

**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 OF INTERSTATE GAS SUPPLY, INC. TO THE APPLICATION AND
STAFF REPORT OF INVESTIGATION AND SUMMARY OF MAJOR ISSUES**

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I. INTRODUCTION

On June 30, 2021, Columbia Gas of Ohio, Inc. (“Columbia”) filed an application for approval to increase its distribution rates, for approval of an alternative rate plan, for approval of a demand side management program for its residential and commercial customers, and for authorization to change its accounting methods (“Application”). The Staff Report of Investigation (“Staff Report”) was filed with the Public Utilities Commission of Ohio (“Commission”) on April 6, 2022. The Staff Report sets forth the Commission Staff’s (“Staff”) findings regarding the Application.

Under R.C. 4909.19 and 4929.05 and Rule 4901:1-19-07 of the Ohio Administrative Code, Interstate Gas Supply, Inc. (“IGS”) hereby files its Objections to the Application and Staff Report and Summary of Major Issues in the above-captioned matters. IGS reserves the right to contest through cross-examination, testimony, or exhibits any newly raised issues, issues raised by any other party, or any position set forth in the Staff Report that changes prior to the close of the record.

II. OBJECTIONS

Objection 1: The Application seeks authorization of an unreasonable Carbon Reduction Rider.

Objection 2: The Staff Report recommends authorization of an unreasonable modified Carbon Reduction Rider.

In the Application, Columbia proposes a Carbon Reduction Rider, an opt-in rider that will allow customers in various classes¹ to pay an additional \$5 per account per month

¹ The application and testimony are inconsistent as to the customers that would be eligible to participate.

to fund the purchase of carbon offsets. Application at 4-5. The fees would then be transferred to a third-party vendor selected by Columbia to purchase carbon offsets. Testimony of Melissa Thompson at 33. Projects supported by the charge would be based on availability at the time of the carbon offset purchase. Id.

The Carbon Reduction Rider as proposed should not be approved because it is structured in a manner that unreasonably and unnecessarily frustrates the competitive market. Under the proposed program for which the Rider will charge customers, neither Columbia nor the third-party vendor faces the risk of customer default faced by other vendors. Additionally, the third-party vendor would be selected by Columbia without competitive bidding and receive the benefits of both Columbia and the Commission's endorsement, either directly or by implication. Moreover, the program lacks definition and is based on a subsidy embedded in distribution rates. Accordingly, the request for authorization of the Rider as proposed in the Application should not be approved.

Although the Staff Report's recommendations are helpful, relabeling the program as an optional non-jurisdictional service does not remedy the structural problems associated with it. First, it is not a non-jurisdictional service. The purpose of the rider is to offer customers an opportunity to reduce the greenhouse gas emissions associated with their natural gas usage. Carbon offsets are much like renewable energy credits on the electric side, making natural gas consumption "green" and better for the environment. As a result, the program is the reentry into competitive retail natural gas service.

Compare Application at 4-5 to Prefiled Testimony of Melissa Thompson at 33.

Columbia exited the merchant function several years ago (although the process has not been completed). In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Services or Ancillary Services, Case No. 08-1344-GA-EXM, Notice of Intent to File an Application Pursuant to Section 4929.04 of the Revised Code (Dec. 31, 2008) and In the Matter of the Joint Motion to Modify the December 2, 2009 Opinion and Order and the September 7, 2011 Second Opinion and Order in Case No. 08-1344-GA-EXM, Case No. 12-2637-GA-EXM, Opinion and Order (Jan. 9, 2013), and Entry on Rehearing (Mar. 20, 2013). In so doing, Columbia transferred to competitive suppliers the obligation to provide competitive retail natural gas service to customers. Just like renewable energy credits are part and parcel to competitive retail electric service, carbon offsets are inextricably entwined with competitive retail natural gas service. It is highly inappropriate for Columbia to attempt to re-enter the competitive retail natural gas market. *Id.*; see, also, R.C. 4929.02 and R.C. 4929.04.

Moreover, there are process issues with the rider as well because the third-party vendor is selected by Columbia without competitive bidding and receives the benefits of both Columbia and Commission endorsement, either directly or by implication. Accordingly, the Staff Recommendation regarding the Carbon Reduction Rider should not be approved.

If the Commission decides to approve a carbon reduction program for Columbia, the program should limit Columbia's participation so that it is not a market participant, directly or by implication. Columbia's role should be limited to educating customers of the importance of such a program or product, administering supplier eligibility, and ensuring

compliance by validating that suppliers obtained sufficient carbon offsets to fully offset emissions associated with enrolled customers. Additionally, the market risk of non-payment should squarely fall on the suppliers of carbon offsets; it should not be socialized in Columbia's rates.

Objection 3: The Application unreasonably seeks revenue that includes incentive compensation related to financial performance; amounts associated with incentive compensation should be removed from rates and funded by Columbia's shareholders, as recommended by the Staff Report.

According to the Staff Report, the Application seeks revenue based on the inclusion of incentive compensation in several capital and expense accounts. Under Commission precedent, incentive compensation payments related to financial performance metrics should be funded by a utility's shareholders, not its ratepayers. In re Duke Energy Ohio, Inc., Case No. 18-397-EL-RDR, Finding and Order ¶¶ 17 (July 31, 2019). Accordingly, the Commission should adopt the Staff Report's recommendations to remove incentive compensation in the calculation of rates. Staff Report at 11-12, 20, 21, 23, and 45 and related schedules.

Objection 4: The Application and Staff Report fail to recommend that Columbia exit the merchant function for commercial and industrial customers.

Columbia has been in the process of leaving the merchant function since 2008. In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of a General Exemption of Certain Natural Gas Commodity Services or Ancillary Services, Case No. 08-1344-GA-EXM, Notice of Intent to File an Application Pursuant to Section 4929.04 of the Revised Code (Dec. 31, 2008). In an amended stipulation, the Commission approved

a five year plan² that included a process for Columbia to exit fully the merchant function for commercial and industrial customers upon the attainment of a customer shopping participation threshold of 70% for three consecutive months. In the Matter of the Joint Motion to Modify the December 2, 2009 Opinion and Order and the September 7, 2011 Second Opinion and Order in Case No. 08-1344-GA-EXM, Case No. 12-2637-GA-EXM, Amended Joint Motion to Modify Orders Granting Exemption (Nov. 27, 2012), Opinion and Order (Jan. 9, 2013), and Entry on Rehearing (Mar. 20, 2013). Because that level of shopping was not attained, commercial and industrial customers that have not shopped or whose supplier defaults or abandons service continue to be supplied their natural gas needs through Columbia's Standard Choice Offer. Although the reasons for Columbia's exit of the merchant function are as strong as they were in 2013 due to market conditions and circumstances warranting a change from the current exit plan exist, the Application and the Staff Report fail to advance that outcome in this proceeding.

Because it has not been and will not be in the public interest for Columbia to remain the default provider of gas supply for commercial and industrial customers, the Commission should direct in this proceeding that Columbia exit the merchant function and that the provisions for doing so set out in the amended stipulation in Case No. 12-2367-GA-EXM be implemented.

² Although the plan had a five year term, it also contains a provision to continue the plan until it is modified following the five year term. In the Matter of the Application to Modify, in Accordance with R.C. 4929.08, the Exemption Granted Columbia Gas of Ohio, Inc., in Case No. 08-1344-GA-EXM, Case No. 12-2637-GA-EXM, Entry (Nov. 7, 2018).

Objection 5: The Staff Report's failure to recommend that the fee assessed against competitive retail natural gas suppliers be set to zero is both unreasonable and discriminatory.

Under its tariff, Columbia assesses a switching fee when a retail customer selects to take natural gas service from a competitive retail natural gas supplier. See, for example, Section VII, Fourth Revised Sheet No. 25, para. 25.3, Section VII, Fifth Revised Sheet No. 27, para. 27.3, and Section VII, Ninth Revised Sheet No. 28, para. 28.3 It does not charge this fee when a customer returns to the standard choice offer. *Id.* Columbia has not demonstrated that the fee is necessary to cover any switching costs that are unique to a transfer of service to a competitive retail natural gas supplier. The Staff Report failed to address the costs or discriminatory nature of the switching fee. Because the fee is both unjust and discriminatory, it should be set at zero. R.C. 4905.22; R.C. 4909.15; R.C. 4905.32; R.C. 4905.35.

Objection 6: The Staff Report unlawfully and unreasonably recommends that the PUCO and OCC assessments be collected in base distribution rates.

As a result of a settlement adopted by the Commission in an application of Columbia to increase rates in 2008, Columbia has recovered a portion of the PUCO and OCC assessments assignable to default supply service through a rider applicable to only those customers that secure natural gas through Columbia's default service. In the Matter of the Application of Columbia Gas of Ohio, Inc., for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Distribution Service, Case Nos. 08-72-GA-AIR, et al., Stipulation at 6 (Oct. 24, 2008) and Opinion and Order at 7 (Dec. 3, 2008). Columbia proposed to continue the allocation methodology in its application in the current case. Application, Prepared Direct Testimony of Bryan Trapp on Behalf of Columbia Gas

of Ohio, Inc. at 8 (June 14, 2021). For reasons that are unexplained, the Staff Report “finds that the total amount [of the PUCO and OCC assessments] should be recovered through base rates.” Staff Report at 24. This recommendation is unjust and unreasonable for several reasons. First, the SCO is a retail product specifically provided by natural gas suppliers. It would be unjust and unreasonable to require shopping customers to subsidize through distribution rates costs that are directly assignable to the revenue recovered for the SCO. Second, the subsidy will have the effect of understating the cost of the default commodity service and provide an unreasonable and unfair price advantage to the default standard offer relative to other sources of retail commodity service. Third, adoption of the recommendation of the Staff Report would violate Commission precedent without any demonstration of a reasoned basis to do so. *Cleveland Elec. Illum. Co. v. Pub. Utils. Comm’n of Ohio*, 42 Ohio St. 2d 403 (1975).

Objection 7: The Staff Report fails to recommend that any rebates be available to third parties to offer directly to customers.

In its application, Columbia seeks to continue its DSM/EE portfolio. For example, under the Appliance Rebates, Product Rebates, and HomeEnergy Rebate programs (collectively “Rebate Programs”) Columbia proposes to continue offering customers the opportunity to purchase discounted energy efficient products available directly from an online e-store or instantly applied by contractors.³ Such discounts are made available through instant rebate incentives funded by the DSM/EE portfolio.

IGS has also provided energy efficient products to customers, including the deployment of energy efficient “smart thermostats.” The online e-store and other program

³ Direct Testimony of Sarah Poe at 7.

incentives as proposed should not be approved because it is structured in way that unreasonably and unnecessarily frustrates the competitive market. The Staff Report failed to address the discriminatory nature of the online e-store rebate program and other incentives available through the DSM/EE portfolio.

The Staff Report should have recommended that, to the extent the portfolio plan is implemented, a competitive retail natural gas service provider that promotes energy savings and the use of Columbia's energy savings programs shall be eligible to be considered a third party to whom the customer may convey an energy savings incentive associated with participation in a utility program, subject to the customer's written consent and verification of the customer's identity.

Accordingly, the request for authorization of the Rebate Programs and other incentives as proposed in the Application should not be approved.

Objection 8: The Staff Report fails to recommend that the Innovative Energy Solutions program be modified to allow self-directed audits.

The Innovative Energy Solutions program provides commercial and industrial customers an energy assessment.⁴ The Staff Report should have recommended that, to the extent the Innovative Energy Solutions program is implemented, it should be modified to allow a self-directed energy assessment for commercial and industrial customers. Due to the different needs and energy use patterns of commercial customers versus a typical residential those customers should be permitted to self-direct the energy assessment to a vendor of their choosing under the same total financial incentives available to other customers.

⁴ Direct Testimony of Sarah Poe at 8.

Accordingly, the request for authorization of the Innovative Energy Solutions and other incentives as proposed in the Application should not be approved.

III. SUMMARY OF MAJOR ISSUES

The major issues in this case will be:

1. Should the Carbon Reduction Rider as proposed be rejected?
2. Should incentive compensation included in rate base and test year expenses be removed from rates and funded by Columbia's shareholders, as recommended by the Staff Report?
3. Should Columbia be authorized to exit the merchant function for commercial and industrial customers under the provisions for that exit set out in the amended stipulation and orders in Case No. 12-2367-GA-EXM?
4. Should the Commission direct Columbia to file revised tariffs that set the switching fee to zero?
5. Should the Commission reject the recommendation of the Staff Report that would direct Columbia to bill and collect the PUCO and OCC assessments in distribution rates?
6. Should the DMS/EE programs as proposed be rejected?

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CERTIFICATE OF SERVICE

I certify that this *Objections to the Application and Staff Report and Investigation and Summary of Major Issues of Interstate Gas Supply, Inc.* 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 the following parties listed below.

/s/ Stacie Cathcart
Stacie Cathcart

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**Case No(s). 21-0637-GA-AIR, 21-0638-GA-ALT, 21-0639-GA-UNC, 21-0640-GA-
AAM**

Summary: Objection Objection to the Staff Report and Summary of Major Issues
electronically filed by Stacie Cathcart on behalf of Interstate Gas Supply