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FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Five-Year Review of Natural Gas Company Uncollectible Riders	)	Case No. 08-1229-GA-COI

REPLY COMMENTS OF THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO

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I. INTRODUCTION

The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO"), pursuant to the Attorney Examiner's Entry issued March 24, 2009, respectfully submits its reply comments to the Staff Report issued February 5, 2009.

Of all the parties submitting comments to the Staff Report, only the Office of the Ohio Consumers' Counsel ("OCC") opposes continuation of the Uncollectible Expense ("UEX") riders. As demonstrated below, OCC's comments are based upon incorrect statements of law and fact. Accordingly, the Commission should reject OCC's recommendations.

In addition, DEO supports comments to the Staff Report submitted by other parties regarding the recommended timing of annual reports to be filed by the LDCs.

II. ARGUMENT

A. The Commission Has Properly Approved the UEX Riders Pursuant to R.C. 4929.11.

OCC incorrectly argues that the Commission improperly approved the UEX riders pursuant to R.C. 4929.11 because it failed to adhere to the process supposedly required when a local distribution company ("LDC") files an application for approval of an alternative rate plan. The Commission's authority to approve an automatic adjustment mechanism pursuant to R.C. 4929.11, however, is independent of its authority to approve an alternative rate plan under R.C. 4929.05 and R.C. 4929.07.

R.C. 4929.11 permits the Commission to approve any "automatic adjustment mechanism or device in a natural gas companies rate schedules." That statute does not require any process; nor does it require an LDC to file an application for approval of an alternative rate plan under R.C. 4909.18. Contrary to OCC's view, it does not matter that the "General Assembly has not seen fit to establish an automatic adjustment mechanism specifically for uncollectible expense." (Comments by the Office of Ohio Consumers' Counsel ("OCC's Comments") at 3.) Through R.C. 4929.11, the General Assembly established the Commission's authority to approve an automatic adjustment mechanism for any regulated services or goods without limitation. Consequently, there is no need to establish a statute specifically for uncollectible expense as OCC suggests.

OCC unjustifiably expresses concern that the UEX riders permit LDCs to control the timing of adjustments to automatic recovery mechanisms because, according to OCC, only the LDC determines when it will file for an adjustment. This is simply not true. The LDCs do not retain sole control over the review of automatic adjustment mechanisms such as the UEX riders. In DEO's case, its UEX tariff requires the Company to file for a change to the UEX rate if an adjustment of more than plus or minus ten percent is needed to compensate for prior period over- or under-collections. (*See* DEO UEX Rider, Sixth Revised Sheet F-UER-1 (Oct. 16, 2008).) Because the Finding and Order issued by the Commission in Case No. 03-1127-GA-UNC requires LDCs to file a report annually in May that provides information regarding the uncollectible expense mechanism, DEO files for a change to the UEX rate, if any, at that time. Thus, DEO does not have unlimited discretion to decide when to amend its UEX rider.

OCC's allegation that there is a lack of institutional control over the UEX riders is incorrect. For these reasons the Commission should disregard OCC's assertion.

B. The Staff Report Properly Evaluated the Impact and Implications of the UEX Riders.

The Staff Report presented statistical evidence regarding five relevant issues: (1) the number of customer disconnections by LDC; (2) the percent of dollars collected from customers;

(3) the amount of dollars recovered by each LDC through each UEX rider; (4) the uncollectible balance versus the changes to the UEX rate for each LDC; and (5) the beginning year UEX balance and ending year UEX balance by LDC. (Staff Report at 3-7.)

Since the advent of the UEX riders, with a few exceptions: (1) disconnections have increased; (2) collections of arrears from customers have increased; (3) collections through the riders have increased; and (4) no LDC has charged a sufficient UEX rate to bring its uncollectible balance to zero. (*Id.*) Based upon this information, the Staff recommended that LDCs file annual reports and also recommended that the Commission continue the UEX riders. OCC has presented no evidence why the Staff's recommendations are improper and not in the public interest.

OCC's sole argument appears to be related to its ongoing criticisms of Straight Fixed Variable ("SFV") rate design. But OCC fails to explain how any issue concerning SFV rates is related to the propriety of continuing the UEX riders. Regardless of the presence of a SFV rate design, how to treat uncollectible expense in rates remains an issue. All of the factors that led the Commission to approve UEX riders are still present. OCC does not argue otherwise. Because SFV rates reduce bills during the highest usage months when arrearages increase the most, implementation of the SFV rate design should reduce arrearages, other things being equal. Further, in colder-than-normal weather, SFV rate design has proved to be a benefit to consumers. In fact, given the increased number of heating degree days this winter, as set forth on DEO Attachment 1, absent a SFV rate design, arrearages - and therefore, uncollectible expenses - would be higher than reported.

C. The Staff Report Properly Discussed Credit and Collections.

The Staff Report shows that LDCs are recovering increasing amounts of revenues from customers and are disconnecting increasing numbers of customer who cannot pay their bill. (Staff Report at 3-7.) Disconnection is the most effective collection tool that any utility possesses. The Staff Report demonstrates that LDCs use this disconnection tool. In most cases, it is the only effective method to reduce arrearages and ultimately the level of uncollectible expense. DEO is committed to maintain reasonable collection efforts.

OCC suggests only one change to collection and disconnection policy: that LDCs offer additional payment plans to customers so they can "maintain service while also providing a greater contribution towards the overall costs." (OCC's Comments at 7.) But OCC's suggestion may only increase arrearages to the detriment of the delinquent customer and all other customers. Before a customer enters a payment plan, he or she is nearly always delinquent. Thus, the customer comes to the plan with an arrearage. Once on the plan, the customer must pay the entire current bill plus some portion of the arrearage to achieve any arrearage reduction. Allowing a customer more months to pay off an arrearage will not be successful if the customer is unable to pay for ongoing service. If the customer fails to pay any portion of the current bill, the arrearage increases. Indeed, over 70% of DEO customer payment plans have to be dropped or revised, often due to a failure to keep current on the plan. When a delinquent customer fails to make required payments, all customers are adversely affected because they must pick up the tab. Further, offering extended payment terms comes at a price because doing so will lead to higher LDC receivables and increased revenue lag days. That, in turn, increases the working capital component of rate base, resulting in a higher cost of service that must be borne by customers.

Here, OCC offers no basis for its suggestion for more payment plans. There is no evidence that more plans will do any good. In fact, the evidence is to the contrary. Further, customer credit policies, including revisions to customer payment plans, are currently being considered in Case No. 08-723-AU-ORD. Thus, OCC's suggestion should be rejected.

OCC also raises differences between DEO and Columbia Gas of Ohio ("COH") as a basis for concern. (OCC's Comments at 6.) As DEO previously explained, some of the differences are most likely the result of disparate accounting treatment among LDCs. Further, DEO no longer charges CRNG suppliers a discount to purchase receivables. (DEO's Comments at 7-9.)

The Staff Report recommends that these issues may "warrant consideration in DEO's next application to adjust its UEX rider." (Staff Report at 4.) If, after taking into account adjustments due to accounting differences, these issues remain, the proper forum for considering collection and disconnection issues is in DEO's next UEX rider case.

D. No Additional Regulatory Oversight is Necessary.

The Staff Report recommends that each LDC file an annual report providing information regarding its UEX rider. That will provide Staff and other parties the information needed to properly assess LDC requests to adjust UEX rider rates. In addition to auditing UEX-related accounting through the existing GCR or EXR audit process, Staff also performs an extensive review of the UEX rider each time a LDC files an application to amend its UEX rider rate No more regulatory oversight is required.

Additional regulation would require additional costs ultimately borne by customers. OCC argues that hard times require additional regulatory measures. (OCC's Comments at 7-8.) OCC has presented no argument that suggests abuse or that the UEX riders produce unreasonable results. Yet, OCC wants the Commission to change and increase regulatory oversight increasing costs to the detriment of all customers.

E. The Timing of Annual Reports Recommended in the Staff Report Should Be Revised and Clarified

The Staff Report recommends the filing of an annual report containing specific information no later than January 31st of each year. Each of the LDCs that filed initial comments in this case expressed concern regarding that recommendation. Certain of the LDCs stated that the January 31st deadline for reporting is not feasible. Others pointed out that clarification is needed regarding this Staff recommendation and the existing requirement established in Case No. 03-1127-GA-UNC to file a report annually in May that provides information regarding the uncollectible expense mechanism. DEO supports the comments submitted by the other LDCs.

III. CONCLUSION

For the foregoing reasons, DEO respectfully requests that the Commission reject OCC's recommendations to discontinue or otherwise modify the existing regulatory oversight of the UEX riders and give consideration to the LDCs' concerns regarding the Staff's annual report recommendation.

Respectfully submitted,

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ATTORNEYS FOR EAST OHIO GAS
COMPANY d/b/a DOMINION EAST OHIO

Rate Design Impact on 2008-2009 Winter Colder-Than-Normal Usage - Dominion East Ohio

Attachment 1

	Nov	Dec	Jan	Feb	Total
Volumes using Planned HDD	11,560,562	17,664,737	19,928,687	17,498,094	66,652,080
Volumes using Actual HDD	12,892,134	18,709,768	24,740,623	17,643,530	73,986,055
Difference	1,331,572	1,045,031	4,811,936	145,436	7,333,975
Traditional Rate Design					
Rate ($5.70 Customer Charge)	$1.3917	$1.3917	$1.3917	$1.3917	$1.3917
GRT	$0.0641	$0.0641	$0.0641	$0.0641	$0.0641
Volumetric Rate - Traditional Rate Design	$1.4558	$1.4558	$1.4558	$1.4558	$1.4558
SFV Rate Design					
Rate ($12.50 Customer Charge)	$0.6480	$0.6480	$0.6480	$0.6480	$0.6480
GRT	$0.0298	$0.0298	$0.0298	$0.0298	$0.0298
Volumetric Rate - SFV Rate Design	$0.6778	$0.6778	$0.6778	$0.6778	$0.6778
Revenue Under Traditional Rate Design	**$1,938,503**	**$1,521,356**	**$7,005,216**	**$211,726**	**$10,676,801**
Revenue Under SFV Rate Design	**$902,540**	**$708,322**	**$3,261,530**	**$98,577**	**$4,970,968**
Difference	**($1,035,963)**	**($813,034)**	**($3,743,686)**	**($113,149)**	**($5,705,833)**

	Nov	Dec	Jan	Feb	Total
Heating Degree Days (HDD)					
Planned	659	986	1,117	956	3,718
Actual	753	1,053	1,418	965	4,189
Difference	94	67	301	9	471
% Difference	14%	7%	27%	1%	13%

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Comments by the East Ohio Gas Company d/b/a Dominion East Ohio was served via regular first class mail, postage prepaid, on the following parties this 2nd day of April, 2009:

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