

FILE

OCC EXHIBIT \_\_\_\_\_

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The )  
Cincinnati Gas & Electric Company for ) Case No. 05-0059-EL-AIR  
An Increase in Electric Distribution Rates )  
)  
)

In the Matter of the Application of The )  
Cincinnati Gas & Electric Company for ) Case No. 05-0060-EL-AAM  
Approval to Change Accounting Methods )

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PREPARED TESTIMONY

OF

PAMELA J. ARCHER

ON BEHALF OF THE  
OFFICE OF THE OHIO CONSUMERS' COUNSEL  
10 West Broad Street, Suite 1800  
Columbus, OH 43215-3485

October 11, 2005

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1 **I. INTRODUCTION**

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

3 ***A1.*** My name is Pamela J. Archer. My business address is 10 West Broad  
4 Street, 18<sup>th</sup> Floor, Columbus, Ohio 43215-3485. I am employed by the  
5 Office of the Ohio Consumers' Counsel ("OCC") as an Energy Specialist.

6  
7 ***Q2. WOULD YOU PLEASE BRIEFLY SUMMARIZE YOUR EDUCATION  
8 AND PROFESSIONAL EXPERIENCE?***

9 ***A2.*** I am a June 1992 graduate of The Ohio State University with a Bachelor of  
10 Science Degree in Chemical Engineering and a 1996 graduate of Ashland  
11 University with a Master of Business Administration Degree. Since  
12 joining OCC in September 1992, I have received additional training at the  
13 Annual Regulatory Studies Program sponsored by the National  
14 Association of Regulatory Utility Commissioners (NARUC) at Michigan  
15 State University in 1993. I have also taken post-graduate courses in  
16 Managerial Accounting, Corporate Finance, and Business Law at The  
17 Ohio State University.

18  
19 ***Q3. WHAT ARE YOUR RESPONSIBILITIES AS AN ENERGY  
20 SPECIALIST?***

21 ***A3.*** My duties include research, investigation, and analysis of utility  
22 applications for rate increases. I also participate in special projects and

1 investigations. In this position, I have worked with consultants and other  
2 OCC staff in the analysis and research of rate design and cost allocation  
3 issues in rate cases for electric, gas, and water companies.  
4

5 ***Q4. HAVE YOU PREVIOUSLY FILED TESTIMONY WITH THIS***  
6 ***COMMISSION?***

7 ***A4.*** Yes. I have filed testimony in the following proceedings before the Public  
8 Utilities Commission of Ohio (“Commission”): East Ohio Gas  
9 Company/River Gas Company, Case No. 93-2006-GA-AIR; Ohio Power  
10 Company, Case No. 94-996-EL-AIR; Monongahela Power Company,  
11 Case No. 94-1918-EL-AIR; The Cincinnati Gas and Electric Company,  
12 Case No. 95-656-GA-AIR; The Cincinnati Gas and Electric Company,  
13 Case No. 01-1228-GA-AIR; and Vectren Energy Delivery of Ohio, Inc.,  
14 Case No. 04-571-GA-AIR.  
15

16 ***Q5. WHICH DOCUMENTS HAVE YOU REVIEWED IN THE***  
17 ***PREPARATION OF YOUR TESTIMONY?***

18 ***A5.*** I have reviewed The Cincinnati Gas and Electric Company’s (“CG&E” or  
19 “Company”) pre-filed testimony, the standard filing requirements and  
20 supporting workpapers, responses to OCC discovery, responses to  
21 Commission Staff data requests, and the Staff Report of Investigation in  
22 conjunction with its supporting workpapers.

1 **II. PURPOSE OF TESTIMONY**

2 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
3 **PROCEEDING?**

4 **A6.** I am recommending that the Commission set the customer charge at \$4.50  
5 and maintain the bad check charge at its current level of \$13.50.

6  
7 **III. CUSTOMER CHARGE**

8 **Q7. WHAT IS THE COMPANY'S PROPOSED INCREASE FOR THE**  
9 **RESIDENTIAL RATE CLASS MONTHLY CUSTOMER CHARGE?**

10 **A7.** CG&E is proposing to increase the Residential monthly customer charge  
11 by 50%, from \$4.00 to \$6.00 per month.

12  
13 **Q8. WHAT IS THE COMMISSION STAFF'S PROPOSED INCREASE**  
14 **FOR THE RESIDENTIAL RATE CLASS MONTHLY CUSTOMER**  
15 **CHARGE?**

16 **A8.** Staff's customer charge methodology supports a monthly customer charge  
17 of \$4.50. Staff proposed this increase based on a Customer Cost  
18 Assignment shown on page 61, Table 3 of the Staff Report.

1           ***Q9. WHAT IS YOUR UNDERSTANDING OF STAFF'S CUSTOMER***  
2           ***COST ASSIGNMENT?***

3           ***A9.*** Staff has taken an approach which assigns each rate class their direct  
4           100% customer-related costs. These customer-related costs are to be  
5           recovered in the customer charge. The customer charge is calculated by  
6           dividing the total allocated customer costs by the total number of annual  
7           bills per class. For the Residential class, their customer-related costs  
8           totaled \$34,783,211 and the total number of annual bills is 7,753,637,  
9           which computes to a customer charge of \$4.49 ( $34,783,211 / 7,753,637$ ).

10  
11           ***Q10. WHAT DO YOU RECOMMEND?***

12           ***A10.*** I agree with Staff's recommendation to increase the Residential Monthly  
13           Customer charge from \$4.00 to \$4.50. This approach takes customer-  
14           related direct costs into account. A customer charge should include those  
15           direct customer costs incurred by all customers receiving service every  
16           month.

17  
18           Additionally, the cost-based increase of 12.50% is more reasonable than  
19           the 50% increase proposed by the Company. The dramatic increase that  
20           CG&E proposed is contrary to the rate design principle of gradualism that  
21           is intended to protect consumers from such substantial increases in rates.

1 **IV. BAD CHECK CHARGE**

2 **Q11. WHAT AMOUNT IS THE COMPANY PROPOSING FOR THE BAD**  
3 **CHECK CHARGE IN THIS PROCEEDING?**

4 **A11.** CG&E is proposing to increase the bad check charge from \$13.50 to  
5 \$20.00.

6  
7 **Q12. WHAT IS THE BASIS FOR THE PROPOSED INCREASE?**

8 **A12.** Through testimony and responses to data requests, the Company claims  
9 that the proposed increase is based on the bad check fees imposed by other  
10 businesses such as banks and retailers. The Company also states that bad  
11 check charges "must be set high enough to deter people from purposefully  
12 presenting bad checks as payment." (See CG&E Response to Staff-DR-  
13 01-046 (April 11, 2005), attached hereto as Attachment A). Further, the  
14 Company claims that "by setting the bad check charge at a level that is  
15 consistent with other businesses some customers may be less inclined to  
16 submit a bad check to CG&E in lieu of another business that charges a  
17 higher fee for returned checks." (See Attachment A).

18  
19 **Q13. WHAT IS STAFF'S POSITION ON THIS ISSUE?**

20 **A13.** Staff is recommending approval of the proposed increase because, based  
21 upon standard business practices, the proposed increase does not seem  
22 unreasonable.

1           **Q14. DO YOU AGREE WITH THE COMPANY'S AND STAFF'S**  
2           **POSITIONS ON THIS ISSUE?**

3           **A14.** No, I do not. I do not believe the bad check charge amount should be  
4           increased to \$20.00 because the Company and the Staff have not provided  
5           any support for the proposed increase. No documentation has been  
6           provided to show the actual costs that have been incurred to process bad  
7           checks in order to justify a change in the charge. Additionally, no support  
8           has been provided to substantiate CG&E's claims that the level proposed  
9           will be more of a deterrent than the current charge or that consumers  
10          'cherry pick' which company or business to pay with a bad check.

11  
12          **Q15. ARE THERE ANY OTHER REASONS THE RETURNED CHECK**  
13          **CHARGE SHOULD NOT BE ADOPTED?**

14          **A15.** Yes. Adoption of a new amount for the charge will create an  
15          inconsistency between CG&E's gas service tariff and its electric service  
16          tariff. Currently, the bad check charge in CG&E's gas service tariff is  
17          \$13.50.

18  
19          **Q16. HOW WILL AN INCONSISTENCY BE CREATED?**

20          **A16.** An inconsistency will be created because a gas customer will still pay  
21          \$13.50 for a returned check, while an electric customer will be paying  
22          \$20.00 if the proposed increase is allowed to go into effect. In addition,

*Testimony of Pamela J. Archer  
05-0059-EL-AIR and 05-0060-EL-AAM  
October 11, 2005*

1           there is no proposal being made for a combined customer who is receiving  
2           both types of service from the Company.

3  
4           Alternatively, I recommend that the increased charge of \$20.00 not go into  
5           effect until the Company brings the current bad check charge in the gas  
6           tariff in line with the proposed modification to the electric tariff. This is  
7           consistent with a recommendation in the Staff Report regarding another  
8           charge that CG&E proposed to change in its electric service tariff. (See  
9           Staff Report at 56).

10

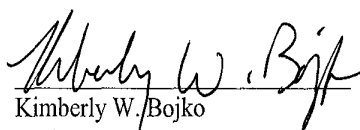
11           ***Q17. DOES THIS CONCLUDE YOUR TESTIMONY?***

12           ***A17.*** Yes. However, I reserve the right to revise my testimony to incorporate  
13           new information that may subsequently become available.



**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Testimony of Pamela J. Archer filed on behalf of the Office of the Ohio Consumers' Counsel has been served by first class mail, postage prepaid to the following parties of record this 11th day of October, 2005.

  
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