

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Commission's)	
Review of Chapters 4901:1-17 and)	
4901:1-18, and Rules 4901:1-5-07,)	
4901:1-10-22, 4901:1-13-11, 4901:1-15-17,)	Case No. 08-723-AU-ORD
4901:1-21-14, and 4901:1-29-12 of the)	
Ohio Administrative Code.)	

ENTRY ON REHEARING

The Commission finds:

- (1) On December 17, 2008, the Commission issued its Opinion and Order (Order), adopting amended and new rules in Chapters 4901:1-17 and 4901:1-18, Ohio Administrative Code (O.A.C.).¹ In the Order, among other things, the Commission acknowledged that the customers of small regulated utilities are facing difficult economic times and having trouble paying their utility bills. However, the Commission also recognized that the cost to implement the programming to bill for and retain the detailed customer information necessary to implement the new Percentage of Income Payment Plan (PIPP) requirements may outweigh the benefits of the computer system upgrades for small companies with fewer customers over which to spread the costs. For that reason, the Commission waived the requirements of adopted Rules 18-12 through 18-17 for gas and natural gas utility companies with less than 15,000 customers that do not have a PIPP rider (Order at 51-52).
- (2) Numerous applications for rehearing of the Order were filed. In the applications for rehearing, various applicants requested that the Commission clarify or address seven miscellaneous issues, including a request for exemption from the revised gas PIPP program (which includes a PIPP plan and a graduate PIPP program) for small gas companies. On April 1, 2009, the Commission issued its Entry on Rehearing (April 1 EOR) granting, in part, and denying, in part, the various applications

¹ Hereinafter, the rules in Chapters 4901:1-17 and 4901:1-18, O.A.C., will be referred to by chapter and rule number only. For example, Rule 4901:1-18-14, O.A.C., will be abbreviated to Rule 18-14.

for rehearing. In the April 1 EOR, the Commission rejected requests by Eastern Natural Gas Company, Pike Natural Gas Company, and Southeastern Natural Gas Company (jointly, Clearfield Gas) and Ohio Gas Company (Ohio Gas) to extend the gas PIPP exemption set forth in the Order to all gas utilities with less than 75,000 customers, irrespective of whether the gas utility has a PIPP rider. The Commission explained that:

As for small gas and natural gas utility companies, defined as those companies with less than 15,000 customers, the Commission will continue its long standing practice of not requiring them to offer the PIPP program. However, the Commission does expect these companies to continue to work with their customers to help the customer retain utility service, just as the companies do today. (April 1 EOR at 45).

- (3) By entry issued June 3, 2009, the Commission recognized the extensive revisions made to the gas PIPP program and that the utility companies had requested 18 to 24 months to program their billing systems. In the June 3, 2009 entry, the Commission also recognized that some time would be needed for utility companies and community action agencies to train their respective employees, and for the public to be educated on the new gas PIPP program. For these reasons, the Commission concluded that the new and amended rules adopted in Chapters 4901:1-17 and 4901:1-18, O.A.C., including the gas PIPP rules, would be effective November 1, 2010.
- (4) On May 27, 2009, as amended August 18, 2009, Ohio Gas filed an application for waiver of the arrearage crediting provisions of PIPP and graduate PIPP as set forth in adopted Rules 18-14 and 18-16. The Office of the Ohio Consumers' Counsel (OCC) and Ohio Partners for Affordable Energy filed memoranda contra Ohio Gas' application. Ohio Gas filed a reply on June 18, 2009.
- (5) By entry issued August 19, 2009 (August 19 Entry), the Commission granted Ohio Gas' request for a waiver from implementing the arrearage crediting provisions of the adopted PIPP rules to implement an alternative PIPP incentive program

and the waiver of the graduate PIPP arrearage crediting at Rules 18-14 and 18-16. As stated in the August 19 Entry:

After further considering the unique size of Ohio Gas, as a mid-size gas utility, and the cost of implementing the arrearage crediting provisions of the adopted PIPP program and the graduate PIPP program, and the number of Ohio Gas customers likely to benefit from the programs, the Commission concludes that, in this instance, the company's cost of implementing the adopted arrearage crediting and graduate PIPP program outweighs the benefits for the few customers eligible to receive such benefits. Accepting Ohio Gas' analysis of PIPP participation and timely payment of PIPP bills, the Commission finds it unreasonable to require Ohio Gas' non-PIPP customers to incur \$90,000 to \$100,000 in programming fees, not to mention the time of Ohio Gas employees, to provide a small number of customers the opportunity to receive the arrearage credit under the arrearage crediting provisions of the PIPP rules, where the company has presented a less expensive, feasible alternative.

- (6) On September 18, 2009, OCC filed an application for rehearing of the August 19 Entry granting Ohio Gas' request for waivers and implementation of an alternative PIPP arrearage crediting program. Generally, OCC states that, since June 2009, when this proceeding was initiated, the unemployment rate in Ohio has risen from 6.6 percent to 10.8 percent as of August 2009. The purpose of the adopted PIPP rules, according to OCC, is to assist low-income customers with maintaining their utility service during the winter months. With the current economic conditions, OCC urges the Commission to reconsider its approval of the Ohio Gas waiver. OCC contends that the customers of small and mid-size gas and natural gas companies are also enduring difficult economic conditions (OCC Rehearing at 1-3).
- (7) OCC claims that the August 19 Entry is unreasonable to the extent that the alternative arrearage crediting plan will deny the incentive to the majority of Ohio Gas' PIPP customers.

OCC argues that Ohio Gas' estimate of \$90,000 to \$100,000 in programming costs to comply with adopted Rule 18-14 does not appear in the record and was not verified by the Commission or the Staff. OCC also states that the information Ohio Gas submitted, as to the number of PIPP customers making timely payment, only included PIPP customers who made nine timely payments or more during the previous 12 months, and did not reflect the adopted reduced payment levels (OCC Rehearing at 4-5).

- (8) OCC argues that Ohio Gas' alternative is less of an incentive to PIPP customers to make timely payments to reduce the customer's PIPP debt. The Ohio Gas alternative arrearage plan provides an arrearage credit to customers that have paid their bill on time nine out of the 12 billing cycles or 75 percent of the time, a standard which OCC asserts is impossible to achieve given that, as the Commission recognized in the Order, non-PIPP customers of electric and gas utilities made timely payments only 47 percent of the time (Order at 63). OCC reasons that the arrearage crediting rules should be flexible for low-income PIPP customers. OCC posits that Ohio Gas' alternative does not provide any arrearage credit for customers who do not make at least nine timely payments and that a customer would not know that he or she would receive arrearage forgiveness until at least nine timely payments had been made. Ohio Gas did not state, according to OCC, the cost that it would incur to manually provide an arrearage credit to all PIPP customers for each timely payment during the period. OCC asserts that Ohio Gas' offer to calculate arrearage credits for its PIPP customers who move during the period is not a significant improvement over the existing or adopted PIPP rules. For these reasons, OCC argues that the Commission should have denied the waiver of Rule 18-14 and the request to implement an alternative PIPP arrearage crediting plan (OCC Rehearing at 5-9).
- (9) OCC also asserts that the August 19 Entry unreasonably granted the request to waive the arrearage crediting for Ohio Gas' graduate PIPP customers. OCC argues that the Commission erred by accepting Ohio Gas' claim that PIPP customers are unlikely to voluntarily terminate their participation in the PIPP program to be in the graduate PIPP program and by accepting Ohio Gas' rationale as to the number

of likely participants based on the existing PIPP rules. OCC also argues that, if only a few graduate PIPP customers would benefit from arrearage crediting, as Ohio Gas claims, the cost of manually administering graduate PIPP arrearage crediting would be minimal. Accordingly, OCC argues that the Commission should have denied the request to waive the arrearage crediting provisions of Rules 18-14 and 18-16 and requests that the Commission abrogate or modify the August 19 Entry accordingly (OCC Rehearing at 9-10).

- (10) On September 28, 2009, Ohio Gas filed a memorandum contra OCC's application for rehearing. Ohio Gas responds that OCC has failed to provide any basis to believe that the cost estimates for implementation of the arrearage crediting provisions of the adopted rules are inaccurate. As to the incentive aspect, Ohio Gas states that not only can a PIPP customer eliminate his/her arrearage (accumulated or historic and accumulating arrearages) in one year, as compared to two years under adopted Rule 18-14, but Ohio Gas will initiate its approved arrearage crediting plan commencing August 2010. Ohio Gas claims that OCC has over-simplified the programming and internal processes involved to track and accurately account for payments made by PIPP customers who move from one location to another during the 12-month period (Ohio Gas Memo Contra at 2-6).

With regard to the waiver of the graduate PIPP arrearage crediting rule, Ohio Gas reiterates that a graduate PIPP customer could be on any one of its 21 billing cycles and, therefore, the process to bill a graduate PIPP customer can not be manually administered efficiently. Manually tracking graduate PIPP customers, Ohio Gas claims, would require manually calculating the appropriate arrearage credit for each customer for each bill and require manual intervention to apply the calculated arrearage credit for each customer every month. Further, Ohio Gas states that reporting or tracking information related to graduate PIPP customers would be very cumbersome (Ohio Gas Memo Contra at 6-7).

- (11) The Commission acknowledges that Ohio Gas' alternative arrearage crediting program is not as flexible as the incentives provided in adopted Rule 18-14. Ohio Gas' alternative is, however, more generous to the extent that a timely paying

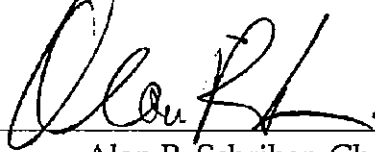
PIPP customer can eliminate 75 to 100 percent of his/her accumulated and accumulating arrearage each year. Furthermore, as noted in the August 19 Entry, the Commission considered this waiver request in light of the costs to all Ohio Gas customers and the benefits to Ohio Gas PIPP customers. Based upon the costs to be incurred to develop and implement the PIPP arrearage crediting program, the Commission determined that the estimated costs to be incurred was outweighed by the benefits where Ohio Gas had presented a less expensive and feasible alternative. In recognizing the current economic conditions, we must be conscious of passing costs on to Ohio Gas' other customers, those that are not eligible for PIPP, but are also struggling to meet their financial responsibilities, including paying the gas utility bill, and not unreasonably increase the cost of service for such customers. We further believe that Ohio Gas' alternative PIPP arrearage crediting plan supports the Commission's goals for the revised gas PIPP program; namely, to improve payment patterns, encourage responsible payment behavior and improve credit records, and reward good payment history. Ohio Gas' PIPP customers have the opportunity to substantially reduce or erase their outstanding accumulated arrearage and the accumulating arrearage each year. Thus, a PIPP customer with Ohio Gas can significantly reduce his/her accumulated and accumulating arrearage and, as such, reduce the customer's financial burden once the customer leaves the PIPP program and transfers to graduate PIPP. We also note, as reported by Ohio Gas, that in 2008 only 10 PIPP customers left the program as a result of ineligibility. Accordingly, the Commission reasons that the need for a graduate PIPP arrearage crediting plan for Ohio Gas' customers can likely be met with the payment plans offered pursuant to Rule 18-04 and adopted Rule 18-05. We note that Rule 18-04 and adopted Rule 18-05 include standard payment plans, as well as a customized payment plan, which take into account the customer's circumstances. We also reiterate our request that Ohio Gas continue to work with its former PIPP customers to develop mutually agreeable payment arrangements that allow the customer to retain his/her gas utility service. For these reasons, we affirm our August 19 Entry and deny OCC's application for rehearing.

It is, therefore,

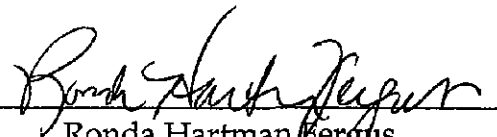
ORDERED, That OCC's application for rehearing of the August 19 Entry be denied.
It is, further,


ORDERED, That a copy of this Entry on Rehearing be served upon all interested persons of record in this case.


THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman

Paul A. Centolella

Ronda Hartman Fergus

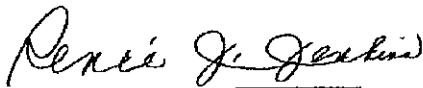
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Entered in the Journal

OCT 14 2009



Renee J. Jenkins
Secretary