BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters.	)	Case No. 21-637-GA-AIR
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation.	)	Case No. 21-638-GA-ALT
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of a Demand Side Management Program for its Residential and Commercial Customers.	)	Case No. 21-639-GA-UNC
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods.	)	Case No. 21-640-GA-AAM

OBJECTIONS TO PUCO STAFF REPORT OF INVESTIGATION FILED BY THE ENVIRONMENTAL LAW & POLICY CENTER

In accordance with Ohio Adm.Code 4901-1-28, the Environmental Law & Policy Center (ELPC) hereby submits its Objections to the Staff Report filed with the Public Utilities Commission of Ohio ("Commission") on April 6, 2022 in the above captioned cases.

ELPC's lack of objection to any particular proposal or treatment recommended in the Staff Report should not be construed as indicating ELPC's affirmative support for such proposal or treatment. Further, the lack of an objection to any aspect of the Staff Report does not preclude ELPC from cross-examination or introduction of evidence or argument on related issues on which Staff reverses, modifies or withdraws its position on any issue contained in the Staff Report. Finally, ELPC may supplement or support the substance of many of these objections with the testimony of anticipated witnesses.

I. BACKGROUND

This case involves Columbia Gas of Ohio, Inc. (Columbia) combined application to increase its distribution rates, for approval of an alternative rate plan, and to continue its Demand Side Management / Energy Efficiency (DSM) programs. With respect to its DSM programs, Columbia asks to continue $7.1 million in base rates and additional funding in Rider DSM for its existing WarmChoice® Program, which offers no-cost energy efficiency services to income-eligible customers. Columbia also asks to increase eligibility for their WarmChoice® Program to 200% of the Federal Poverty Guideline.

Additionally, Columbia seeks to invest an average of $30.9 million annually in its DSM/EE programs from 2023 to 2017, increased by two percent annually to account for inflation. Columbia also proposes to continue its shared savings mechanism with increased Mcf targets, with the shared savings incentive capped at $10,000,000 by the end of 2027.[1] Staff Report at 19.

In support of its proposed DSM programs, Columbia accurately notes that participating and non-participating residential and commercial customers benefit from its suite of DSM programs. Participating customers save money on their bills by using less natural gas. Non-participating customers benefit from the price-dampening effects of energy efficiency and from the numerous environmental and societal benefits of the programs. *See* Application of Columbia Gas of Ohio, Inc. to Continue Its Demand Side Management Program (June 30, 2021) at 2, 11.

[1] With a gross-up for taxes.

II. OBJECTIONS

Objection 1: ELPC objects to Staff's recommendation to deny Columbia's request to continue its DSM programs and increase spending by 2% annually for inflation.

The Staff Report recommended the Commission (1) deny Columbia's request for additional DSM program spending in this case and (2) cap future DSM program recovery through Columbia's existing DSM Rider at 2022 levels. Staff Report at 20. Staff provided no rationale or explanation for either of these recommendations. The entirety of the discussion is, "Staff recommends that the Commission deny the Company's requested increase for additional DSM program spending in the current case and recommends capping the annual amounts eligible for recovery through Rider DSM at the 2022 levels, i.e., $35,643,682." *Id.* ELPC objects because energy efficiency is the cheapest, most reliable way to meet customers' energy needs. Columbia only seeks a modest adjustment for inflation, and without providing its rationale for that finding, Staff does not allow parties to properly respond to it.

Staff's recommendations also run contrary to state policy promoting well-designed utility-run energy efficiency programs and unreasonably fail to examine whether Columbia's proposed DSM programs are well-designed and cost-effective. Under R.C. 4905.70, the Commission "*shall* 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" (emphasis added).[2] And, pursuant to R.C. 4929.02(A)(12), it is state policy to "[p]romote an alignment of natural gas company interests with consumer interests in energy

[2] In fact, at the July 23, 2019 Ohio House Session, the Majority Floor Leader Bill Seitz explained that "section 4905.70 of the Ohio Revised Code, which will remain in effect when we pass [House Bill 6], will allow utilities to file for voluntary energy efficiency programs at the Public Utilities Commission of Ohio so it is not true that we are prohibiting voluntary energy efficiency programs initiated by the utilities." *Ohio House of Representatives 7-23-2019* at 30:57-31:37, Ohio Channel, https://ohiochannel.org/video/ohio-house-of-representatives-7-23-2019.

efficiency and conservation." As recently as last year, the Commission has stated that "there can be no doubt that, in recent history, Ohio regulatory policy has embraced natural gas DSM programs." *In re Vectren Energy Delivery of Ohio, Inc*., Case No. 19-2084-GA-UNC, Opin. & Order (Feb. 24, 2021) ¶ 73 (Vectren DSM Order).

To further this policy, the Commission has long approved natural gas companies' "voluntary, cost-effective programs that produce demonstrable benefits, reasonably balance total costs, and minimize the impact to non-participants." *Id.* at ¶ 74; *In re Columbia Gas of Ohio, Inc.*, Case No. 16-1309-GA-UNC, Opin. & Order (Dec. 21, 2016) ¶ 108. In Columbia's recent DSM case, the Commission similarly recognized that "well-designed and cost-effective DSM programs are consistent with Ohio's economic and energy policy objectives." *In re Columbia Gas of Ohio, Inc.*, Case No. 19-1940-GA-RDR, Opin. & Order (Dec. 2, 2020) ¶ 54.

Here, Columbia is asking for a continuation of its prior DSM programs that were previously approved by the Commission. Columbia's DSM programs are projected to save a total of 5,464,086 Mcf of natural gas over a five-year period. And, according to Columbia's application, the benefits of its DSM programs exceed the costs under all three of the cost tests used: the Total Resource Cost (TRC) test, the Utility Cost Test (UTC) and the Societal Cost Test (SCT). Finally, Columbia's request for additional funding—2% each year for inflation—is lower than the current inflation rate of 8.5%.[3] Even if Columbia's request for a yearly adjustment is approved, should inflation remain higher than 2%, Columbia will be investing *less* in its DSM programs year over year. It was therefore unreasonable for Staff to recommend both the denial of Columbia's request

[3] U.S. Bureau of Labor Statistics, available at https://www.bls.gov/cpi/ (last accessed May 5, 2022).

for additional DSM program spending in this case and the capping of the future DSM program recovery through Columbia's existing DSM Rider at 2022 levels.

Objection 2: ELPC objects to Staff's failure to recommend transitioning the delivery charge, IRP rate, and CEP rate for the Small General Service (SGS) rate class to volumetric charges.

Columbia's combined application requests the incorporation of the Infrastructure Replacement Program (IRP) and Capital Expenditure Program (CEP) rider rates into base rates. *See* Application of Columbia Gas of Ohio, Inc. for Authority to Increase Rates and to Change Accounting Methods (June 30, 2021) at 4. These two riders are currently recovered from the Small General Service (SGS), General Service (GS) and Large General Service (LGS) rate classes through fixed charges. Staff Report at 40.

The Staff Report accurately points out the problem with high fixed charges rather than charges based on the amount of gas used: "[c]ustomers who use less gas have been paying the same rider rates as customers who use more gas, leading to higher bill increases for the lower use customers." *Id.* High fixed charges can create intraclass subsidies, with the lower-use customers subsidizing the higher-use customers. *See id.* High fixed charges also create barriers to energy efficiency. Increasing the flat charge portion of the bill instead of the variable portion of the bill means that a consumer's efforts to save energy may not translate into a lower gas bill. This reduces the incentive for customers to invest in energy efficient technology. High fixed charges also disproportionately impact low- and moderate-income customers, who generally use less energy.

However, to remedy this issue, Staff only recommends that the IRP and CEP rider rate designs be modified for the GS and LGS rate classes to move away from wholly fixed monthly charges to rates designed, at least in part, on volumetric usage. Staff Report at 40. However, SGS customers (constituting the largest share of Columbia's revenue by far) also pay these high fixed rider rates. And, like the GS and LGS rate classes, SGS customers may use more or less natural gas than others within their rate class. Staff should be equally as concerned about intra-class subsidies created within the SGS rate class by high fixed charges and recommend a movement towards volumetric rates within the SGS rate class as well as the GS and LGS rate class.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing document submitted on behalf of the Environmental Law & Policy Center was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on May 6, 2022. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

/s/ Janean Weber
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