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April 29, 2010

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

RE: *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio to File Revised Tariffs Extending its Low Income Pilot Program, Case No. 10-200-GA-ATA.*

Enclosed please find the Staff's Report regarding Dominion East Ohio's low-income, low-use pilot program.

Respectfully submitted,

Steve Puican

Steve Puican
Co-Chief, Rates & Tariffs/Energy & Water Division
Public Utilities Commission of Ohio

Enclosure
cc: Parties of Record

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

Review of Dominion East Ohio's Low-Income Pilot Program

Case No. 10-200-GA-ATA

April 29, 2010

Ohio | Public Utilities Commission

REVIEW OF DOMINION EAST OHIO'S LOW-INCOME PILOT PROGRAM

Background

In its October 15, 2008 Opinion and Order in Case No. 07-829-GA-AIR *et. al.*, the Commission approved a change in Dominion East Ohio's (Dominion or Company) traditional rate design to a modified straight fixed variable (SFV) design. Under the SFV design, the majority of a company's distribution costs are recovered through the fixed component of the rate rather than through the variable component. Although the Commission determined that SFV is a more appropriate method for recovery of distribution costs, it also expressed concern with the impact that change in rate design would have on Dominion's low-income, low-use customers. To address that concern the Commission directed Dominion to implement a one-year pilot program aimed at helping these customers pay their bills. The program would provide a four-dollar monthly discount to 5,000 non-PIPP low-usage customers verified at or below 175 percent of the poverty level. The Commission also stated that it would evaluate the program at the end of the one-year pilot for its effectiveness in addressing its concerns relative to the impact of the SFV rate design on low-use, low-income customers. On March 10, 2010, the Commission issued an entry approving an application by Dominion to extend the term of the pilot program beyond the initially approved one-year term. In order to allow Staff sufficient time to complete a review of the program, the Commission approved a continuation of the program until such time as the Commission directs that it be modified or terminated. Staff was directed to file the results of its review in this docket. Upon the filing of Staff's document, the Commission would establish a procedural schedule for consideration of whether to continue the program. This report is in compliance with that Commission directive.

Program Evaluation

In order to both identify potential qualifying customers as well as to determine the appropriate maximum usage level to qualify for the low-income program DEO looked at usage statistics for its HEAP customers. To qualify for HEAP a customer must be at or below 175% of the poverty level which is the same criteria the Commission established for the low-income program. According to these statistics, a usage cutoff of 64.1 Mcf per year would be the minimum level for which 5000 HEAP customers would qualify. In order to provide an additional cushion to ensure 5,000 qualifying participants, it was determined to set the initial maximum qualifying consumption level at 70 Mcf per year. DEO's average residential customer usage level is approximately 100 Mcf per year. The following is a summary of the first year program statistics.

5,120	Initial Participants
5,026	Participants after 12 months
4,132	Initial Participants remaining after 12 months
988	Initial Participant Attrition (5,120 – 4,132)
894	Net Participants Added (5,026 - 4,132)
460	Enrolled in PIPP
87	Disconnected for non-payment

These raw statistics are not very instructive in terms of evaluating the program's overall effectiveness. One item that may be instructive is the 87 disconnects for non-payment which constitutes 1.7% of the initial program participants. This compares favorably with a 6.9% disconnect rate in 2009 for all Dominion customers. Although this is evidence in support of the effectiveness of the program, it seems less than conclusive. Staff thus proceeded to evaluate the impact on participants should the program be eliminated.

Attachment 1 to this report is the response to a Staff data request which shows the distribution of annual usage levels for those participants for which 12 months of usage was available. The attachment shows some consumption over the 70 Mcf per year threshold for participation due to some customers increasing their usage subsequent to their enrollment in the program. That usage information was in turn input into a spreadsheet along with rate schedule information to calculate an annual bill at the various levels of consumption. This annual bill includes the fixed and variable distribution rates, all applicable riders as well as the relevant gross receipts tax. It includes all costs except the cost of gas. For purposes of this analysis, all consumption was assumed to be at the midpoint of each consumption range and is also assumed to be within the first rate block.

Attachment 2 shows a comparison of annual bills based on the discounted rate vs. the current full tariff rate. Since the only difference is the discounted fixed charge (including the Gross Receipts Tax markup) the dollar increase of $50.28 is the same at all levels of consumption. The percentage increase ranges from 31.7% at the lowest level of consumption to 12.4% at the highest. Attachment 3 goes a step further and incorporates the impact of the rate change that will occur in October 2010 at which point Dominion's residential rates will change to a full straight fixed variable rate design. The monthly fixed delivery charge will increase from $15.40 to $17.58 while the variable charge will be eliminated altogether. Attachment 3 shows the full impact to current program participants of the elimination of the program discount and the change in rates that will occur in October. As is expected, the change impacts low-usage customers much harder than higher usage customers. Combining the two increases results in the lowest usage customers seeing a total increase of 47.8% and the highest usage customers seeing a total increase of 21.4%. Higher use customers will actually see a smaller total increase when the new rates are incorporated due to the elimination of the variable charge.

Recommendations

Given the economic upheavals that occurred concurrent with the implementation of this program, it is not realistic to reach any firm conclusions regarding the impact of the discount program in reducing disconnections or movement to the PIPP program. Staff recommends a continuation of the program based primarily on the significant impact its elimination would have on current participants as shown by the above analysis. Given that 460 participants resorted to the PIPP program in the first 12 months even with the discount, it is logical that that number would certainly increase with elimination of the discount regardless of how much the economy recovers. Staff believes it may well be counterproductive to completely eliminate the program at this point in time. However, in recognition that we are recommending an open ended continuation of a program funded with shareholder dollars Staff recommends the Commission adopt the following concessions. Because of the relatively smaller impact on higher use customers, the Commission could establish a firm usage cap at 70 Mcf per year with the discount being eliminated for customers that exceed that level on a going forward basis. However given the relatively small number currently exceeding that potential cap (480), Staff is unconvinced the savings to the Company would justify the additional costs it would impose on these customers. Instead, Staff is recommending a more gradual phase-out of the program as discussed below.

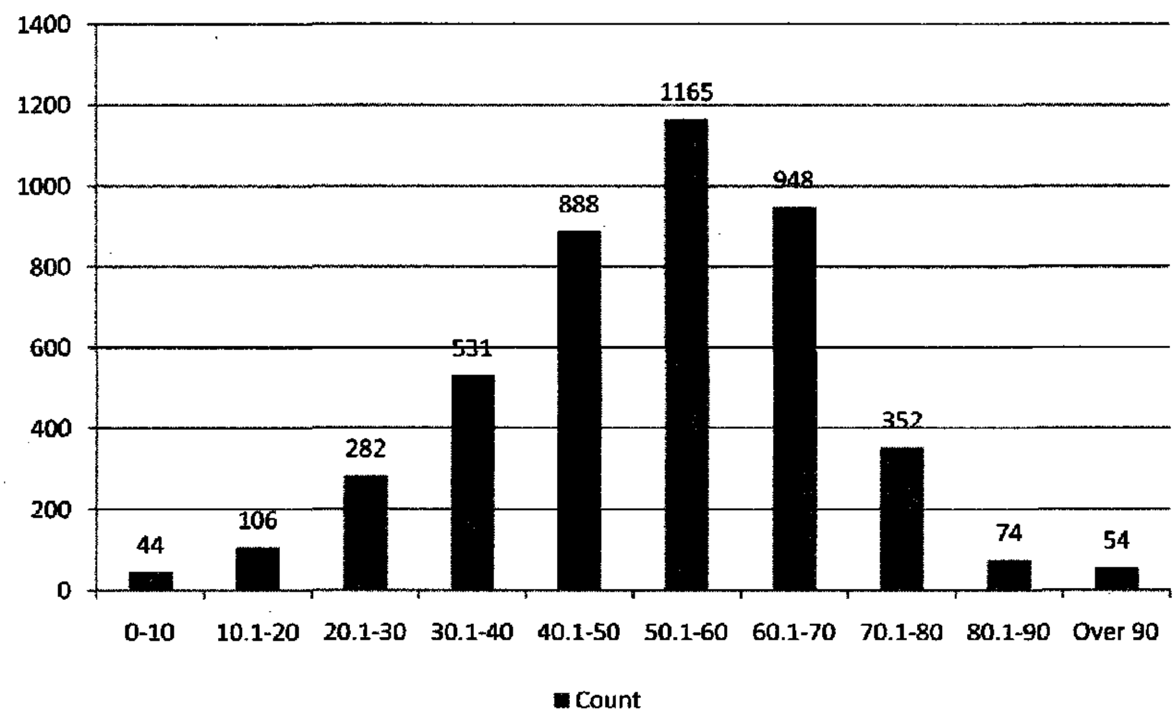
The Commission's initial ordering of the program required Dominion to "... promote this program such that, to the fullest extent practicable, the program is fully enrolled with 5,000 customers." This required Dominion to replace customers that left the program for whatever reason. As the participation statistics above show, of the original 5,120 participants, only 4, 132 were still in the program at the end of the first twelve months meaning that 849 net new participants were added in the first year to achieve the year end total of 5,026. These additions are customers that had been paying the full tariff rate without the discount. Since the intent of the program was to mitigate the initial impact of the SFV rate design on low-income, low-use customers, continuing to bring in new participants is inconsistent with that goal since they have been paying the full rate for twelve plus months. Staff recommends the Commission eliminate the requirement to replace customers that leave the program in order to maintain the 5,000 customer participation level. In this way the program can be phased out through normal attrition over time without the disruption a sudden elimination would cause.

Attachment 1

Dominion East Ohio

Low Use, Low Income Pilot Program Summary

Number of Accounts by Annual Usage



Mean	52.13
Median	53.30
Mode	56.80

Includes 4,444 accounts with 12 months of usage

Attachment 2

Dominion East Ohio
Distribution of Low-income, Low-use Program Participants With 12 Months Usage

12 Month Usage		Total Customers	% of Total Customers	Cummulative % Customers	Current Annual Bill @ $11.40	Current Annual Bill @ $15.40	Dollar Increase	Percent Increase
0.0	10.0	44	0.99%	0.99%	$158.45	$208.73	$50.28	31.7%
10.1	20.0	106	2.39%	3.38%	$189.27	$239.55	$50.28	26.6%
20.1	30.0	282	6.35%	9.72%	$220.09	$270.37	$50.28	22.8%
30.1	40.0	531	11.95%	21.67%	$250.91	$301.19	$50.28	20.0%
40.1	50.0	888	19.98%	41.65%	$281.73	$332.01	$50.28	17.8%
50.1	60.0	1165	26.22%	67.87%	$312.55	$362.83	$50.28	16.1%
60.1	70.0	948	21.33%	89.20%	$343.37	$393.65	$50.28	14.6%
70.1	80.0	352	7.92%	97.12%	$374.19	$424.47	$50.28	13.4%
80.1	90.0	74	1.67%	98.78%	$405.01	$455.29	$50.28	12.4%
Over	90.0	54	1.22%	100.00%				
Total		4,444						

Rate Schedules

	Current Discounted	Non-Discounted
Fixed Charge		
Fixed Charge	$11.40	$15.40
GRT - Service Charge	$0.52	$0.71
Total Fixed Charge	$11.92	$16.11
Variable Charge *		
Delivery Rate	$0.3780	$0.3780
PIPP Rider	$1.7078	$1.7078
Uncollectible Expense Rider	$0.2133	$0.2133
Surcharge Credit Rider	($0.0053)	($0.0053)
Migration Rider B	$0.4932	$0.4932
SB 287	$0.1593	$0.1593
GRT Rider - Non Gas Cost	$0.1357	$0.1357
Total Unit Rate	$3.0820	$3.0820

* Assumes all consumption is within the first rate block

Attachment 3

Dominion East Ohio

Distribution of Low-income, Low-use Program Participants With 12 Months Usage

12 Month Usage		Total Customers	% of Total Customers	Cummulative % Customers	Current Annual Bill	Post Oct. 2010 Bill	Dollar Increase	Percent Increase
0.0	10.0	44	0.99%	0.99%	$158.45	$234.11	$75.66	47.8%
10.1	20.0	106	2.39%	3.38%	$189.27	$260.98	$71.71	37.9%
20.1	30.0	282	6.35%	9.72%	$220.09	$287.85	$67.76	30.8%
30.1	40.0	531	11.95%	21.67%	$250.91	$314.71	$63.80	25.4%
40.1	50.0	888	19.98%	41.65%	$281.73	$341.58	$59.85	21.2%
50.1	60.0	1165	26.22%	67.87%	$312.55	$368.44	$55.89	17.9%
60.1	70.0	948	21.33%	89.20%	$343.37	$395.31	$51.94	15.1%
70.1	80.0	352	7.92%	97.12%	$374.19	$422.18	$47.99	12.8%
80.1	90.0	74	1.67%	98.78%	$405.01	$449.04	$44.03	10.9%
Over	90.0	54	1.22%	100.00%				
Total		4,444						

Rate Schedules

	Current Discounted	Non-Discounted
Fixed Charge		
Fixed Charge	$11.40	$17.58
GRT - Service Charge	$0.52	$0.81
Total Fixed Charge	$11.92	$18.39
Variable Charge *		
Delivery Rate	$0.3780	$0.0000
PIPP Rider	$1.7078	$1.7078
Uncollectible Expense Rider	$0.2133	$0.2133
Surcharge Credit Rider	($0.0053)	($0.0053)
Migration Rider B	$0.4932	$0.4932
SB 287	$0.1593	$0.1593
GRT Rider - Non Gas Cost	$0.1357	$0.1183
Total Unit Rate	$3.0820	$2.6866

* Assumes all consumption is within the first rate block