OCC EXHIBIT NO. _____

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The Dayton Power and Light Company to Increase its Rates for Electric Distribution.	)))	Case No. 15-1830-EL-AIR
In the Matter of the Application of The Dayton Power and light Company for Accounting Authority.	))	Case No. 15-1831-EL-AAM
In the Matter of the Application of The Dayton Power and Light Company for Approval of Revised Tariffs.	)))	Case No. 15-1832-EL-ATA

DIRECT TESTIMONY
OF
ROBERT B. FORTNEY

On Behalf of the
The Office of the Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215-4213

April 11, 2018

TABLE OF CONTENTS

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.

A1. My name is Robert B. Fortney. My business address is 65 East State Street, Suite 700, Columbus, Ohio 43215. I am a Rate Design and Cost of Service Analyst for the Office of the Ohio Consumers' Counsel ("OCC").

Q2. WHAT ARE YOUR RESPONSIBILITIES AS A RATE DESIGN AND COST OF SERVICE ANALYST?

A2. I am responsible for investigating utility applications regarding rate and tariff activities related to tariff language, cost of service studies, revenue distribution, cost allocation, and rate design that impact the residential consumers of Ohio. My primary focus is to make recommendations to protect residential consumers from unnecessary utility rate increases and unfair regulatory practices.

Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.

A3. I earned a Bachelor of Science degree in Business Administration from Ball State University in Muncie, Indiana in 1971. I earned a Master of Business Administration degree from the University of Dayton in 1979.

Q4. PLEASE SUMMARIZE YOUR PROFESSIONAL BACKGROUND AS IT RELATES TO UTILITY REGULATION.

A4. From July 1985 to August 2012, I was employed by the Public Utilities Commission of Ohio ("PUCO"). During that time, I held a number of positions (e.g., Rate Analyst, Rate Analyst Supervisor, and Public Utilities Administrator) in various divisions and departments that focused on utility applications regarding rates and tariff issues. In August 2012, I retired from the PUCO as a Public Utilities Administrator 2, Chief of the Rates and Tariffs Division, which focused on utility rates and tariff matters. The role of that division was to investigate and analyze the rate- and tariff-related filings and applications of the electric, gas, and water utilities regulated by the PUCO and to make Staff recommendations to the PUCO regarding those filings. I joined the OCC in December of 2015.

Q5. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUCO?

A5. Yes. I have testified on numerous occasions to advocate to the PUCO the positions of the PUCO Staff. Over the course of my career at the PUCO, I often recommended to the PUCO cost allocation methodologies needed to develop a reasonable distribution of revenues. I also was responsible for recommending reasonable rate designs needed to recover the revenue requirement, by class of service and in total.

In addition, I testified for the OCC in four proceedings since joining its staff. A list of proceedings that I have submitted testimony to the PUCO is provided in Attachment RBF-1 to this testimony.

Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A6. The purpose of my testimony is to explain and support OCC's position protecting residential customers as it relates to the Application for An Increase in Electric Distribution Rates ("Application") filed by The Dayton Power and Light Company ("DP&L" or the "Utility") in case No. 15-1830-EL-AIR.[1] Specifically, I will explain and support OCC's Objection Nos. 10, 11, 12 and 13[2] to the Staff Report[3] filed in this proceeding, which are directed to reasonably designing residential customers' rates and tariffs. I also focus on the issue of using a Straight Fixed Variable ("SFV") rate design to restructure rates for residential customers, as proposed by DP&L in this proceeding. The Utility proposes to increase its Customer Charge for a standard residential customer by $9.48 (from $4.25 to $13.73).[4] The increase in the Customer Charge would be accompanied

[1] *In re Application of Dayton Power & Light Co. for an Increase in Its Electric Distribution Rates,* Case No. 15-1830-EL-AIR (Nov. 30, 2015) ("Application").

[2] Case No. 15-1830-EL-AIR, Objections to the PUCO Staff's Report of Investigation by the Office of the Ohio Consumers' Counsel (Apr. 11, 2018).

[3] Case No. 15-1830-EL-AIR, Staff Report (Mar. 12, 2018).

[4] *See* Application, Book II – Schedules Volume 4, page 65.

by corresponding decreases in the volumetric charges to meet the revenue requirement for the residential class.

II. STRAIGHT FIXED VARIABLE RATE DESIGN

Q7. WHAT IS THE RATIONALE OFFERED BY THE UTILITY FOR ITS SFV RATE DESIGN PROPOSAL?

A7. DP&L Witness Nathan C. Parke addresses the rationale for the change in his testimony. Beginning on page 12 of his pre-filed testimony, witness Parke explains his rationale for moving the rate design towards a SFV: "The rates proposed are based on the cost of service study and Straight Fixed-Variable ('SFV') principles, because, by their nature, distribution costs are predominantly fixed, not volumetric. The cost of service study identified costs as customer-related and demand-related. Customer-related costs are recovered through a customer charge; demand-related costs through demand based charges. If a customer class does not have demand meters, the demand-related costs were assigned to a kWh charge." He further adds, "In Case No. 10-1326-EL-UNC, the PUCO investigated this rate methodology and encouraged electric utilities to propose future rate structures using this methodology." He then adds, "The design is simple, easy to understand and predictable. It reduces weather risks by keeping bills steady through high-use months. The methodology produces efficient rates by providing the appropriate price signals to customers because delivery costs are not as volumetric as are the commodity (generation) costs. This

approach gradually changes the structure of electric bills by increasing the customer charge, but only on the base distribution portion of the bill. Many riders and generation costs continue to be billed on a volumetric basis." He concludes by adding, "Low-use customers may pay higher bills than they previously had, but this result is in line with cost causation and fairness principles."[5]

Q8. WHAT DOES THE PUCO STAFF RECOMMEND REGARDING DP&L'S PROPOSED RESIDENTIAL CUSTOMER CHARGE?

A8. Rather than reiterate arguments already presented in Case. No. 10-3126-EL-UNC, the PUCO Staff discussed whether this is the right time to move forward in implementing the SFV rate design, given that steps are being taken in the smart grid initiative. The PUCO Staff correctly recommends that the current rate design methodology be maintained.[6]

Q9. DID THE OCC FILE OBJECTIONS TO THIS RECOMMENDATION?

A9. No. While the OCC did object to the PUCO Staff's specific recommendation for a $7.88 Residential Customer Charge (which I will address later in this testimony), the OCC agrees with and supports the PUCO Staff's more general recommendation to not move forward in implementing a SFV rate design.[7]

[5] *In re Application of The Dayton Power & Light Co. for an Increase in Elec. Distribution Rates,* Case No. 15-1830-EL-AIR, Direct Testimony of Nathan C. Parke at 12-13 (Nov. 30, 2015).

[6] Case No. 15-1830-EL-AIR, Staff Report at 36 (Mar.12, 2018).

[7] *See* Objections to the PUCO Staff's Report of Investigation by the Office of the Ohio Consumers' Counsel (April 11, 2018) (The PUCO Staff correctly recommended that "the current rate design methodology be maintained.").

Q10. ARE YOU MAKING ANY RECOMMENDATIONS REGARDING THE UTILITY'S PROPOSAL?

A10. Yes, I am recommending that the PUCO accept the PUCO Staff's recommendation to maintain the current rate design methodology and reject the Utility's SFV proposal. I will also take this opportunity to oppose the Utility's Residential Customer Charge proposal in its Application, and to encourage the PUCO to accept the PUCO Staff's recommendation to maintain the current rate design methodology.

Q11. WHY SHOULD THE PUCO NOT ADOPT A SFV RATE DESIGN FOR RESIDENTIAL CUSTOMERS' RATES?

A11. Utilities and state utility commissions should be cautious before adopting a particular method of rate design on the basis of what may be superficial appeal. And, more important, we should avoid a situation where a costing method, once adopted, becomes the predominant and unchallenged determinant of rate design.[8] Based upon my experience in rate-making and upon my review of various source documents (Attachment RBF-2), I believe the SFV rate design is flawed.

Q12. WHAT ARE THE FLAWS YOU WISH TO POINT OUT?

A12. The PUCO adopted a modified SFV rate design for all four major natural gas utilities in Ohio. According to the PUCO, the SFV rate design (a) will produce

[8] Charging for Distribution Utility Services: Issues in Rate Design, page 39, December 2000, Frederick Weston, The Regulatory Assistance Project, Montpelier, VT ("Weston").

more stable bills for customers, (b) would be easier to understand, (c) would produce a more accurate price signal, and (d) would assure a more equitable allocation of distribution system costs to cost causers. It is my opinion that while all of these reasons may hold some element of truth, they each tell only part of the story. Therefore, I do not agree that a SFV rate design should be adopted for residential customers of an electric distribution company.

Q13. WHY IS A SFV RATE DESIGN BAD FOR RESIDENTIAL CUSTOMERS OF AN ELECTRIC DISTRIBUTION COMPANY?

A13. I do not dispute that, at least in theory, a SFV rate design reduces the disincentive to electric utilities to promote energy efficiency. But that tells only part of the story.

The other part of the story is that high fixed rate structures actually promote additional consumption because a consumer's price of incremental consumption is less than what an efficient price structure would otherwise be.

In his testimony in an Indianapolis Power & Light Company case, expert witness for the Indiana Office of Utility Consumer Counselor, Glenn A. Watkins, agrees

that, "a pricing structure that is largely fixed, such that customers' effective prices do not vary with consumption, promotes the inefficient utilization of resources."[9] A clear example of this principle is exhibited in the natural gas transmission pipeline industry. As discussed in its well-known Order 636, the Federal Energy Regulatory Commission's ("FERC") adoption of a SFV pricing method was a result of national policy *to encourage increased use of domestic natural gas* by promoting additional interruptible (and incremental firm) gas usage. FERC's SFV pricing mechanism greatly reduced the price of incremental natural gas consumption. This resulted in significantly increasing the demand for, and use of natural gas in the United States after Order 636 was issued in 1992.[10] With specific regard to the SFV rate design adopted in Order 636, FERC stated: "The Commission believes it is beyond a doubt that it is the national interest to promote the use of clean and abundant gas over alternative fuels such as foreign oil. SFV is the best method for doing that."[11]

So, while some believe that because rates have been historically volumetric based, there has been a disincentive for utilities to promote conservation, or encourage reduced consumption, FERC's objective in adopting SFV pricing suggests the

[9] Petition of Indianapolis Power & Light Company to Increase Rates and Charges for Electric Utility Services, Cause Nos. 44576 and 44602, Direct Testimony of Glenn A. Watkins on behalf of the Indiana Office of Utility Consumer Counsel, July 27, 2015 ("Watkins"), page 60.

[10] *Id.* at 58-59.

[11] *Id.*

opposite—the price signal that results from SFV pricing is meant to promote additional consumption, not reduce it.[12]

One of the most important and effective tools that any regulatory agency has to promote conservation is by developing rates that send proper pricing signals to customers to conserve and utilize resources efficiently. Pricing structures that are weighted heavily on fixed charges are inferior from a conservation and energy efficiency standpoint than pricing structures that require consumers to incur more costs with additional consumption.[13]

Q14. WHY ARE PRICING STRUCTURES THAT ARE WEIGHTED HEAVILY ON FIXED CHARGES INFERIOR FROM A CONSERVATION AND ENERGY EFFICIENCY STANDPOINT COMPARED TO THOSE THAT ARE VOLUME BASED?

A14. Energy efficiency and clean distributed generation are widely viewed as important tools for helping customers to reduce energy costs, create jobs, and improve economic competitiveness. Increasing fixed charges can significantly diminish incentives for customers to reduce consumption through energy efficiency, distributed generation, or other means. By reducing the value of a kWh saved or self-generated, a higher fixed charge directly gives customers less incentive to

[12] *Id.* at 59.

[13] *Id.* at 60.

lower their bills by reducing consumption. Customers should not be penalized for being efficient, conservationist, and environmentally responsible.[14]

Q15. IS THE IMPLEMENTATION OF A SFV RATE DESIGN MORE CONSISTENT WITH PRINCIPLES OF COST CAUSATION THAN THE HISTORIC CUSTOMER CHARGE THAT ELECTRIC UTILITIES HAVE TRADITIONALLY USED TO COLLECT CERTAIN MINIMUM COSTS FROM CUSTOMERS?

A15. No. Rate design necessarily involves tying cost causation to the type of price used to collect that cost from customers. In the case of customer costs, cost causation focuses on those costs that vary with the number of customers served. This includes such costs as metering, billing, collection, and customer assistance. The fixed charge for residential service should not exceed the customer-specific charges attributable to an incremental customer. For urban and suburban residential customers, this is the cost of a service drop, the portion of the meter costs directly related to billing for usage, plus the cost of periodic billing and collection.[15] Yes, high fixed charges as part of a SFV rate design can stabilize utility revenues in the near term and are easy to administer.[16] This approach, however, deviates from the long-established rate design principles holding that

[14] Caught in a Fix: The Problem with Fixed Charges for Electricity, February 9, 2016, pages 16 and 17, Melissa Whited, Tim Woolf and Joseph Daniel, Prepared for Consumers Union by Synapse Energy Economics, Cambridge, MA ("Whited, et al.").

[15] Smart Rate Design for a Smart Future, July 2015, page 36, Jim Lazar and Wilson Gonzalez, The Regulatory Assistance Project, Montpelier, VT.

[16] *Id.* at 48.

only customer-specific (those that actually change with the number of customers served) properly belong in fixed monthly fees. It also deviates from the accepted economic theory of pricing on the basis of long-run marginal costs.[17]

Q16. WHAT DO LONG-RUN MARGINAL COSTS HAVE TO DO WITH DESIGNING CHARGES TO CUSTOMERS?

A16. The policy that fixed costs of an electric distribution company should be collected from customers through fixed monthly charges is incorrect.[18] First of all, distribution costs are <u>not</u> fixed: investment in distribution is constant and growing, and unavoidable.[19] Inevitably, the utility will have to make new capital investments, increases in customer consumption may require new generation or distribution lines to be upgraded,[20] investments will be made for reliability purposes and to replace existing systems,[21] and investments will be made to account for losses, heat build-up and overloads.[22] Furthermore, proper pricing should reflect the utility's long-run costs, where all costs are variable or volumetric in nature. Users requiring more of the utility's products or services should pay more than the customers who use less of the same products and services.

[17] *Id*.

[18] Watkins at 58.

[19] Weston at 7.

[20] Whited at 23.

[21] Weston at 32.

[22] *Id.* at 38.

Stated more simply, those customers who conserve or are otherwise more energy efficient, or those who use less of the commodity for any reason, should pay less that those who use more.[23] While it may be true that kWh usage has no effect on the costs an electric distribution utility previously expended to build its system (i.e., sunk costs),[24] the notion that a volumetric price should reflect only those costs which vary with usage is misleading.

The relevant economic costs are those that vary over the long-run, not the short-run. The practically achievable benchmark for efficient pricing is more likely to be a type of average long-run incremental cost, computed for a large, expected incremental block of sales, instead of a short-run marginal cost, estimated for a single sale. In the long-run, all costs are variable. While increased electricity use does not affect the cost of existing capacity, it very well may affect the need for new capacity. If regulators want to promote efficient resource allocation, they will set the volumetric rate to reflect long-run cost causation.[25] "As setting a general base of minimum public policy utility rates and of rate relationships, the more significant marginal or incremental costs are those of a relatively long-run variety – of a variety that treats even capital costs or capacity costs as variable

[23] Watkins at 58.

[24] Even that is questionable – losses, heat build-up, and frequency of overloads are aspects of energy use that affect distribution investment and operations and, thus, are marginal energy costs in distribution. *See* Weston at 38.

[25] Economic Concerns About High Fixed Charge Pricing for Electric Service, October 2014, page 1, Steve Kihm at http://americas powerplan.co ("Kihm").

costs."[26] While it may be argued that sunk costs have already been made and are unavoidable, utilities should not, and generally do not, make decisions based on sunk costs. Rather, they make decisions on a forward-looking basis. Similarly, rate structures should be based on forward-going costs to ensure that customers are being sent the right price signals, as customer consumption will drive future utility investments.[27]

Q17. EVEN IF A COST IS FIXED IN THE SHORT-RUN, WHY IS IT NOT GOOD POLICY TO COLLECT IT IN A FIXED CHARGE FROM CUSTOMERS?

A17. Investments in distribution plant are made to provide a supply of electricity, and the costs should be collected in proportion to how much of that electricity a customer uses. A new 5,000 sq. ft. home, with possibly an electric vehicle charging station, requires more local distribution system capacity than a new 500 sq. ft. efficiency apartment. Given a choice between the fixed charge and the variable charge, the volumetric charge is the more appropriate mechanism for collecting those capacity costs. If they are allocated to the fixed charge, the signal is that all residential customers require the same amount of system capacity, regardless of the size of the residence (or, even more important, the size of the connected load).[28]

[26] Principles of Public Utility Rates, page 356, James Bonbright, 1961, Columbia University Press, New York.

[27] Whited at 23.

[28] Kihm at 1.

Q18. CAN (AND SHOULD) THE PUCO TAKE INTO ACCOUNT LONG-TERM COSTS TO CUSTOMERS IN DESIGNING RATES?

A18. Yes. In fact, in its Entry of December 29, 2010 in Case No. 10-3126-EL-UNC, the PUCO stated: "Finally, we are cognizant of our own obligation to initiate programs that will promote and encourage conservation of energy and a reduction in the growth rate of energy consumption, promote economic efficiencies, and take into account long-run incremental costs."[29] As noted above, a SFV rate design takes into account only historic sunk costs and does nothing to recognize the long-run incremental costs.

Q19. THE PUCO ADOPTED A MODIFIED SFV RATE DESIGN FOR ALL FOUR MAJOR NATURAL GAS UTILITIES IN OHIO BECAUSE (A) THE SFV RATE DESIGN WILL PRODUCE MORE STABLE BILLS FOR CUSTOMERS, (B) THE SFV RATE DESIGN WOULD BE EASIER TO UNDERSTAND, (C) THE SFV WOULD PRODUCE A MORE ACCURATE PRICE SIGNAL, AND (D) THE SFV RATE DESIGN WOULD ASSURE A MORE EQUITABLE ALLOCATION OF DISTRIBUTION SYSTEM COSTS TO COST CAUSERS.[30] ARE THESE FACTORS EQUALLY APPLICABLE TO RATE DESIGN FOR ELECTRIC UTILITIES?

A19. No, they are not.

[29] Case No. 10-3126-EL-UNC, Entry at 5 (Dec. 29, 2010) (citing R.C. 4905.70).

[30] Case No. 10-3126-EL-UNC, Finding & Order at 20 (Aug. 21, 2013).

Q20. DOES THE SFV RATE DESIGN PRODUCE MORE STABLE BILLS FOR CUSTOMERS?

A20. Consumer bills that include a revenue neutral SFV rate design may be less volatile than those based strictly on consumption, especially for the electric bill of a customer who cools with electricity in the warm months and heats with natural gas in the cool months. However, it is generally preferable that individual customers make their own consumption decisions.[31] If a customer wants year-around stable electric bills, the customer can opt to enroll in budget billing with its electric company. A residential customer who heats with gas and cools with electricity already has a built-in stability in its total gas and electricity bills (as a result of higher electric bills in the summer and higher gas bills in the winter heating season), which a SFV rate design destabilizes. It should be the customer's choice to best manage his or her utility payments.

Q21. IS THE SFV RATE DESIGN EASIER FOR CUSTOMERS TO UNDERSTAND?

A21. No. I have worked with electric rates for over 29 years now, and I still don't understand why a customer who lives in a 5,000-square foot house, heats with electricity, has a hot tub, a heated pool, and a multitude of electric appliances and gadgets should pay the same distribution bill as a customer living in a 500-square foot apartment with gas heat. A fixed charge is no easier to understand than a rate

[31] Weston at 51.

per kWh that charges a set amount for each kWh used. In fact, because that is how most items are purchased (on a per unit basis), a usage charge is, probably, easier to understand for the customer (i.e., the fewer units consumed the lower the charge). The complexity of today's utility bills is not due to the customer charge and the volumetric charges. It is due to the multiple riders on customers' electric bills that they pay.

Q22. DOES THE SFV RATE DESIGN PRODUCE A MORE ACCURATE PRICE SIGNAL TO CUSTOMERS?

A22. No. The price signal that a SFV rate design sends to customers is "usage doesn't matter." Fixed, recurring, unavoidable charges tell a consumer little about the costs that his or her consumption imposes on the system. In fact, they offer consumers no information at all about the scarcity and costs of distribution capacity.[32]

Q23. DOES THE SFV RATE DESIGN ENSURE A MORE EQUITABLE ALLOCATION OF DISTRIBUTION SYSTEM COSTS TO CUSTOMERS WHO CAUSE THE COSTS?

A23. No. Those who make greater use of the network should bear a proportionately greater share of its costs and pay usage-based rates because those who use more of the service should cover proportionately more of its costs.[33]

[32] Weston at 42.

[33] *Id.* at 40.

Q24. BUT THE SFV RATE APPLIES ONLY TO THE DISTRIBUTION PORTION OF A CUSTOMER'S BILL, RIGHT?

A24. Yes. But, the fact that significant other revenue may be collected volumetrically through generation rates, transmission rates, trackers and riders does not reduce the need for the reasonable design of base distribution rates.[34]

Public utility regulation should protect customers from the monopoly power of utilities.[35] Although the electric utility industry in Ohio was unbundled and restructured, that goal should remain. The distribution network, which normally accounted for anywhere from ten to 40 percent of a vertically-integrated utility's total investment, has now become the object of central concern to firms who no longer own generation assets.[36]

Q25. ARE THERE OTHER ISSUES THAT THE PUCO SHOULD CONSIDER WHEN DESIGNING RATES FOR CUSTOMERS?

A25. Yes. Residential customers who use less energy will experience the greatest percentage jumps in their electric bills if the fixed charge is raised because bills are based less on usage and more on a flat fee structure.[37] The larger the customer charge, the lower the percentage increase (or greater the percentage decrease) in

[34] Watkins at 60.

[35] Evaluating Alternative Rate Mechanisms: A Conceptual Approach for State Utility Commissions, The Electricity Journal, Volume 27, May 2014, page 21, Ken Costello.

[36] Weston at 9.

[37] Whited at 14.

total bills for high use customers.[38] This can be readily seen in the typical bills presented by Witness Adams in Schedule E-5 (page 1 of 11), which he sponsored. At the proposed rates, a residential customer receiving service under Rate Schedule RNH and using 100 kWh a month would see an increase in his or her monthly **total** bill of 38.07 percent. On the other hand, a residential customer receiving service under Rate Schedule RNH and using 2,000 kWh a month would see an increase in his or her monthly **total** bill of 0.12 percent. There are many reasons a customer might have low energy usage – they may have energy efficient appliances, they may be conscientious in avoiding the wasteful use of electricity, or they may also be located in smaller homes or apartments and therefore impose lower distribution costs on the grid.[39]

Q26. PLEASE SUMMARIZE YOUR RECOMMENDATION AS IT RELATES TO A SFV RATE DESIGN FOR RESIDENTIAL CUSTOMERS IN THIS PROCEEDING.

A26. As I previously stated, I am recommending that the PUCO reject DP&L's SFV proposal. I recommend the Utility maintain the current rate design methodology and adjust the volumetric charge to provide the utility the opportunity to recover whatever revenue requirement is approved for the residential class. I urge the PUCO to reconsider its SFV rate design policy and adopt a pricing and rate-

[38] Residential Winners and Losers Behind Energy versus Customer Charge Debate, The Electricity Journal, Volume 27, Issue 4, May 2014, page 2, Larry Blank and Doug Gegax.

[39] Whited at 14.

setting policy that serves the long-term public interests: fairness, economic efficiency, competitive markets, and innovation. In the distribution system, this calls for usage-based pricing.[40]

III. OTHER ISSUES

A. RESIDENTIAL CUSTOMER CHARGE

Q27. IN YOUR RESPONSE TO QUESTION 9 ABOVE, YOU MENTIONED THAT THE OCC OBJECTS TO THE PUCO STAFF'S SPECIFIC RECOMMENDATION FOR A $7.88 RESIDENTIAL CUSTOMER CHARGE. WHY DID THE OCC OBJECT (OBJECTION NO. 10) TO THAT RECOMMENDATION?

A27. The PUCO Staff has recommended that the "current rate design methodology be maintained." However, in its calculation of the Residential Customer Charge on page 37 of its Report, Staff has without explanation added Account No. 368, "Minimum Size Transformers," to its calculation of Total Customer Related Distribution Plant. A minimally compensatory customer charge, as the PUCO Staff has traditionally supported, should not include transformers in the customer-related distribution plant. The cost of a transformer is not an incremental charge that can be directly attributable to a customer. This departure from the PUCO

[40] Weston at 40.

Staff's traditional customer charge calculation results in an overstatement of $1.27 to the recommended customer charge. The customer charge utilizing "the current rate design methodology" should be $6.61, as calculated in my Exhibit RBF-3.

B. PAYMENT OPTIONS

Q28. OCC OBJECTS (OBJECTION NO. 11) TO STAFF'S FAILURE TO RECOMMEND THAT THE PUCO DENY DP&L'S PROPOSAL TO OFFER A NEW CREDIT CARD PAYMENT OPTION AND ELIMINATE THE OPTION OF A TECHNICIAN ACCEPTING A CASH PAYMENT IN THE FIELD. WHAT CONCERNS THE OCC REGARDING THIS PROPOSAL?

A28. OCC agrees with the proposal to offer a credit card option. However, residential customers should not be deprived of the option to make a cash payment to a technician in the field. Consumers should not be limited in their payment options. Besides, not all consumers have the luxury of having a credit card or even a checking account. Cash may be the only available alternative to making a payment in the field to avoid disconnection.

C. METER TESTING

Q29. THE PUCO STAFF FOUND THE UTILITY'S PROPOSED INCREASES TO VARIOUS MISCELLANEOUS CHARGES TO BE REASONABLE. THE UTILITY PROPOSES TO INCREASE ITS ELECTRIC METER TESTING CHARGE TO CUSTOMERS FROM $35 TO $54. DOES THE OCC OBJECT TO THIS PROPOSED INCREASE?

A29. No. However, the OCC objects (Objection No. 12) to Staff's failure to recommend that a meter test resulting from a residential consumer's first request for a meter test be free of charge and that subsequent requests be free of charge if the meter is found to be registering incorrectly. The tariff should include language to indicate that the Utility tests meters for accuracy consistent with Chapter 4901:1-10, O.A.C.; that the customer shall not be charged for the first test at the customer's request within the time period specified in Chapter 4901:1-10, O.A.C.; and the Utility may charge the Meter Testing Charge only if the accuracy of the meter is found to be within the tolerances specified in Chapter 4901:1-10, O.A.C.

D. CUSTOMER DEPOSITS

Q30. THE UTILITY PROPOSED ADDITIONAL LANGUAGE IN ITS TARIFF, SHEET NO. D8, WHICH WOULD ALLOW IT TO ASSESS A DEPOSIT ON A CUSTOMER BEFORE BEGINNING ENGINEERING WORK REGARDING THE LOCATION AND INSTALLATION OF THE CUSTOMER'S SERVICE FACILITIES. THE PUCO STAFF RECOMMENDED THE UTILITY ADD LANGUAGE STATING: "IF THE CUSTOMER CHOOSES TO IMPLEMENT THE SOLUTION, THE DEPOSIT AMOUNT IS CREDITED TOWARD THE COST OF THE PROJECT." DOES OCC OBJECT TO THAT RECOMMENDATION?

A30. Only to the degree that it does not go far enough in protecting customers. Language should also be added that the Utility provide an explanation in its tariff, Sheet No. D8, as to how much of a deposit the Utility is allowed to assess on a customer before beginning engineering work on a requested change or relocation of the customer's facilities. A specific amount or a formula regarding how the Utility will determine the amount of the deposit should be included on Sheet D8 (Objection No. 13).

Q31. DOES THAT CONCLUDE YOUR TESTIMONY?

A31. Yes, it does. However, I reserve the right to incorporate new information that may subsequently become available. I also reserve the right to supplement my

testimony in the event the Utility, the PUCO Staff, or any other party submits new or corrected information in connection with this proceeding.

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing *Direct Testimony of Robert B. Fortney on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission this 11th day of April 2018.

/s/ Christopher Healey
Christopher Healey
Assistant Consumers' Counsel

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Proceedings with Testimony Submitted to the Public Utilities Commission of Ohio

Company	Docket No.	Date
Cleveland Electric Illuminating Company	85-675-EL-AIR	1986
Cleveland Electric Illuminating Company	86-2025-EL-AIR	1987
Toledo Edison Company	86-2026-EL-AIR	1987
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Ohio Power Company	01-1359-EL-AAM	2002
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Dayton Power and Light Company	02-2364-EL-CSS	2003
Dayton Power and Light Company	02-2879-EL-AAM	2003
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Cincinnati Gas & Electric Company	03-2081-EL-AAM	2004
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Exhibit RBF-3

RESIDENTIAL CUSTOMER CHARGE

Line No.	Account No.	Account Title		Account Balance	
1		Plant Accounts			
2	369	Services	$	77,295,957	
3	370	Meters	$	19,959,436	
4		Total Customer Related Distribution Plant	$	97,255,393	
5					
6		Expense Accounts			
7	586	Meter Expense	$	19,879	
8	587	Customer Installations	$	-	
9	597	Meter Maintenance	$	97,763	
10	901	Customer Accounting and Supervision	$	-	
11	902	Meter Reading	$	1,838,240	
12	903	Customer Records and Collection	$	10,205,204	
13	908	Customer Assistance	$	4,452	
14	909	Information and Instruction	$	45,458	
15		Total Customer Related Expenses	$	12,210,996	
16					
17		Customer Related Distribution Plant Carrying Cost	$	24,313,848	Line 4 * 25%
18					
19		Total Carrying Cost and Expense	$	36,524,844	Line 15 + Line 17
20					
21		Number of Customer Bills Per Year	$	5,530,430	
22					
23		**OCC Recommended Monthly Customer Charge**	$	***6.61***	Line 19 / Line 21

Summary: Testimony Direct Testimony of Robert B. Fortney on Behalf of The Office of the Ohio Consumers' Counsel electronically filed by Ms. Jamie Williams on behalf of Healey, Christopher Mr.