BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion Energy Ohio for Approval of an Alternative Form of Regulation.	))))	Case No. 21-1109-GA-ALT

OBJECTIONS TO STAFF REPORT
BY
OFFICE OF THE OHIO CONSUMERS' COUNSEL

I. INTRODUCTION

Dominion seeks to significantly increase consumers' demand-side management ("DSM") and energy efficiency ("EE") rate charged to consumers over a five-year period. Dominion is also proposing an automatic three percent annual adder for unspecified additional programs.[1] Energy efficiency is a good thing. But should be provided through the competitive market, not through a utility program subsidized by utility consumers.

The Staff Report recommends that the PUCO not approve Dominion's plan because the PUCO has conducted a series of workshops and is in the process of evaluating the role of energy efficiency in utility rate plans.[2] OCC supports Staff's recommendation but suggests that Staff should have gone even farther and recommended that the PUCO find that Dominion's current proposal is not just and reasonable under R.C. 4929.05(A)(3). Consistent with R.C. 4901.13 and 4901.18 and as provided for under O.A.C. 4901-1-28, OCC files the following objections to the Staff Report.

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[1] Application at 2 (November 30, 2021).

[2] Staff Report at 4 (March 29, 2022).

II. OBJECTION

<u>OCC Objection No. 1</u>: the Staff Report should have recommended that the PUCO enter a finding that Dominion's proposal is not just and reasonable as required under R.C. 4929.05(A)(3).

A. Dominion's Proposal is unjust and unreasonable because it increases charges to consumers by $92 million over five years.

Dominion asks the PUCO to approve its single-issue ratemaking application for an alternative rate plan to continue and expand the Utility's portfolio of DSM/EE programs through the existing DSM charge.[3] Dominion's five-year program term would run from January 1, 2023-December 31, 2027. And Dominion requests a decision no later than November 1, 2022. If Dominion's proposal is approved, it would triple the existing DSM rate and residential consumers could eventually pay by an additional $92 million over five years.

Energy efficiency can be a good thing for consumers, but the law requires Dominion to demonstrating that its proposal is just and reasonable. Dominion has failed to make that demonstration. And energy efficiency measures are currently available to consumers in the competitive market, without the involvement (and charges for profits) from utilities—and without consumers subsidizing Dominion's programs.

Dominion proposes to fund its DSM and EE programs—through charges to consumers—at $14.6 million in 2023.[4] And then Dominion would regularly increase spending up to $20.4 million in 2027.[5] Dominion calls this a "gradual" increase, but

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[3] *Id.*

[4] Application at 2.

[5] *Id.*

really, this proposal triples consumer' DSM rate.[6] The increase represents an increase of $92 million[7] to consumers' bills over the five-year term compared to what consumers paid over the previous five-year period. And beyond 2027, Dominion's proposal provides for a 3% annual increase after Year Five for *ad infinitum* – for an unlimited number of years until the end of time – and without PUCO oversight.[8] By 2040, this increases to nearly $30 million—with no PUCO oversight. Table 1, below illustrates the increases through 2027.[9]

Table 1

2023	**2024**	**2025**	**2026**	**2027**	**Total Funding**
$14,552,967	$16,965,667	$19,695,463	$20,418,770	$20,400,323	$92,033,190

The Staff Report recommends that the PUCO reject Dominion's application because the PUCO is currently holding workshops on the role of energy efficiency in utility rate plans. OCC supports Staff's recommendation and requests that the PUCO and that Dominion's proposal is not just and reasonable, as required under R.C. 4929.05(A)(3). OCC supports Staff's recommendation that the PUCO reject Dominion's proposal, but OCC objects to the extent that Staff should have recommended that the PUCO enter a finding that Dominion's proposal is not just and reasonable.

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[6] Application at 2 ("gradual increase in the Company's total annual funding levels for a five-year period").

[7] Existing programs are funded at $9.5 million annually consisting of $5.5 million in base rates for the low-income weatherization Housewarming program and $4 million annually collected through the DSM rider for their non-low-income program ($9.5 mill * 5 years is $47.5 mill) for existing programs compared to $92,033,190 for the new program.

[8] Application at 2.

[9] Testimony of James Herndon at 9 (November 30, 2021).

Dominion filed this application under R.C. 4929.051. But R.C. 4929.051 is only appropriate for applications that do not seek to increase the revenue requirement approved in the last base rate case and the utility must demonstrate that its proposal is just and reasonable. And Dominion's proposed modifications are so extensive and expansive (it is proposing to add eight new programs and is more than tripling the current rates by Year Five of the new Program), that the PUCO should find that Dominion is proposing to triple the rate for energy efficiency as compared to the last rate case

B. Dominion's proposal is unjust and unreasonable because it seeks future automatic three percent annual increases.

For subsequent years after Year Five, Dominion proposes that the total amount of DSM/EE funding be increased annually by three percent, until such time as DEO files a subsequent application with the Commission to modify the alternative rate plan to further increase DSM/EE funding and/or offer new DSM/EE programs. Dominion asserts that the annual three percent increase in total budgeted DSM/EE spending after Year Five will allow for DEO to account for inflation, changes in market conditions and/or technology, changes to consumer preferences, changes to industry standards and/or regulations, and any unforeseen occurrences that could impact the cost of programs being offered.[10]

OCC opposes such a large increase in spending and an automatic adjustment, for any reason. Yes, a lot could happen after five years, which is all the more reason that an automatic annual adjustment is a bad idea. Dominion must identify in advance precisely and justify any costs it would seek to collect. But R.C. 4929.05(A) 3 requires Dominion to establish that its proposal is just and reasonable. Dominion has failed to establish that

[10] Application at 4.

its proposal to triple energy efficiency rates and to add on an automatic annual adjustment is just and reasonable.

C. Dominion's proposal should be addressed through traditional ratemaking rather than an alternative rate plan.

Single-issue ratemaking is bad for consumers. A traditional base rate case would assist consumers by subjecting Dominion's rates to a full and complete review, allowing interested parties to identify an appropriate rate of return on Dominion's rate base, needed adjustments to rate base, and operational savings. Further, a base rate case evaluates more than a single issue and considers if utility programs result in increased revenue or decreased spending. Dominion's last base rate case was in 2007. Allowing Dominion to charge consumers under the DSM and EE programs (without an intervening base rate case review) means that its base rates would go unreviewed for an undetermined period of time. It is unjust and unreasonable to deny consumers the benefits of decreased costs resulting from a base rate case.

Recently, Columbia Gas also filed to increase its DSM charges, but it did not improperly rely on R.C. 4929.051(A) like Dominion does.[11] Rather, Columbia filed its application in conjunction with its AIR (rate increase) application because Columbia's DSM program will not be based on the billing determinants from its last rate case.[12] And although it is true that Dominion's previously approved DSM/EE program was approved in conjunction with its 2007 rate case, DEO did not solely rely on R.C. 4929.051(A) to approve its DSM/EE programs at that time. Dominion is proposing to double rates to consumers—a definite increase—over the next five years and continue increasing

[11] *See* Case No. 21-637-GA-AIR, Application (June 30, 2021) ("Columbia's Application").

[12] *Id.*

consumer charges for an unlimited number of years after that. If this does not meet the definition of an increase in rates, then what does?

III. CONCLUSION

New charges—$92 million—should not be added to consumers' bills through single-issue ratemaking for energy efficiency where Dominion has failed to demonstrate that its proposal is just and reasonable, as it is required to do under R.C. 4929.05(A)(3). To protect consumers from paying unreasonable rates under Dominion's DSM and EE programs, the PUCO should expressly find that Dominion's proposal is not just and reasonable, for the reasons stated above.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Objections to Staff Report was served on the persons stated below *via* electronic transmission, this 28th day of April 2022.

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The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

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