

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Eastern Natural Gas Company for)
Approval of an Alternative Rate Plan)
Proposing a Revenue Decoupling)
Mechanism)

Case No. 08-940-GA-ALT

**OBJECTIONS TO THE STAFF REPORT OF INVESTIGATION OF
OHIO PARTNERS FOR AFFORDABLE ENERGY**

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INTRODUCTION

On August 1, 2008, Eastern Natural Gas Company ("Eastern" or "Company") filed an Application for Approval of an Alternative Rate Plan Proposing a Revenue Decoupling Mechanism. On August 29, 2008, the Staff of the Public Utilities Commission of Ohio ("Staff") filed a letter in this docket which found the Application was not in substantial compliance with Sections 4929.05 and 4909.18, Revised Code, and Rule 4901:1-10-05, Ohio Administrative Code ("O.A.C."). Eastern filed for reconsideration of the finding, which was denied by the Public Utilities Commission of Ohio ("PUCO" or "the Commission") on November 5, 2008.

Eastern filed an initial Amended Application on February 6, 2009 and a Second Amended Application on May 1, 2009. The Company also filed a motion requesting waivers from certain requirements of the OAC, particularly the requirement that an alternative regulation filing be made in conjunction with an application under Section 4909.18, Revised Code. On June 10, 2009, the Commission granted the requested waivers by Entry.

The Staff Report of Investigation ("Staff Report") was filed on June 24, 2009. Pursuant to 4909.19, Revised Code, and 4901-1-28(B) O.A.C., OPAE, a party to the above-captioned case, hereby submits these objections to the Staff Report, and a summary of major issues.

OBJECTIONS

I. OPAE objects to the failure of the Staff Report to require conditions related to the collection of revenue under rate decoupling or the modified straight fixed variable rate ("SFV") proposed by the Company.

State regulators have begun to analyze the appropriateness of rate decoupling mechanisms or an SFV. The VEDO application includes both. Several states have implemented these approaches. These states have developed a series of criteria that are applied to decoupling or SFV including: 1) not exempting any customer classes; 2) linking decoupling to significant DSM investments with targeted reductions in system throughput; 3) limiting recovery to the percentage of the reduction goals; 4) limiting recovery to 90% of the lost revenue authorized for collection; and, 5) requiring regular base rate cases to ensure that revenue reflects the utility's actual costs. The Staff Report erred by failing to establish appropriate conditions to the decoupling proposal.

II. OPAE objects to the proposal by Eastern and in the Staff Report to establish a high fixed customer charge and low volumetric rates.

The Staff Report recommends a significant change in rate structure through the establishment of a rate structure based primarily on a high fixed distribution charge. This would harm customers with low usage and reduce incentives for large users to conserve natural gas through greater energy

efficiency. This works a particular hardship on low-income customers who tend to use less natural gas than the average and have a limited ability to reduce usage to offset the higher fixed rate because of the size of their home and the lack of resources to upgrade efficiency. The Staff Report erred by proposing a rate design based on a high fixed customer charge and low volumetric rate.

III. OPAE objects to the conclusion reached in the Staff Report that an SFV is justified based on the reduction in system throughput caused by large increases in natural gas costs.

Staff concludes that an SFV or rate decoupling is justified by declining customer usage citing data back to 1990. This conclusion is flawed. Throughput since rates were established in 2004 has declined 8% (of 5.2% per degree day). Application at 2. The Staff Report indicates a reduction of 9.46%. Staff Report at 4. Regardless of this discrepancy, it may well be that the reduction in throughput has reached a plateau; the Staff Report ignores this possibility. In addition, declines in customer population may be a cause for the reduction in sales as well. There is no justification for proposing significant changes in current rate design practices because the Staff Report presents no evidence to support the position that throughput will continue to decline.

IV. OPAE objects to the failure of the Staff Report to require that the DSM Program proposed by the Company be coordinated with other available low-income weatherization and energy efficiency programs.

OPAЕ members deliver several programs to low-income customers of Eastern that reduce energy usage and costs. These programs have already served to limit the cost of the Percentage Income Payment Plan (PIPP) for all Eastern customers. As our member agencies have proven in many other service

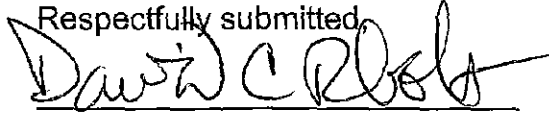
territories, coordinated services which leverage a variety of funding sources maximize the energy savings produced by delivering comprehensive service. Service coordination would also be inhibited by the Company's proposal to initially target high usage PIPP customers. OPAE member agencies have priority lists in place. Energy burden, participation in PIPP, and high energy use are all factors considered when scheduling jobs. Effective coordination of programs would be inhibited if this requirement is a part of the final determination in this case. The Staff Report erred by failing to make recommendations to encourage coordination of Eastern's proposed DSM program with other initiatives designed to achieve the same goals.

MAJOR ISSUES

Pursuant to R.C. 4903.083, OPAE proposes the following summary of major issues:

1. The failure to coordinate the proposed DSM program with other low-income weatherization programs.
2. The appropriateness of decoupling for Eastern.
3. The appropriate rate design for residential customers.

Respectfully submitted,

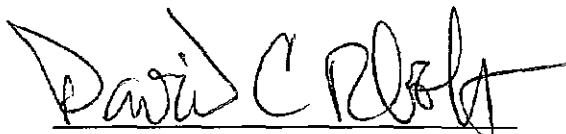


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**On Behalf of Ohio Partners for
Affordable Energy**

CERTIFICATE OF SERVICE

I hereby certify that a copy of these Objections to the Staff Report of Investigation were served by regular U.S. Mail, postage prepaid, upon the parties of record identified below on this 22nd day of July, 2009.



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