increase of \$0.70 per month.

Staff also supports the proposed customer charges of \$17.00 for all general service customers. If approved, the new charges represent an increase of \$1.75 per month.

By accepting Applicant's proposed customer charges, Staff recognizes and is continuing the established ratemaking principle of gradualism within the revenue distributions.

Transportation Service Tariffs

Applicant currently offers two transportation services, Firm Transportation Service (Rate FT) and Interruptible Transportation Service (Rate IT). In addition, Applicant offers Standby Service to human needs and public welfare customers.

Firm Transportation Service is offered to any customer who enters into a written agreement with Applicant and has arranged for the delivery of gas into Applicant's system for the sole use of the customer. Rates are calculated for FT customers as an Administrative Charge of \$425.00, plus the applicable General Service rate, less GCR related costs. Customers are guaranteed delivery of volumes so long as Applicant's providing of service would not be detrimental to the operation of its system, or if the providing of service affects Applicant's ability to supply gas to Residential and General Service customers.

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STAFF REPORT OF INVESTIGATION

In the Matter of the Application of
Columbia Gas of Ohio, Inc. to Increase
Gas Sales and Certain Transportation
Rates Within Its Service Area.

Case No. 91-195-GA-AIR

THE PUBLIC UTILITIES COMMISSION OF OHIO

Equal Opportunity Employer

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COLUMBIA GAS OF OHIO, INC.
Case No. 91-195-GA-AIR

Table 22
Customer Charge Analysis - Small General Service

Account	Description	Amount
878	Meter and House Regulators	\$ 13,935,620
879	Customer Installations	10,598,341
	Total Distribution Expenses	\$ 24,533,961
901	Customer Accounting and Estimates	\$ 1,523,409
902	Supervision	1,858,309
903	Meter Reading	25,663,863
905	Customer Records and Collection	2,183,782
905	Customer Assistance Information	
	Total Customer Expenses	\$ 35,626,330
	Total Distribution Expenses	24,533,961
	Total Distribution and Customer Expenses	\$ 60,160,192
380	Net Plant Expenses	\$ 98,053,266
381	Services	34,423,443
383	Meters	4,143,136
	House Regulators	
	Total Plant Accounts	\$ 136,619,867
	Return on Total Plant Accounts at 10.88%	\$ 14,837,410
	Property Taxes	7,441,382
	Depreciation Expenses	13,020,752
	Total	\$ 35,319,525
	Total Distribution and Customer Expenses	60,160,192
	Total	\$ 95,479,717
	Customer Bills	13,640,664
	Maximum Monthly Customer Charge	\$ 7.00
	Staff Recommended Customer Charge	\$ 7.00

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COLUMBIA GAS OF OHIO, INC.
Case No. 91-193-GA-AIR

Staff recommends a customer charge of \$7.00 for all Small General Service and \$12.40 for General Service customers. The recommended rate presents reasonable changes from current charges. If approved, these represent increases of \$.073 and \$.15, respectively, per month from the current charge. This recommendation contrasts with Applicant's proposal of customer charge of \$7.40 for SGS customers and \$16.53 for GS Customers.

Principles of gradualism and stability are important. Customer charges are similar to Dishonored Check Charges, Reconnection Charges, Collection Charges, and other sundry charges. Customer charges do not represent a dollar-for-dollar recovery, but are designed to provide a reasonable approximation of the costs incurred. Other approaches attempt to determine customer charges based on the action of customers as a group. Additional elements and expenses could be included and fractions of other costs could be allocated to the customer charge. For instance, the cost of minimum sized mains and/or services could be included. This requires the application of judgment to determine the detrimental cost of minimum-sized lines. Inclusion of such expense resulting from the judgment of potential customer use of the facilities presents an artificial level of accuracy and adversely affects the customer charge. Staff chooses to avoid this distortion by allocating usage-related costs to all classes based on the interclass cost of service.

Gas Transportation

Staff finds that the transportation guidelines of Case No. 85-800-GA-COI and the options available pursuant to Section 4905.31, Revised Code provide the Company sufficient pricing flexibility with which to meet competitive alternatives which are available to customers.

Special arrangements are individual agreements submitted in cases with AEC docket suffixes. The arrangements may be considered by the Commission pursuant to Section 4905.31, Revised Code.

Special contract gas transportation services were not separately identified in Applicant's cost and revenue allocations. Treatment of revenues were performed in a manner that assumed that special contract customers were incorporated into the proposed individual rate schedule classes.

The provision of gas transportation service, whether pursuant to tariff or Section 4905.31, Revised Code, is encompassed in an operating environment that is more competitive than the provision of traditional sales services.

In Case No. 85-800-GA-COI Finding and Order, March 28, 1989, the Commission indicated, "The Commission believes that customers who elect to relieve the LDC of the merchant function by engaging in gas transportation or bypass should bear the

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**STAFFS REPORT
OF
INVESTIGATION**

**In the Matter of the Application of
The Dayton Power and Light Company
for Authority to Amend its Filed Tariffs
to Increase the Rates and Charges for
Gas Service.**

Case No. 91-415-GA-AIR

**Submitted
to
The Public Utilities Commission**

THE DAYTON POWER AND LIGHT COMPANY
Case No. 91-415-GA-AIR

is rendered for the charge. Staff's calculation of the Customer Charge recovers costs associated with dedicated plant, along with the related services. The terminology associated with this particular charge should remain consistent with the terminology used by all other major gas utilities in the State of Ohio. By adopting Staff's recommendation of no change, the Commission will aid future references to this charge.

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

Tables 5 through 7 illustrate the Staff's method for the calculation of the various schedule's customer charges. The calculations show the average expense associated with connection of an individual to the system.

Staff recommends a Customer Charge of \$5.00 for General Service customers. If approved, this represents an increase of \$0.85 per month. This recommendation agrees with Applicant's proposed Customer Charge of \$5.00.

Staff recommends a Customer Charge of \$10.00 for Dual Fuel customers. If approved, this represents an increase of \$1.70 per month. This recommendation agrees with Applicant's proposed Customer Charge of \$10.00.

Staff recommends a Customer Charge of \$48.00 for Interruptible customers. If approved, this represents an increase of \$8.00 per month. This recommendation agrees with Applicant's proposed Customer Charge of \$48.00.

Principles of gradualism and stability are important. Customer charges are similar to Dishonored Check Charges, Reconnection Charges, Collection Charges and other sundry charges. Customer charges do not represent a dollar-for-dollar recovery, but are to provide a reasonable approximation of the costs incurred. Other approaches attempt to determine customer charges based on the action of customers as a group. Additional elements and expenses could be included and fractions of other costs could be allocated to the customer charge. For instance, the cost of minimum sized mains and/or services could be included. This requires the application of judgment to determine the detrimental cost of minimum-sized lines. Inclusion of such expense, resulting from the judgment of potential customer use of the facilities, presents an artificial level of accuracy and adversely affects the customer charge. Staff chooses to avoid this distortion by allocating usage-related costs to all classes based on the interclass cost of service. This allocation method also is necessary because there are three General Service rate schedules, applicable to all classes of service.

THE DAYTON POWER AND LIGHT COMPANY
Case No. 91-415-GA-AIR

Table 5

General Service Customer Charge Analysis

Acct.

<u>Distribution Expenses</u>		
878	Meter and House Regulators	\$ 649,943
879	Customer Installations	<u>1,749,157</u>
	Total Distribution Expenses	<u>\$ 2,398,200</u>
<u>Customer Accounting and Expenses</u>		
902	Meter Reading	\$ 1,437,364
903	Customer Records and Collection	7,305,329
905	Customer Assistance Information	<u>0</u>
	Total Customer Expenses	\$ 8,742,693
	Total Distribution Expenses	<u>2,398,200</u>
	Total Distribution and Customer Expenses	<u>\$ 11,140,893</u>
<u>Net Plant Expenses</u>		
380	Services	\$ 13,962,142
381	Meters	8,643,526
383	House Regulators	<u>1,693,736</u>
	Total Plant Accounts	<u>\$ 24,299,404</u>
	Return on Total Plant Accts.: 10.73%	\$ 2,607,326
	Property Taxes	1,192,917
	Depreciation Expenses	<u>2,594,814</u>
	Total	\$ 6,395,057
	Total Distribution and Customer Expenses	<u>11,140,893</u>
	Maximum Collectible Customer Charge Revenue	<u>\$ 17,535,950</u>
	Customer Bills 3,353,514	
	Average Monthly Customer Charge	\$ <u>5.23</u>
	Staff Recommended General Service Customer Charge	\$ <u>5.00</u>

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STAFFS REPORT
OF
INVESTIGATION

In the Matter of the Application of
The River Gas Company for Authority
to Amend its Filed Tariffs to Increase
the Rates and Charges for Gas Service.)

) Case No. 90-395-GA-AIR
)
)

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Submitted
to
The Public Utilities Commission of Ohio

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THE RIVER GAS COMPANY
Case No. 90-395-GA-ATR

Table 5
Total Company Customer Charge Analysis

Account

<u>Distribution Expenses</u>		
878	Meter and House Regulators	\$ 100,369
879	Customer Installations	<u>128,862</u>
	Total Distribution Expenses	<u>\$ 229,231</u>
<u>Customer Accounting and Expenses</u>		
901	Supervision	\$ 106,650
902	Meter Reading	155,822
903	Customer Records and Collection	339,939
905	Customer Assistance Information	<u>21,177</u>
	Total Customer Expenses	<u>\$ 623,588</u>
	Total Distribution Expenses	<u>229,231</u>
	Total Distribution and Customer Expenses	<u>\$ 852,819</u>
<u>Net Plant Expenses</u>		
380	Services	\$ 1,502,218
381	Meters	741,791
383	House Regulators	<u>114,807</u>
	Total Plant Accounts	<u>\$ 2,358,816</u>
	Return on Total Plant Accounts at 11.31%	\$ 266,782
	Property Taxes	54,472
	Depreciation Expenses	<u>123,275</u>
	Total Net Plant Expenses	<u>\$ 444,529</u>
	Total Distribution and Customer Expenses	<u>852,819</u>
	Total Allowable Recovery	<u>\$ 1,297,348</u>
	Customer Bills	227,600
	Maximum Monthly Customer Charge	<u>\$ 5.70</u>
	Staff Recommended Customer Charge	<u>\$ 5.20</u>

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THE RIVER GAS COMPANY
Case No. 90-395-GA-AIR

The calculation shows the average expense associated with connection of an individual to the system. It is important that the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Some approaches attempt to determine customer charges based on the action of customers as a whole group. This is inappropriate. If no gas is used by any of the customers, there is no further requirement to perform customer-related activities such as meter reading. Additional elements and expenses could be included or excluded according to other costing methods. For instance, the cost of minimum sized mains and/or services could be included as part of the customer charge, or only a fraction of the Customer Installations account could be included. These choices require the application of judgment to determine the decremental (or incremental) cost of these items. Inclusion of such expenses, resulting from judging the potential customer use of the facilities, presents an artificial level of accuracy and unnecessarily increases (or decreases) the customer charge. Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff recommends a customer charge of \$5.70 for all general service customers. If approved, the new charge represents an increase of \$1.40 per month for general service customers and a decrease of \$24.30 for large volume general service customers. This recommendation contrasts with Applicant's proposal which set a customer charge of \$6.50, an increase of \$2.20 per month for general service customers and a decrease of \$23.50 for large volume general service customers.

The following, Table 6, illustrates the percentage of customer charge revenue at Current, Proposed, and Staff-Recommended for each of the customer classes.

Table 6
Total Customer Charge Revenue

		Current	Percent of Class Revenue	Company Proposed	Percent of Class Revenue	Staff Recommended	Percent of Class Revenue
Residential		\$902,239	9.44%	\$1,353,687	12.26%	\$ 1,187,088	12.69%
Commercial	\$ 52,954	83,317	2.43	124,540	3.22	109,212	3.17
Commercial*	369						
Industrial	568	2,016	0.27	1,164	0.14	1,828	0.14
Industrial*	1,451						
Total		\$987,524	6.23%	\$1,479,400	9.40%	\$ 1,297,308	8.04%

* Large Volume Schedule

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STAFF REPORT OF INVESTIGATION

In the Matter of the Application of
The Cincinnati Gas & Electric Company
to File an Application for an Increase
in Gas Rates in its Service Area.

Case No. 90-390-GA-AIR

THE
PUBLIC UTILITIES
COMMISSION OF OHIO

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THE CINCINNATI GAS & ELECTRIC COMPANY
Case No. 90-390-GA-AIR

Table 6
Total Company Customer Charge Analysis

Account

<u>Distribution Expenses</u>		
878	Meter and House Regulators	\$ 1,916,584
879	Customer Installations	<u>2,867,324</u>
	Total Distribution Expenses	<u>\$ 4,783,908</u>
<u>Customer Accounting and Expenses</u>		
901	Supervision	
902	Meter Reading	\$ 290,765
903	Customer Records and Collection	2,538,857
905	Customer Assistance Information	7,530,687
		<u>99,077</u>
	Total Customer Expenses	\$ 10,419,366
	Total Distribution Expenses	<u>4,783,908</u>
	Total Distribution and Customer Expenses	<u>\$ 15,203,294</u>
<u>Net Plant Expenses</u>		
380	Services	
381	Meters	\$ 55,219,101
383	House Regulators	10,853,309
		<u>3,115,879</u>
	Total Plant Accounts	<u>\$ 69,188,289</u>
	Return on Total Plant Accounts at 10.81%	
	Property Taxes	\$ 7,479,254
	Depreciation Expenses	2,934,900
		<u>2,192,277</u>
	Total	\$ 12,606,431
	Total Distribution and Customer Expenses	<u>15,203,294</u>
	Maximum Collectible Customer Charge Revenue	<u>\$ 27,809,725</u>
	Customer Bills	3,873,942
	Average Monthly Customer Charge	<u>\$ 7.18</u>

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THE CINCINNATI GAS & ELECTRIC COMPANY
Case No. 90-390-GA-AIR

The calculation shows the average expense associated with connection of an individual to the system. It is important the the customer charge relate to an individual customer. If a customer connects to the system, it is expected that the customer will share in the recovery of the total customer-related cost.

Customer charges are similar to other miscellaneous charges in that they do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred.

Staff's approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has seldom wavered from the basic analysis. The Commission approved Applicant's current customer charges during the previous rate case (Case No. 84-67-GA-AIR).

Applicant's current and proposed customer charges do not apply the same rate to all classes of customers, but rather separates various classes by tariff (Residential Service Schedule/General Service Schedule), and by usage (100 MCF and under/over 100 MCF) and then bases the charges on customer components of the cost of service study.

When the average monthly customer charge is applied to all classes of customers, even with changes in base rate design, the results yield unacceptable revenue distribution among all classes.

Utilizing allocators drawn from the cost of service study, Staff has identified two customer charges that match acceptable revenue distributions and examined the use of separate customer charges for 100 MCF and below, and over 100 MCF. Using cost of service allocators and the customer charge calculation procedure, Staff identified uniform customer charges for each group. This analysis lead to Staff's recommendation of a uniform customer charge for the non-residential or general service customers.

Given the results of the analysis, Staff supports the proposed customer charge of \$6.00 for all residential customers. If approved, the new charge represents an increase of \$2.00 per month. Table 7 represents the Staff customer charge analysis for Residential Service.

Staff recommends a customer charge of \$17.00 for all general service customers. A \$17.00 General Service customer charge is \$2.00 greater than the 100 MCF or less charge proposed by the Applicant and \$18.00 less than the Over 100 MCF customer charge proposed by the Company. Table 8 represents the Staff customer charge analysis for the General Service.

Table 9 illustrates the percentage of customer charge revenue at revenue levels of Current, Proposed, and Staff-Recommended rates for each of the customer classes.

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STAFF REPORT OF INVESTIGATION

In the Matter of the Application of
Eastern Natural Gas Company to
Increase Rates for its Natural Gas
Service Area and Related Matters.

Case No. 89-1714-GA-AIR

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EASTERN NATURAL GAS COMPANY
Case No. 89-1714-GA-AIR

reasonable, and should provide for customer understanding, continuity of rates, and
result in reasonable changes in customers' bills.

Rate Schedule Comparison

The following Table 1 shows the Staff-Recommended rate schedule charges
compared to Applicant's Current and Proposed.

Table 1
General Service Schedule

	Current	Company Proposed	Staff Rec'd
Customer Charge	\$ 5.00	\$ 6.50	\$ 9.30
First 100 Mcf	\$ 1.14506	\$ 1.78	\$ 1.5666
Next 400 Mcf	\$ 0.79416	\$ 1.78	\$ 1.5666
Next 1,900 Mcf	\$ 0.79416	\$ 1.55	\$ 1.5666
Next 18,000 Mcf	\$ 0.58693	\$ 1.55	\$ 1.5666
All Over 20,000 Mcf	\$ 0.44646	\$ 1.55	\$ 1.5666

Applicant Proposed Rate Design

By these proceedings, Applicant proposes to revise its General Service Tariff
Schedules from the present four-block base rates which provide declining rates. The
proposed design provides for one rate for the first 500 MCF, and another rate for all
over 500 MCF. During the test year period, no gas was sold under the final (fourth)
block rate.

Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the
utility's system, regardless of usage. Staff has found it appropriate to separately
recognize these costs and to continue this recognition in the form of customer
charges in the design of rates.

Table 2 illustrates the Staff's method for the calculation of the customer charge.

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EASTERN NATURAL GAS COMPANY
 Case No. 89-1714-GA-AIR

Table 2
Total Company Customer Charge Analysis

<u>Account</u>	
<u>Distribution Expenses</u>	
878	Meter and House Regulators
879	Customer Installations
	\$ 2,558
	<u>22,346</u>
	Total Distribution Expenses
	<u>\$ 24,904</u>
<u>Customer Accounting and Expenses</u>	
901	Supervision
902	Meter Reading
903	Customer Records and Collection
905	Customer Assistance Information
	\$ 34,087
	155,665
	<u>Total Customer Expenses</u>
	<u>\$ 189,752</u>
	<u>Total Distribution Expenses</u>
	<u>24,904</u>
	Total Distribution and Customer Expenses
	<u>\$ 214,656</u>
<u>Net Plant Expenses</u>	
360	Services
381	Meters
383	House Regulators
	\$ 852,532
	148,803
	<u>18,676</u>
	Total Plant Accounts
	<u>\$ 1,020,011</u>
	Return on Total Plant Accounts at 12.20%
	\$ 124,441
	Property Taxes
	180,882
	Depreciation Expenses
	<u>135,979</u>
	Total
	\$ 441,302
	Total Distribution and Customer Expenses
	<u>214,656</u>
	Total
	<u>\$ 655,958</u>
	Customer Bills
	70,404
	Maximum Monthly Customer Charge
	<u>\$ 9.32</u>
	Staff Recommended Customer Charge
	<u>\$ 9.30</u>

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STAFF _____ REPORT OF _____ INVESTIGATION _____

In the Matter of the Application of
Columbus Gas of Ohio, Inc. to Establish
a Limited Rate for Natural Gas Service
Within the Following Service Areas

Northwestern Region)	Case No. 89-616-GA-AIR
Lake Erie Region)	Case No. 89-617-GA-AIR
Central Region)	Case No. 89-618-GA-AIR
Eastern Region)	Case No. 89-619-GA-AIR
Southeastern Region)	Case No. 89-620-GA-AIR
City of Columbus)	Case No. 89-943-GA-CMR
City of Zanesville)	Case No. 89-944-GA-CMR

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COLUMBIA GAS OF OHIO, INC.
Case No. 89-618-GA-AJR et al.

The Company stated in response to Data Request No. 59 that the dishonored check charge is based on the approximate processing time of 3/4 of an hour at the applicable hourly labor rate of \$11.02.

Applicant proposes no change to this provision and Staff finds it reasonable.

Meter Test and Change-Out Provision

Applicant's Tariff provides a charge of \$17.00 for a meter test requested by a customer for non-safety related activities. There is no proposal to change the current charge. The cost incurred from these requests, and the subsequent costs associated with the changing of meters found to exceed the limits of accuracy, are allocated to all general service customers. Staff finds the continuation of the charge for a meter test to be appropriate when requested by a customer, for non-safety related activities, where the meter is then found to be accurate within the limits set in Applicant's Tariff.

RATE DESIGN

Summer/Winter Customer Charges

In this proceeding, Applicant proposes to modify its existing customer charge to establish seasonally differentiated customer charges. The Summer period is defined as the the billing months of April through October and the Winter period is defined as the billing months of November through March. Applicant's Schedule E-3, Narrative Rationale for Tariff Changes, provides little support for the rate differential. Applicant's Schedule E-3.1 details the calculation of the charge using a uniform method similar to that used by the Staff in arriving at a uniform customer charge.

Procedurally, the Company, using the standard calculation illustrated in Staff Table 33, selected the basic monthly customer charge as the five month Winter charge and the maximum customer charge as the seven month Summer charge - instead of using the average customer charge. This amounts to a revenue increase of approximately \$3.8 million, compared to the revenue generated by the normal average customer charge. Integrating this revenue into the rate calculation analysis could generate a minor rate decrease. The net effect is a \$.02/MCF decrease.

Applicant's proposal suggests that a seasonal customer charge is appropriate to recognize and respond to increasing competition; to retain existing load; and to attract new load.

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COLUMBIA GAS OF OHIO, INC.
Case No. 89-618-GA-ADR et al

The proposed seasonal customer charges shift costs - causing current customers with differing usage characteristics to bear costs incurred at other times of the year and out of proportion to their causation. The proposal may even further shift costs away from FIPP customers to other ratepayers.

Customer charges are insensitive to customer conservation efforts. A variable customer charge may confuse customers engaged in conservation efforts by causing an increase in the bill even with a reduction in use.

The majority of the customer's bill in the heating months is the commodity. The customer, in making a heating selection, considers the bundled energy price. The Company has far greater potential in influencing the customer's decision in purchasing heating equipment by addressing changes in its purchasing practices rather than the customer charge. For example, by obtaining storage facilities, the Company would be able to purchase low cost gas during the Summer months to offset higher commodity costs during the Winter season and effect the types of competitive marketing they desire.

The proposed seasonal customer charges present no benefits. It does appear that the effect of the proposed seasonal customer charges are to move towards leveling the Applicant's revenues, but the Company did not adequately document that aspect. In general, Staff does not find that the customer charge is the appropriate vehicle for the Applicant's use in order to levelize revenues. Absent a clear supporting rationale for the Company's proposed seasonal customer charges in meeting its stated goals, and given the other cited concerns, the Staff recommends continued use of an average rate, conforming to the Staff's uniform calculation procedure.

Blocked Rates

Applicant proposes to revise its monthly current usage charges from a uniform amount per MCF consumed to a two block declining rate structure. The first block charge is applicable to the first 500 MCF consumed per month. The second block charge is applicable to all consumption in excess of 500 MCF per month. Table 32 shows Applicant's current and proposed usage charges compared with those recommended by the Staff.

Company testimony suggests that the redesign to a blocked usage charge is appropriate because of the increased competition in the gas industry.

The first block includes 100% of the residential consumption, 88% of the commercial consumption, 60% of the industrial consumption, and 45% of the transportation volumes included in these filings. In total, 93% of the throughput

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STAFF REPORT OF INVESTIGATION

In the Matter of the Application of
COLUMBIA GAS OF OHIO, INC. to Establish
a Uniform Rate for Natural Gas Service
Within the Following Service Areas.

Lake Erie Region
Northwestern Region
Central Region
Eastern Region
Southeastern Region
City of Columbus

) Case No. 88-716-GA-AIR
) Case No. 88-717-GA-AIR
) Case No. 88-718-GA-AIR
) Case No. 88-719-GA-AIR
) Case No. 88-720-GA-AIR
) Case No. 88-1011-GA-CMR

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COLUMBIA GAS OF OHIO, INC.
CASE NO. 88-716-GA-A7E et al.

Customer Charge Analysis

A certain, generally unvarying, cost occurs as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize this cost and to continue this recognition in the form of customer charges in the design or structure of rates. Staff utilizes a costing approach which requires little or no judgment in determining customer related expenses and which is minimally compensatory. Table 19 shows the Staff method for including the cost and calculating the customer charge.

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COLUMBIA GAS OF OHIO, INC.
CASE NO. 88-716-GA-AIR et al.

Table 19
Total Company Customer Charge Analysis

Account

<u>Distribution Expenses</u>		
878	Meter and House Regulators	\$ 11,974,313
879	Customer Installations	9,188,170
892	Maintenance and Services	2,247,065
893	Maintenance of Meters and House Regulators	2,182,158
	<u>Total Distribution Expenses</u>	<u>\$ 25,592,706</u>
<u>Customer Accounting and Expenses</u>		
901	Supervision	\$ 1,708,112
902	Meter Reading	5,308,656
903	Customer Records and Collection	22,825,254
905	Customer Assistance, Information	1,538,622
	<u>Total Customer Expenses</u>	<u>31,380,715</u>
	<u>Total Distribution Expenses</u>	<u>25,592,706</u>
	<u>Total Distribution and Customer Expenses</u>	<u>\$ 57,072,421</u>
<u>Net Plant Expenses</u>		
380	Services	\$ 96,919,682
381	Meters	34,276,083
383	House Regulators	3,636,886
	<u>Total Plant Accounts</u>	<u>\$ 134,832,651</u>
	<u>Return on Total Plant Accounts at 10.78%</u>	<u>\$ 14,534,957</u>
	<u>Property Taxes</u>	<u>18,888,125</u>
	<u>Depreciation Expenses</u>	<u>5,701,972</u>
	<u>Total</u>	<u>39,125,055</u>
	<u>Distribution and Customer Expenses</u>	<u>57,072,421</u>
	<u>Total</u>	<u>\$ 96,197,476</u>
	<u>Customer Bills</u>	<u>\$ 12,341,890</u>
	<u>Average Customer Cost Per Bill</u>	<u>\$ 7.79</u>
	<u>Staff-Calculated Customer Charge</u>	<u>\$ 6.08</u>

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COLUMBIA GAS OF OHIO, INC.
CASE NO. 88-716-GA-AIR et al.

In this proceeding, the company proposes to modify its existing customer charges to establish season-differentiated customer charges. The Summer period is defined as the billing months of April through October and the Winter period is defined as the billing months of November through March. Applicant's Schedule E-3, Narrative Rationale for Tariff Changes (Standard Filing Requirements), provides little support for the rate differential. Applicant's Schedule E-3.1 details the calculation of the charge using a uniform method similar to that used by the Staff. The proposed seasonal rates reflect the minimum and maximum range of Applicant's calculation.

Applicant's testimony suggests that the seasonal charge is appropriate to recognize and respond to increasing competition; to retain existing load; and to attract new load. However, it is not made clear how the proposed seasonal differentiated customer charge is intended to improve the company's competitive position. Absent a clear supporting rationale for its proposed seasonal customer charges, the Staff recommends continued use of an average rate, conforming to the Staff's uniform calculation.

Table 18 shows Applicant's current and proposed charges, compared with those recommended by the Staff.

Commodity Charge Analysis (Usage Charges)

Applicant proposes to revise its monthly current usage charges from a uniform amount per MCF consumed to a two block declining rate structure. The first block charge is applicable to the first 500 MCF consumed per month. The second block end charge is applicable to all consumption in excess of 500 MCF per month.

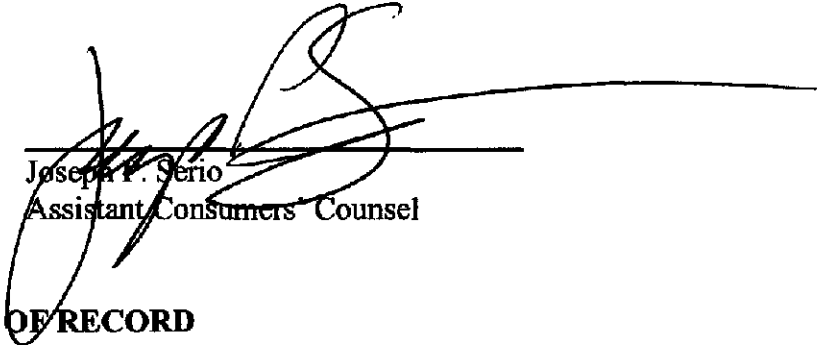
Company testimony suggests that the redesign to a blocked usage charge is appropriate because of the increase in competitiveness in the gas industry. The block point at 500 MCF includes 100% of the residential consumption, 87% of the commercial consumption, 60% of the industrial consumption, and 47% of transportation volumes. (All percentages were rounded to the nearest percent.) The block structure coincides with consumption of larger customers who may have increased competitive alternatives. Although not represented by the company in these applications, the revised block structure and, in particular, the blocking point at 500 MCF, permits adjustments to class revenue increases and revenue distribution to better reflect cost of service findings.

Table 18 shows Applicant's current and proposed usage charges compared with those recommended by the Staff.

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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing the Direct Testimony of Frank W. Radigan has been served via First Class US Mail (electronically upon DEO & DEO Counsel), this 23rd day of June, 2008.



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