

**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) Case No. 21-637-GA-AIR
Rates and Charges for Gas Services and)
Related Matters.)

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for Approval) Case No. 21-638-GA-ALT
of an Alternative Form of Regulation.)

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for Approval)
of a Demand Side Management Program) Case No. 21-639-GA-UNC
for its Residential and Commercial)
Customers.)

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for Approval) Case No. 21-640-GA-AAM
to Change Accounting Methods.)

**DIRECT TESTIMONY
OF
ROBERT B. FORTNEY**

On Behalf of
Office of the Ohio Consumers' Counsel
65 East State Street, Suite 700
Columbus, Ohio 43215

May 13, 2022

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ATTACHMENTS

Attachment RBF-1 Fortney Testimony History
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1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

4 ***A1.*** My name is Robert B. Fortney. My business address is 65 East State Street, Suite
5 700, Columbus, Ohio 43215. I am a Rate Design and Cost of Service Analyst for
6 the Office of the Ohio Consumers' Counsel ("OCC").

7

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

10 ***A2.*** I am responsible for investigating utility applications regarding rate and tariff
11 activities such as tariff language, cost of service studies, revenue distribution, cost
12 allocation, and rate design that impact the residential consumers of Ohio. My
13 primary focus is to make recommendations to protect residential consumers from
14 unreasonable and unjustified utility rate increases and unfair regulatory practices.

15

16 ***Q3. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.***

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

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1 ***Q4. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE AS IT***
2 ***RELATES TO UTILITY REGULATION.***

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

14
15 ***Q5. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE***
16 ***PUCO?***

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

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1 In addition, I have submitted testimony for OCC in several proceedings since
2 joining its staff. A list of proceedings that I have submitted testimony to the
3 PUCO is provided in Attachment RBF-1
4

5 **II. PURPOSE OF TESTIMONY**
6

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

9 ***A6.*** The purpose of my testimony is to explain and support OCC's position protecting
10 residential consumers as it relates to the Application of Columbia Gas of Ohio,
11 Inc, ("Columbia") for an Increase in Electric Distribution Rates ("Application")
12 filed in case No. 21-637-GA-AIR, et al.
13

14 Specifically, I will explain and support OCC/NOPEC'S Objection Nos. 2, 3, 23,
15 24, 25 and 26¹ pertaining to recommendations made by the PUCO Staff in the
16 Staff Report ("Staff Report") filed in this proceeding on April 6, 2022.² Those
17 recommendations are primarily related to the distribution of any revenue increase
18 to the different rate classes and the fixed delivery charge for the Small General
19 Service ("SGS") class.

¹ Objections to the PUCO Staff's Report of Investigation by the Office of the Ohio Consumers' Counsel (May 6, 2022).

² Staff's Report of Investigation (April 6, 2022).

III. OCC/NOPEC'S OBJECTIONS TO STAFF REPORT

OCC/NOPEC Objection No. 2

***Q7. WHY DOES OCC OBJECT TO THE FOLLOWING STAFF REPORT
LANGUAGE AT PAGE 7: "AS SHOWN ON SCHEDULE A-1 STAFF
RECOMMENDS AN APPROXIMATE REVENUE INCREASE IN THE
RANGE OF \$35,197,000 TO \$57,554,000. THIS REPRESENTS AN
INCREASE OF 3.98 PERCENT TO 6.34 PERCENT OVER TEST YEAR
OPERATING REVENUE."***

A7. This is a miscalculation by Staff on Line 12 of its Schedule A-1.³ The Staff erroneously used the proposed revenue requirement instead of the Test Year Operating Revenue as the divisor in its calculation of the Net Increase percent. This understates the magnitude of the rate increase proposed by Columbia and recommended in the Staff Report. The correct percentages should be: Applicant Proposed = 27.07%; Staff Lower Bound = 4.14%; and Staff Upper Bound = 6.77%. This results in an increase of 5.45% at the Staff midpoint.

³ Staff Report at 59.

1 **OCC/NOPEC Objection No. 23**

2

3 ***Q8. DOES OCC OBJECT TO THE STAFF'S RECOMMENDATION AT PAGE 38***
4 ***THAT COLUMBIA RERUN THE COST OF SERVICE STUDY ("COSS") TO***
5 ***INCLUDE STAFF'S RECOMMENDATIONS (AND THAT THE MODIFIED***
6 ***COSS BE USED AS A BASIS FOR RATE DESIGN)?***

7 ***A8.*** No.

8

9 ***Q9. THEN, TO WHAT ABOUT THAT RECOMMENDATION DOES OCC***
10 ***OBJECT?***

11 ***A9.*** The recommendation does not go far enough in explaining how it (the rerun of the
12 COSS) should be accomplished. The Staff should have further recommended to
13 the PUCO: (A) a time frame for the rerun to be provided, (B) how or when the
14 OCC and other intervening parties could respond to any Staff recommendations
15 based on the modified COSS, and (C) an extension of the procedural schedule
16 based on Columbia providing a modified COSS. In general, it is reasonable to
17 provide the intervening parties the opportunity and the time to respond to any
18 recommendations the Staff may make based upon a revised COSS.

OCC/NOPEC Objection No. 24

Q10. WHY DOES OCC OBJECT TO THE STAFF'S FINDING ON PAGE 37 OF THE STAFF REPORT WHICH STATES "THE APPLICANT'S PROPOSAL REFLECTS A REASONABLE MOVEMENT TOWARD THE COST TO SERVE EACH [CUSTOMER] CLASS IDENTIFIED BY THE APPLICANT'S COSS AT THE APPLICANT'S PROPOSED COST TO SERVE."

A10. Given that Staff also found that "The interclass subsidies identified by the Applicant's COSS could change substantially when taking Staff's recommendations into account,"⁴ Staff should have further found that it would await the results of the modified COSS before making a recommendation regarding the allocation of any revenue increase to consumers.

Q11. DOES OCC HAVE A RECOMMENDATION REGARDING THE ALLOCATION OF ANY REVENUE INCREASE TO CONSUMERS?

A11. Yes. While moving towards cost of service is a reasonable goal, given the inadequacy of the COSS, the most logical distribution of any base distribution revenue increase would be a levelized, across-the-board increase to all customer classes. Depending on the revenue requirement found to be reasonable in this proceeding, the percentage increases in base distribution revenues for all classes should be equal.

⁴ Staff Report at 38.

OCC/NOPEC Objection Nos. 3 & 25

***Q12. WHAT IS THE CURRENT DELIVERY CHARGE FOR THE SGS
(RESIDENTIAL CONSUMERS) RATE CLASS?***

A12. The current Delivery Charge for the SGS rate class is \$16.75/month. At the time of filing of the Application, the Infrastructure Replacement Program Rider (“IRP”) fixed charge for the SGS rate class was a fixed charge of \$11.98/month and the Capital Expenditure Program Rider (“CEP”) fixed charge for the SGS rate class was \$5.92/month. This totals \$34.65/month. While there are other considerations (e.g. the Infrastructure Development Rider and gross receipts taxes), for the purpose of comparison, I consider \$34.65/month to be the current fixed delivery charge for the SGS rate class.

***Q13. WHAT IS COLUMBIA’S PROPOSED DELIVERY CHARGE TO
RESIDENTIAL CONSUMERS?***

A13. Columbia proposes to roll the current IRP and CEP into the delivery charge and increase the current \$34.65/month to \$46.31/month.⁵ Furthermore, Columbia proposes to renew the IRP and CEP Riders (which will begin at zero) and continue to recover the applicable costs, subject to caps, in the future. By 2027, if Columbia’s projected monthly fixed charge rate caps were implemented, the monthly fixed IRP charge for residential consumers (Small General Service class)

⁵ Staff Report at 39.

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1 will be \$10.87, and the monthly fixed CEP charge will be \$15.89. Another OCC
2 witness, Kerry Adkins, will discuss OCC's Objections to those proposals. But as
3 proposed by Columbia, the monthly fixed Delivery Charge for the SGS class
4 (residential consumers) would be \$73.07/month (\$46.31 + \$10.87 + \$15.89) by
5 2027. On top of this, Columbia is proposing a Federal Mandate Rider that by
6 2027 could reach an additional \$7.00/month. If the application was approved as
7 filed, a consumer taking service on the SGS rate class would be paying in excess
8 of \$80.00/month, even if the consumer doesn't use a molecule of gas. This is not
9 just and reasonable.

10
11 ***Q14. WHAT IS YOUR UNDERSTANDING OF STAFF'S RECOMMENDATION***
12 ***REGARDING THE FIXED DISTRIBUTION CHARGE FOR THE SMALL***
13 ***GENERAL SERVICE CONSUMERS?***

14 ***A14.*** Staff has recommended significant modifications to the IRP, CEP, and Federal
15 Mandate Riders (*see* OCC witness Kerry Adkins' testimony) and the overall
16 revenue requirement (*see* OCC witness Bion Ostrander's testimony) that may
17 reduce the rates proposed by Columbia.

18
19 However, while not explicitly stated, it appears to me that Staff is recommending
20 that a full Straight Fixed Variable ("SFV") rate design continue to be utilized as
21 the rate design for the Small General Service ("SGS") class. By a full SFV rate
22 design, I mean that the entire base distribution revenue assigned to the SGS class
23 would be recovered through a fixed charge. The level of that charge would be

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determined based upon the base distribution revenue requirement, the class allocation methodology found to be reasonable in this proceeding, the level of any applicable riders, and the number of bills in the class.

Q15. DO YOU AGREE WITH THAT RECOMMENDATION?

A15. No. Columbia has proposed a SFV rate design in this proceeding. Staff has recommended that a SFV rate design concept continue to be utilized for the SGS class. Staff made this recommendation regarding the rate design for residential consumers (SGS rate class) in spite of the fact that it also recommended “[t]he IRP and CEP rider rate designs for GS and LGS rate classes should not be wholly fixed monthly fees. The rates could be designed at a percentage of the customer’s base distribution charge or a combination of fixed and volumetric rates” and “[c]ustomers within these rate classes are not homogenous. Customers who use less gas have been paying the same rider rates as customers that use more gas, leading to higher bill increases for the lower use customers.”⁶

Staff should also have made the same findings for the SGS class because the same unfairness in SFV rate design is also true for the SGS (residential) class.

⁶ Staff Report at 40.

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1 ***Q16. HAS THE COMMISSION OPINED ON THIS SUBJECT BEFORE?***

2 ***A16.*** Yes. The Commission considered and adopted a modified SFV rate design for all
3 four major natural gas utilities in Ohio: In re Duke Energy Ohio, Case No. 07-
4 589-GA-AIR {Duke Rate Case), Opinion and Order (May 28, 2008); In re
5 Dominion East Ohio, Case No. 07- 829-GA-AIR (DEO Rate Case), Opinion and
6 Order (Oct. 15, 2008); In re Columbia Gas of Ohio, Case No. 08-72-GA-
7 AIR(Columbia Rate Case), Opinion and Order (Dec. 3, 2008); and In re Vectren
8 Energy Delivery of Ohio, Case No. 07-1080-GA-AIR (VEDO Rate Case),
9 Opinion and Order (Jan. 7, 2009).

10

11 However, the Commission has also indicated that “any interested party will have
12 a full and fair opportunity to address whether the proposed SFV should be
13 implemented and to raise any other issues specific to the Companies’ service
14 territories.”⁷ Additionally, the PUCO noted in another proceeding that “nothing in
15 the Order precludes any party from commenting on or presenting evidence
16 regarding a specific rate design that is proposed as part of a utility’s distribution
17 rate case by the utility, Staff or any other party”⁸ While both cases are electric-
18 related in nature, I believe they should be generically applied to all utilities.

19

20 I am providing comments that raise some legitimate issues that the PUCO should
21 consider. It is time to reconsider and modify the SFV rate design given the

⁷ PUCO Case No. 14-1297-EL-SSO, Opinion and Order at 94 (March 21, 2016).

⁸ PUCO Case No. 10-3126-EL-UNC, Second Entry on Rehearing at 5 (December 4, 2013).

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1 considerable changes in the level of monthly fixed charges being collected
2 and the other factors which I will explain in my testimony.

3

4 ***Q17. ARE YOU MAKING ANY RECOMMENDATIONS REGARDING THE***
5 ***STAFF RECOMMENDATION REGARDING THE SFV RATE DESIGN?***

6 ***A17.*** Yes, I am recommending that the PUCO reject the full SFV proposal as proposed
7 by the Staff Report in this case. For the reasons I will expand upon, I recommend
8 that the PUCO reconsider its policy goal of requiring SFV distribution rates for
9 residential natural gas customers. It should weigh the testimony and evidence
10 filed in individual cases. The base distribution revenue requirement for the SGS
11 class should be recovered partially through a fixed charge and partially through a
12 volumetric charge.

13

14 ***Q18. WHAT IS YOUR UNDERSTANDING OF THE PUCO'S POLICY GOALS***
15 ***REGARDING SFV RATE DESIGN?***

16 ***A18.*** Based on my review of the PUCO Opinion and Order in several cases, it is my
17 understanding that the PUCO has found that the SFV rate design would produce
18 more stable bills for customers, that bills would be easier to understand, that the
19 SFV rate design would produce a more accurate price signal, and that the SFV

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1 rate design would assure a more equitable allocation of distribution system costs
2 to cost-causers.⁹

3

4 ***Q19. WHY SHOULD THE PUCO RECONSIDER ITS POLICY GOAL?***

5 ***A19.*** I am not going to pretend that this is a cut-and-dried issue and that it is obvious
6 that the PUCO is just plain wrong. The literature on this subject is voluminous,
7 both pro and con (*see* Attachment RBF-2 for a sample listing of the literature). I
8 am also not going to point out what other specific states have done (some utility
9 regulators have implemented SFV, some have rejected the idea, some have been
10 in the middle). When I was a PUCO staff member, I was never fond of citing
11 what other state commissions were doing. I was most concerned that the PUCO
12 did the right thing for Ohio consumers.

13

14 Furthermore, I am not going to argue that a SFV rate design is “bad” for all
15 residential consumers. In fact, almost by definition, while low-use consumers are
16 negatively impacted by a SFV rate design, high-use consumers benefit from it. I
17 am going to point out what I see as potential flaws in the thinking that has led to
18 SFV rates being a policy goal.

⁹ Specifically, *see* PUCO Case No. 07-589-GA-AIR, Duke Rate Case, Opinion and Order at 17-19 (May 28, 2008); Case No. 07-829-GA-AIR, DEO Rate Case, Opinion and Order at 22-24 (October 15, 2008); Case No. 08-072-GA-AIR, Columbia Rate Case, Opinion and Order at 19-20 (December 3, 2008); and Case No.07-1080-GA-AIR VEDO Rate Case, Opinion and Order at 11-14 (January 7, 2009).

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1 Lastly, it is important to remember that a SFV rate design, whether it be full or
2 partial, is revenue neutral. That is, the rate design does not affect the total revenue
3 allocated to the consumers classes, but it does have intra-class repercussions.
4 Again, in this case, Columbia has proposed a “full” SFV rate design for the SGS
5 class.

6
7 ***Q20. WHAT IS YOUR UNDERSTANDING OF THE DEVELOPMENT OF AN***
8 ***“OPTIMAL” TARIFF DESIGN FOR UTILITY CONSUMERS?***

9 ***A20.*** Modern utility pricing theory is primarily concerned with the development of
10 optimal tariff design, which over the years has become dominated by a form of
11 pricing referred to as a “two-part tariff,” sometimes referred to more technically
12 as a non-linear (or non-uniform) pricing approach. Once a class revenue
13 requirement is established, the goal for regulators should be one that sets the most
14 appropriate rates based upon various efficiency and equity considerations.
15 Balancing the weight of how costs are recovered between fixed rates, variable
16 rates, and block rates are all integrated parts of that process.

17
18 Costs can be instructive in establishing a baseline upon which prices may be set,
19 but costs need not serve as the sole or exclusive basis for rates in order for them to
20 be set optimally (i.e., fixed charges do not need to strictly equal fixed costs,
21 variable rates need not strictly equal variable costs). Unfortunately, the “fixed
22 charge-equals-fixed cost” philosophy gets repeated so often that it can often

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1 drown out meaningful discussions about other equally important
2 considerations/principles in setting rates in imperfect markets.

3
4 These considerations/principles include assuring that the utility has an opportunity
5 to recover its authorized revenue requirement, assuring that the overall allowed
6 revenue requirement is reasonably allocated across all customer classes and rate
7 groups, assuring that the selected rate design is equitable and reasonable, and that
8 rates be set in a fashion that facilitates customer understanding, continuity of
9 rates, and minimal customer impacts.¹⁰

10
11 Utilities and regulators should be cautious before adopting a particular method of
12 rate design on the basis of what may be a superficial appeal. And more important,
13 is the concern that a costing method, once adopted, becomes the predominant and
14 unchallenged determinant of rate design.¹¹

15
16 The PUCO adopted a modified SFV rate design for all four major natural gas
17 utilities in Ohio because (A) the SFV rate design will produce more stable bills
18 for customers; (B) the SFV rate design would be easier to understand; (C) the

¹⁰ Report of the review of the Application to Increase Rates of Aqua Ohio, Inc., February 11, 2022, Section 5, Rate and Tariff Review, Larkin & Associates and Acadian Consulting Group.

¹¹ Charging for Distribution Utility Services: Issues in Rate Design, December 2000: Weston, R. (2000). Charging for Distribution Utility Services: Issues in Rate Design. Montpelier, VT: Regulatory Assistance Project, p.39.

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1 SFV would produce a more accurate price signal; (D) the SFV rate design would
2 assure a more equitable allocation of distribution system costs to cost causers.

3
4 ***Q21. DOES A SFV RATE DESIGN PRODUCE MORE STABLE BILLS FOR***
5 ***CONSUMERS?***

6 ***A21.*** Consumer bills that include a revenue neutral SFV rate design may be less
7 volatile than those based strictly on consumption. However, it is generally
8 preferable that individual consumers make their own consumption decisions. If a
9 consumer wants year-around stable natural gas bills, the consumer can opt to
10 enroll in budget billing with its natural gas company. It should be the consumer's
11 choice how to best manage its utility payments.

12
13 And, yes, high fixed charges as part of a SFV rate design can stabilize utility
14 revenues in the near term and are easy to administer. This approach, however,
15 deviates from the long-established rate design principles holding that only
16 consumer-specific costs (those that actually change with the number of consumers
17 served) properly belong in fixed monthly fees. The fixed charge for residential
18 service should not exceed the consumer-specific charges attributable to an
19 incremental customer. For most residential consumers, this is the cost of a service
20 line, the portion of the meter costs directly related to billing for usage, plus the
21 cost of periodic billing and collection.

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1 ***Q22. IS A SFV RATE DESIGN EASIER TO UNDERSTAND?***

2 ***A22.*** I think the PUCO has mistaken “ease of calculation” with “ease of
3 understandability.” I have worked with utility rates for over 33 years now, and I
4 still don’t understand why a consumer who lives in a 5,000 square foot house,
5 heats with gas, has a gas water heater and a multitude of gas appliances should
6 pay the same distribution bill as a consumer living in a 500 square foot apartment
7 with gas heat. A fixed charge is no easier to understand than a rate per kWh that
8 charges a set amount for each MCF used. In fact, since that is how many items are
9 purchased (on a per unit basis), a usage charge is, quite probably, easier to
10 understand for the consumer (i.e. the fewer units consumed the lower the charge).

11

12 Investments in distribution plant are made to provide a supply of natural gas, and
13 the costs should be recovered in proportion to how much of that natural gas a
14 consumer uses. A 5,000 sq. ft. home, which heats by natural gas, has a gas water
15 heater and multiple gas appliances requires more local distribution system
16 capacity than a 500 sq. ft. efficiency apartment. Given a choice between the fixed
17 charge and the variable charge, the volumetric charge is the more appropriate
18 mechanism for those capacity costs. If they are allocated to the fixed charge, the
19 signal is that all residential consumers require the same amount of system
20 capacity, regardless of the size of the residence (or, the size of the connected
21 load). Size does matter.

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1 The complexity of today's utility bills is not due to the consumer charge and the
2 volumetric charges, it is due to the multiple riders to which each consumer is
3 subjected.

4
5 ***Q23. DOES A SFV RATE DESIGN PRODUCE A MORE ACCURATE PRICE***
6 ***SIGNAL TO CONSUMERS?***

7 ***A23.*** In its Opinion and Order of March 31, 2016 in Case No. 14-1297-EL-SSO, the
8 PUCO opined that implementation of SFV rate design removes disincentives to
9 electric utilities to promote energy efficiency. That is also true in the gas industry.
10 But that is only half the story. Increasing fixed charges can significantly reduce
11 incentives for consumers to reduce consumption through energy efficiency,
12 distributed generation, or other means. By reducing the value of a kWh saved or
13 self-generated, a higher fixed charge directly reduces the incentive that consumers
14 have to lower their bills by reducing consumption. There are many reasons a
15 consumer might have low energy usage – they may have energy efficient
16 appliances, they may be conscientious in avoiding the wasteful use of electricity,
17 or they may be located in smaller homes or apartments and therefore impose
18 lower distribution costs on the grid.¹² The price signal that a SFV rate design
19 sends to consumers is “usage doesn’t matter.” Fixed, recurring, unavoidable
20 charges tell a consumer little about the costs that his or her consumption imposes

¹² Fixed Charges and Utility Customers, Prepared for Consumers Union by Synapse Energy Economics, 2016, p.14. www.consumersunion.org; www.synapse-energy.com/fixed_charges_factsheet.

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1 on the system. In fact, they offer consumers no information at all about the
2 scarcity and costs of distribution capacity.

3
4 One of the most important and effective tools that any regulator has to promote
5 efficient use of energy (including gas) is by developing rates that send proper
6 pricing signals to conserve and utilize resources efficiently.¹³ Pricing structures
7 that are weighted heavily on fixed charges are much more inferior from a
8 conservation and energy efficiency standpoint than pricing structures that require
9 consumers to incur more costs with additional consumption.¹⁴ Stated more
10 simply, those consumers who conserve or are otherwise more energy efficient, or
11 those who use less of the commodity for any reason, should pay less than those
12 who use more.

13
14 ***Q24. DOES THE SFV RATE DESIGN ASSURE A MORE EQUITABLE***
15 ***ALLOCATION OF DISTRIBUTION SYSTEM COSTS TO COST CAUSERS?***

16 ***A24.*** The rationale behind the policy that the fixed costs of an energy distribution
17 company should be recovered through fixed monthly charges is incorrect .¹⁵ In

¹³ State of Indiana Cause Nos. 44576 & 4602 re: Indianapolis Power & Light Company: Verified Direct Testimony of Glenn A Watkins – Public Exhibit No. 14 On Behalf of the Indiana Office of Utility Consumer Counselor, July 27, 2015, p.60.

¹⁴ State of Indiana Cause Nos. 44576 & 4602 re: Indianapolis Power & Light Company: Verified Direct Testimony of Glenn A Watkins – Public Exhibit No. 14 On Behalf of the Indiana Office of Utility Consumer Counselor, July 27, 2015.

¹⁵ Charging for Distribution Utility Services: Issues in Rate Design, December 2000: Weston, R. (2000). Charging for Distribution Utility Services: Issues in Rate Design. Montpelier, VT: Regulatory Assistance Project. P.42.

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1 reality, distribution costs are NOT permanently fixed: investment in distribution is
2 constant and growing, and unavoidable.¹⁶ Inevitably, the utility will have to make
3 new capital investments; load growth may require new generating equipment or
4 distribution lines to be upgraded;¹⁷ and investments will be made for reliability
5 purposes and to replace existing systems.¹⁸

6
7 Furthermore, proper pricing should reflect the Utility's long-run costs, wherein all
8 costs are variable or volumetric in nature, and users requiring more of the Utility's
9 products or services should pay more than the consumers who use less of the
10 same products and services. In fact, in its Entry of December 29, 2010 in Case
11 No. 10-3126-EL-UNC, page 5, the PUCO stated: "Finally, we are cognizant of
12 our own obligation to initiate programs that will promote and encourage
13 conservation of energy and a reduction in the growth rate of energy consumption,
14 promote economic efficiencies, **and take into account long-run incremental**
15 **costs.**" A SFV rate design takes into account only historic sunk costs and does
16 nothing to recognize the long-run incremental costs.

¹⁶ Charging for Distribution Utility Services: Issues in Rate Design, December 2000: Weston, R. (2000). Charging for Distribution Utility Services: Issues in Rate Design. Montpelier, VT: Regulatory Assistance Project, p. 7.

¹⁷ Caught in a Fix: The problem with Fixed Charges for Electricity, Prepared for Consumers Union, February 9, 2016 by Synapse Energy Economics, Inc.: Whited, Melissa; Woolf, Tim; Daniel, Joseph (February 9, 2016). Caught in a Fix: The problem with Fixed Charges for Electricity, Prepared for Consumers Union, February 9, 2016 by Synapse Energy Economics, Inc., Cambridge, MA., p.23.

¹⁸ Charging for Distribution Utility Services: Issues in Rate Design, December 2000: Weston, R. (2000). Charging for Distribution Utility Services: Issues in Rate Design. Montpelier, VT: Regulatory Assistance Project, p. 32.

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1 Investments in distribution plant are made to provide a supply of electricity and/or
2 natural gas, and the costs should be recovered in proportion to how much of that
3 electricity or gas a customer uses. Given a choice between the fixed charge and
4 the variable charge, the volumetric charge is the more appropriate mechanism for
5 those capacity costs. If they are allocated to the fixed charge, the signal is that all
6 residential consumers require the same amount of system capacity, regardless of
7 the size of the residence (or, the size of the connected load).

8

9 Those who make greater use of the network should bear a proportionately greater
10 share of its costs and pay usage-based rates because those who use more of the
11 service should cover proportionately more of its costs.

12

13 ***Q25. ARE THERE ANY OTHER REASONS FOR THE COMMISSION TO RE-***
14 ***EVALUATE ITS SFV RATE DESIGN POLICY?***

15 ***A25.*** Residential consumers who use less energy will experience the greatest
16 percentage jumps in their gas bills if the fixed charge is raised because bills are
17 based less on usage and more on a flat fee structure. The larger the consumer
18 charge, the lower the percentage increase in bills for above-average use
19 consumers. There are many reasons a consumer might have low energy usage –
20 they may have energy efficient appliances, they may be conscientious in avoiding
21 the wasteful use of energy, or they may also reside in smaller homes or
22 apartments and therefore impose lower distribution costs on the grid. Consumers

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1 should not be penalized for being efficient, conservative and environmentally
2 responsible.

3

4 **OCC/NOPEC Objection No. 26**

5

6 ***Q26. SHOULD THE STAFF REPORT HAVE MADE A***

7 ***RECOMMENDATION MODIFYING THE REFUND LANGUAGE IN***

8 ***CURRENT TARIFFS?***

9 ***A26.*** Yes. The Staff Report should have proposed modifications to the refund
10 language in order to better protect consumers.

11

12 Specifically, OCC objects because the current refund language is weak in
13 protecting consumers. Columbia does have “refund” language in some of
14 its tariffs as follows: “RECONCILIATION ADJUSTMENT: This Rider is
15 subject to annual reconciliation or adjustment, including but not limited to,
16 increases or refunds. Such annual reconciliation or adjustment shall be
17 limited to the incremental twelve-month period of CEP Investment upon
18 which the rates were calculated, if determined to be unlawful,
19 unreasonable, or imprudent by the Commission in the docket those rates
20 were approved or by the Supreme Court of Ohio.” (Current Columbia Gas
21 Tariff, 6th Revised Sheet, No.30d).

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1 The Staff Report should have recommended the existing refund language
2 be revised to read “RECONCILIATION ADJUSTMENT: This Rider is
3 subject to annual reconciliation or adjustment, including but not limited to,
4 increases or refunds as a result of the Rider being declared unlawful by the
5 Supreme Court of Ohio or the Public Utilities Commission of Ohio. Such
6 annual reconciliation or adjustment shall be limited to the incremental
7 twelve-month period of CEP Investment upon which the rates were
8 calculated, if determined to be unlawful, unreasonable, or imprudent by
9 the Commission in the docket those rates were approved or by the
10 Supreme Court of Ohio.” (Current Columbia Gas Tariff, 6th Revised
11 Sheet, No.30d)). The language proposed should be in all tariffs and riders
12 (including current and proposed) making them subject to refund.

13
14 ***Q27. DOES THIS CONCLUDE YOUR TESTIMONY?***

15 ***A27.*** Yes. However, I reserve the right to incorporate new information that may
16 subsequently become available. I also reserve the right to supplement my
17 testimony in the event Columbia, the PUCO Staff or other parties submit new or
18 corrected information in connection with this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Robert B. Fortney on behalf of Office of the Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 13th day of May 2022.

/s/ Angela D. O'Brien
Angela D. O'Brien
Assistant Consumers' Counsel

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

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Robert Fortney
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Company	Docket No.	Date
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Toledo Edison Company	88-171-EL-AIR	1988
Ohio Edison Company	89-1001-EL-AIR	1990
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Columbus Southern Power Company	91-418-EL-AIR	1992
Cincinnati Gas & Electric Company	92-1464-EL-AIR	1993
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Toledo Edison Company	95-299-EL-AIR	1995
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Cincinnati Gas & Electric Company	03-0093-EL-ATA	2004
Cincinnati Gas & Electric Company	03-2079-EL-AAM	2004
Cincinnati Gas & Electric Company	03-2081-EL-AAM	2004
Monongahela Power Company	04-0880-EL-UNC	2004

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Dayton Power and Light Company	05-0276-EL-AIR	2005
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Case No(s). 21-0637-GA-AIR, 21-0638-GA-ALT, 21-0639-GA-UNC, 21-0640-GA-AAM

Summary: Testimony Direct Testimony of Robert B. Fortney On Behalf of Office of the Ohio Consumers' Counsel electronically filed by Mrs. Tracy J. Greene on behalf of O'Brien, Angela D