

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE REVIEW OF THE
DEMAND-SIDE MANAGEMENT
PROGRAM AND RIDER MECHANISM OF
PIKE NATURAL GAS COMPANY.

CASE NO. 19-1456-GA-RDR

ENTRY

Entered in the Journal on September 26, 2019

I. SUMMARY

{¶ 1} The Commission directs Pike Natural Gas Company to terminate its demand-side management program and refund, via a one-time bill credit, the revenues collected to its general service residential and general service commercial customers.

II. DISCUSSION

{¶ 2} Pike Natural Gas Company (Pike or Company) is a natural gas company, as defined in R.C. 4905.03, and a public utility, as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.

{¶ 3} On June 16, 2010, in Case No. 08-941-GA-ALT, the Commission modified and approved Pike's amended application, consistent with a joint stipulation and recommendation, to advance the Company's rates toward a straight-fixed variable rate design and to implement an alternative rate plan to include a revenue decoupling mechanism with the adoption of a demand-side management (DSM) program and associated DSM rider. The DSM rider rate for Pike was designed to collect approximately \$80,000 annually from ratepayers, with an additional \$10,000 annually to be provided by shareholders. Pike's DSM rider rate for residential and commercial customers is \$0.95 per bill. The DSM program funds weatherization and weatherization-related home improvement repairs for the Company's highest demand, low-income Percentage of Income Payment Plan (PIPP) Plus customers. *In re Pike Natural Gas Co.*, Case No. 08-941-GA-ALT, Opinion and Order (June 16, 2010).

{¶ 4} On May 31, 2017, in Case No. 08-941-GA-ALT, Pike filed a motion to suspend the collection of its DSM rider, reasoning that, over the last several years, expenditures for the weatherization program had not kept pace with the revenues collected by the Company through the DSM rider.

{¶ 5} By Entry issued July 26, 2017, the Commission granted Pike's motion to suspend collection of the DSM rider but directed that Pike continue to provide DSM weatherization program services, until the Commission specifically ordered otherwise. Ultimately, by Finding and Order issued October 24, 2018, the Commission adopted the joint recommendation of Pike and Ohio Partners for Affordable Energy (OPAE), manager of Pike's DSM program, to revise certain aspects of Pike's DSM program.

{¶ 6} Further, the Commission directed Staff to conduct an audit of Pike's DSM program and rider mechanism for accuracy, prudence, and compliance for the 12 months ended August 31, 2018, and to file its report of investigation, in a separate docket, by April 1, 2019.

{¶ 7} On June 24, 2019, Staff filed its report of investigation (Staff Report) for the period September 1, 2017, through August 31, 2018, in Case No. 08-941-GA-ALT.

{¶ 8} By Entry issued on July 15, 2019, Staff was directed to re-file its Staff Report in Case No. 19-1456-GA-RDR by July 24, 2019. The July 15, 2019 Entry also established a procedural schedule, such that motions to intervene were due by July 30, 2019, comments were due by August 15, 2019, and reply comments were due by August 30, 2019.

{¶ 9} On July 19, 2019, as corrected on September 4, 2019, Staff filed an Amended Staff Report in Case No. 19-1456-GA-RDR.

{¶ 10} On July 23, 2019, OPAE filed comments to the Amended Staff Report.

{¶ 11} Also, on July 23, 2019, Ohio Consumers' Counsel (OCC) filed a motion to intervene. No memorandum contra OCC's motion to intervene was filed. The Commission finds that OCC's motion to intervene is reasonable and should be granted.

{¶ 12} On August 15, 2019, Pike filed comments to the Amended Staff Report. On August 30, 2019, OPAE and OCC filed reply comments.

A. Summary of the Amended Staff Report

{¶ 13} In the Amended Staff Report, Staff states that it issued data requests related to the weatherization expenditures and projects completed to evaluate Pike's DSM program and rider for accuracy, prudence and compliance with the Commission-approved DSM program. Based on the responses, Staff determined that Pike provided support for 17 weatherization projects completed from September 1, 2017, through December 31, 2017, at a cost of \$113,134, with an additional four projects in progress. Staff determined that only three of the completed weatherization projects were for PIPP Plus customers. Further, Staff noted that only one weatherization project was completed during the period January 1, 2018, through August 31, 2018. According to the Amended Staff Report, as of August 31, 2018, Pike's DSM account balance was \$75,183.83. Based on Staff's analysis, comparing the gas consumption of weatherization program recipients during September 2016 through August 2017 to their gas consumption during September 2017 through August 2018, seven of the 17 weatherization recipients were able to reduce their gas consumption.

{¶ 14} As part of its evaluation of the DSM rider mechanism, Staff reviewed the billing statements for the Company's General Service Residential (GSR) and General Service Commercial (GSC) customers. Staff determined that the DSM rider had not been applied to GSC and GSR customer bills after the Commission's Entry of July 26, 2017, to suspend collection of the rider. Staff did not find any exceptions during the audit period.

{¶ 15} In addition, although beyond the scope of this audit, Staff verified that, in March 2019, Pike was billed for three weatherization projects, of which only one was for a

PIPP Plus customer. According to the Amended Staff Report, with these additional projects, Pike's DSM rider balance is \$36,680.75. Staff concludes that Pike's DSM program has performed inadequately, primarily as a result of the small number of PIPP Plus customers in the Company's service territory, and difficulty in securing a sufficient number of weatherization projects over the last two years to exhaust the accumulated DSM rider revenues. Accordingly, Staff recommends that Pike terminate its DSM program and refund to its customers the remaining balance in the DSM rider.

B. Comments on the Amended Staff Report

1. PIKE

{¶ 16} Pike agrees with the termination of its DSM program, as the number of weatherization projects has not been sufficient to support the program. Further, Pike states that, if the Commission orders the termination of its DSM program, Pike will provide customers of record as of the refund date, subject to the rider, a refund of the remaining balance in the rider.

2. OPAE

{¶ 17} As previously noted, on July 23, 2019, OPAE filed a response to the Amended Staff Report. OPAE confirms that, since the inception of the DSM rider, \$567,567 has been collected and \$492,384 has been spent on weatherization services to Pike customers. While OPAE agrees that the program has run its course and the rider should be terminated, OPAE takes issue with Staff's evaluation of the projects completed during the audit period. OPAE acknowledges that initially the primary purpose of the DSM program was to focus on high-use PIPP Plus customers. However, OPAE states that the amount of funds necessary to rehabilitate the homes of high-use PIPP Plus customers, to the point that the homes could be weatherized, was cost prohibitive. As a result, by mutual agreement between Pike and OPAE, the focus of the DSM program shifted to PIPP Plus participants and PIPP Plus-eligible customers to facilitate effective expenditure of DSM resources. Further, OPAE

challenges Staff's conclusion that most weatherization participants did not lower their gas consumption. OPAE states that Staff reviewed gas consumption on a year-over-year basis, which fails to follow standard protocols for evaluating weatherization savings, did not take into account the heating degree days for the periods evaluated, or weather-normalize the data to accurately report pre- and post-weatherization impacts. Therefore, OPAE argues that Staff's claim that "seven of the 17 weatherization recipients were not able to save on gas consumption" is misleading.

3. OCC

{¶ 18} Incorporated within its motion to intervene, OCC advocates that customers not continue to pay for Pike's ineffective DSM weatherization program.

C. *Reply Comments*

{¶ 19} In its reply comments, OPAE states that the Staff audit did not find any financial irregularities and evaluations of OPAE's programs conducted under industry-standard protocols have documented substantial savings for its clients. Further, OPAE declares that all customers served under the Pike DSM program were income eligible, qualifying for service under the Home Weatherization Assistance Program, and were approved by Pike, consistent with the Stipulation approved by the Commission. *In re Pike Natural Gas Co.*, Case No. 08-941-GA-ALT, Opinion and Order (June 16, 2010) at 16. OPAE states its member agencies are prepared to effectively spend the balance of the accrued DSM rider revenues of \$36,680.75, to serve the most vulnerable Pike customers. OPAE reasons that the winter heating season is approaching, when OPAE will begin to receive 'no heat' calls. OPAE avers the rider funds will provide the resources to restore services to customers and to weatherize their homes, which is why the money was collected.

{¶ 20} OCC states that OPAE's proposal to use the accrued DSM rider funds is unreasonable. OCC notes that OPAE did not address the unspent DSM funds in its comments but now proposes to keep the funds for additional weatherization outside of any

Commission-approved utility program. OCC reiterates the statement in the Amended Staff Report regarding the change in natural gas consumption for the weatherization projects completed from September 2017 through December 2017, the low number of PIPP Plus participants in the Pike service area,¹ the high average cost of weatherizing homes during the audit period, and the associated break-even point. OCC offers that terminating the DSM rider will save customers approximately \$0.95 each month on their bill and asks that the accrued rider revenues be refunded to customers as recommended by Staff, agreed to by Pike, and advocated by OCC. OCC asks that the Commission adopt the recommendation of Staff, Pike, and OCC to end Pike's DSM weatherization program, and refund or credit the balance of the rider funds to customers.

D. Commission Conclusion

{¶ 21} After thorough consideration of Pike's DSM program, the Amended Staff Report, including Staff's recommendations, the comments, and reply comments, the Commission finds that Pike's DSM program should be terminated and that Pike should refund to its GSR and GSC ratepayers the remaining accrued DSM funds. The Commission approved Pike's DSM program and rider mechanism for the purpose of providing weatherization and weatherization-related repairs to Pike's low-income customers, with an initial emphasis on reducing the demand of the Company's highest usage PIPP Plus customers. The Commission notes that the signatory parties to the Stipulation approved by the Commission in Case No. 08-941-GA-ALT acknowledged that weatherization-related repairs could include roof repairs, window replacement, and other similar home improvement needs as may be necessary to facilitate the installation of energy efficiency and weatherization measures. *In re Pike Natural Gas Co.*, Case No. 08-941-GA-ALT, Opinion and Order (June 16, 2010) at 5, 11. As previously noted, collection of the DSM rider was suspended, at the Company's request, pursuant to Entry issued July 26, 2017. Furthermore,

¹ According to OCC, Pike provides service to natural gas customers in parts or all of Highland, Pike, Clinton, Ross, and Jackson counties, Ohio.

if, as Staff and OPAE represent, the number of PIPP Plus participants and the prohibitively high cost of weatherizing PIPP Plus and PIPP Plus-eligible customers' homes have caused the number of projects to be severely limited, then the logical option is to discontinue the DSM program, terminate the DSM rider, and refund the remaining balance in the rider to Pike's GSC and GSR customers.

{¶ 22} Accordingly, the Commission directs Pike to discontinue its DSM program, terminate the DSM rider and to refund to GSR and GSC customers of record the balance of the accrued DSM funds, via a one-time bill credit, within 30 days after the issuance of this Entry.

{¶ 23} Pike shall provide notice of the DSM bill credit via a bill message or bill insert to all affected customers. Pike shall work with Staff to develop the customer notice and submit a copy of the final customer notice to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least ten days prior to the distribution of the notice to customers.

{¶ 24} Further, within 14 days after issuance of the bill credit to all affected customers, Pike shall file notice of the refund in this docket.

{¶ 25} Staff shall conduct a final audit of Pike's DSM program and rider mechanism for accuracy, prudence, and reconciliation as part of the Company's next gas cost recovery audit. Pike is directed to maintain DSM program expense and rider mechanism records, as well as customer billing records, necessary to facilitate a final audit of the rider and the refund to GSR and GSC customers.

III. ORDER

{¶ 26} It is, therefore,

{¶ 27} ORDERED, That OCC's motion to intervene be granted. It is, further,

{¶ 28} ORDERED, That Pike discontinue its DSM program and terminate the DSM rider. It is, further,

{¶ 29} ORDERED, That Pike refund to its GSR and GSC customers the accrued DSM funds, by way of a one-time bill credit, within 30 days, and provide notice to affected customers, as discussed in Paragraphs 22 and 23. It is, further,

{¶ 30} ORDERED, That Pike file notice of the issuance of the refund with the Commission, within 14 days after the bill credit is issued to all GSR and GSC customers, as discussed in Paragraph 24. It is, further,

{¶ 31} ORDERED, That Staff conduct a final audit of Pike's DSM program and rider mechanism for accuracy, prudence, compliance, and reconciliation, as discussed in Paragraph 25. It is, further,

{¶ 32} ORDERED, That a copy of this Entry be served upon Pike and all interested persons and parties of record.

COMMISSIONERS:

Approving:

Sam Randazzo, Chairman
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

GNS/hac

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

9/26/2019 3:35:07 PM

in

Case No(s). 19-1456-GA-RDR

Summary: Entry that the Commission directs Pike Natural Gas Company to terminate its demand-side management program and refund, via a one-time bill credit, the revenues collected to its general service residential and general service commercial customers. electronically filed by Docketing Staff on behalf of Docketing