

IN THE SUPREME COURT OF OHIO

ORIGINAL

The Office of the Ohio Consumers' Counsel,)
Appellant,
v.
The Public Utilities Commission of Ohio,
Appellee.

Case No. 09-0314

Appeal from the Public Utilities Commission of Ohio Case Nos. 07-829-GA-AIR, 07-830-GA-ALT, 07-831-GA-AAM, 08-169-GA-ALT, and 06-1453-GA-UNC

MOTION FOR A STAY OF EXECUTION BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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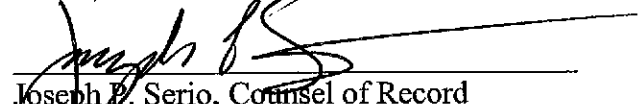
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Appellee.)	06-1453-GA-UNC

**MOTION FOR A STAY OF EXECUTION
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

To serve the public interest and avoid irreparable harm to the customers of East Ohio Gas Company d/b/a Dominion East Ohio (“DEO” “Company” or “Intervening Appellee”), the Office of the Ohio Consumer’s Counsel (“OCC” or “Appellant”) respectfully moves this Court, pursuant to S.Ct. R. XIV, Section 4, to issue an order granting a Stay of Execution of an Opinion and Order (“Order”) and an Entry of the Public Utilities Commission of Ohio (“PUCO,” “Commission” or “Appellee”). The Order and Entry were journalized on October 15, 2008 and October 22, 2008, respectively, and are attached hereto as Exhibit A and Exhibit B. Pursuant to the stay provisions in R.C. 4903.16, OCC seeks to stay the effective date (October 2009) of the next phase of the objectionable rate design that the PUCO authorized DEO to impose on residential customers. For the reasons set forth in the following Memorandum in Support, the requested Stay of Execution should be granted.

Respectfully submitted,

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- Exhibit C *In the Matter of the Application of Dominion East Ohio for an Increase in Rates,*
PUCO Case No. 07-829-GA-AIR, et al.,
Motion to Stay Implementation of Residential Stage 2 Tariffs (March 31, 2009)
- Exhibit D *In the Matter of the Application of Dominion East Ohio for an Increase in Rates,*
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Entry on Rehearing (December 19, 2008)
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Notice of Intent to File a Stay Letter (April 10, 2009)
- Exhibit F *In the Matter of the Application of Dominion East Ohio for an Increase in Rates,*
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- Exhibit G *In the Matter of the Application of Dominion East Ohio for an Increase in Rates,*
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- Exhibit H *In the Matter of the Application of Dominion East Ohio for an Increase in Rates,*
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- Exhibit I *In the Matter of the Application of Dominion East Ohio for an Increase in Rates,*
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- Exhibit J *In the Matter of the Application of Dominion East Ohio for an Increase in Rates,*
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Exhibit K *In the Matter of the Application of Dominion East Ohio for an Increase
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)	08-169-GA-ALT, and
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MEMORANDUM IN SUPPORT

I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC") moves to stay the PUCO's Order and Entry that provide DEO with an illegal and unreasonable means to collect distribution service rates from customers. The illegal and unreasonable means is the rate design the PUCO ordered DEO to implement for collecting revenues related to distribution service from customers. This rate design, known as Straight Fixed Variable ("SFV"), is the subject of the underlying appeal now before this Court.¹

The PUCO denied the OCC's Application for Rehearing on December 19, 2008.² OCC subsequently filed a Motion to Stay the implementation of the October 15, 2008 Opinion and Order (Ex. A) and issuance of the Entry (Ex. B) approving the tariffs with

¹ The appeal also presents issues of inadequate notice under R.C. 4909.18 (Appx. 000006) and 4909.19 (Appx. 000009).

² *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Entry on Rehearing (Ex. D) at 16 (Dec. 19, 2008).

the PUCO.³ As of the date of this Motion, the PUCO has not ruled on the Motion to Stay Implementation of Residential Stage 2 Tariffs (Ex. C). Therefore, on April 10, 2009, OCC provided the PUCO with a letter notice of the intent to file a stay of execution with this Court, which is attached as Exhibit E.

The SFV will negatively impact low-use customers and will impede energy efficiency. The SFV is being implemented in two stages, which are successive phases of increases in customers' monthly fixed charge. There is an opportunity now to stay the next phase from being imposed on customers. Otherwise, the next phase of the increase in the fixed charge (even with the decrease in the non-fixed charge) will irreparably harm customers, as will be explained below. It is this irreparable harm that OCC asks this Court to halt. Because it is unlikely that this appeal will be resolved before the next phase of the SFV is implemented in October 2009, OCC requests a Stay of Execution to prevent additional irreparable harm to DEO's residential customers in the meantime.

The Stage 2 rate design change is not a revenue increase for DEO. It will not change the overall revenues that DEO is authorized to collect. Therefore, a stay of the October 2009 (Stage 2) rate design change would not prevent the collection of DEO's revenue increase which is reflected in the rates whether under Stage 1 or Stage 2.

Under the SFV approach ordered by the PUCO, which abandons thirty years of precedent, customer charges increase dramatically, while volumetric rates decrease. The two stages of SFV for DEO's residential customers are as follows:⁴

³ Id., PUCO Case No. 07-829-GA-AIR, et al., Motion to Stay (Ex. C) (Mar. 31, 2009).

⁴ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Opinion & Order (Ex. A) at 14-15 (Oct. 15, 2008).

	Customer Charge	Volumetric Charge
Prior Tariff East Ohio West Ohio	\$5.70 \$4.38	\$1.2355 per Mcf \$1.1201 per Mcf
Stage 1 East Ohio West Ohio	\$12.50 \$12.50	\$0.648 per Mcf \$1.075 per Mcf
Stage 2 East Ohio West Ohio	\$15.40 \$15.40	\$0.378 per Mcf \$0.627 per Mcf

As illustrated above, the fixed monthly customer charge is increased with each stage, while the volumetric rate decreases. Under this approach, DEO will be collecting more and more of its distribution service revenues from the fixed customer charge that customers cannot avoid, and less revenues from the volumetric charges that customers historically could avoid by controlling their usage. Thus, this Court can grant the stay to prevent Stage 2 rates from being charged to customers -- and DEO will continue to collect Stage 1 rates that are designed to recover the revenues authorized by the PUCO. Therefore, no harm will flow to the Company if this stay is granted.

II. STANDARD OF REVIEW

There is no controlling precedent in Ohio setting forth the conditions under which an order of the Commission shall be stayed.⁵ However, the Commission has urged

⁵ *In the Matter of the Commission's Investigation Into the Modification of Intrastate Access Charges*, 2003 Ohio PUC LEXIS 62, *9-*10 (citing *MCI Telecommunications Corp. v. Pub. Util. Com.* (1987), 31 Ohio St.3d 604, 606, 510 N.E.2d 806 (Douglas, J., dissenting)).

adoption of the four-part analysis suggested by Justice Douglas in *MCI Telecommunications Corp. v. Pub. Util. Com.* There Justice Douglas presented four factors to consider when examining a request for a stay of the Commission orders:

“(a) Whether there has been a strong showing that movant is likely to prevail on the merits; (b) Whether the party seeking the stay has shown that it would suffer irreparable harm absent the stay; (c) Whether the stay would cause substantial harm to other parties; and (d) Where lies the public interest.”⁶ As illustrated below, this Court should stay the Commission’s order because OCC can show a strong public interest in favor of the stay, irreparable harm to consumers if the stay does not issue, no harm to DEO if the stay is granted, and a strong likelihood of prevailing on the merits.

III. LAW AND ARGUMENT

A. DEO Will Suffer No Substantial Harm As A Result Of This Court’s Stay Of The Order.

In this case OCC is only objecting to the rate design--not the total revenues that DEO is authorized to collect from residential customers. DEO’s rates are designed to collect its full revenue requirements whether under Stage 1 or Stage 2 of its approved Residential Tariffs. However, as DEO progresses from Stage 1 to Stage 2 of the SFV rate, it collects more of the revenue requirement through the fixed monthly customer charge than through the volumetric charge. The following chart demonstrates the shift from volumetric rate collection to fixed rate collection that has occurred since the tariffs

⁶ *In the Matter of the Commission’s Investigation Into the Modification of Intrastate Access Charges*, 2003 Ohio PUC LEXIS 62, *10 (citing *MCI Telecommunications Corp. v. Pub. Util. Com.* (1987), 31 Ohio St.3d 604, 606 (Douglas, J., dissenting)).

were approved, with the “Prior Tariff” referring to rates existing prior to the PUCO order under appeal:

	Monthly Residential Customer Charge	Annual Number of Residential Bills⁷	Residential Revenues Collected through Customer Charge	Revenue shift from Volumetric to Fixed Customer Charge
Prior Tariff				
East Ohio	\$5.70	12,814,615	\$73,043,306	N/A
West Ohio	\$4.38	<u>713,311</u>	<u>\$3,124,302</u>	N/A
Total		13,527,926	\$76,167,608	N/A
Stage 1				
East Ohio	\$12.50	12,814,615	\$160,182,688	\$87,139,382 ⁸
West Ohio	\$12.50	<u>713,311</u>	<u>\$8,916,388</u>	<u>\$5,792,085⁹</u>
Total		13,527,926	\$169,098,076	\$92,931,467
Stage 2				
East Ohio	\$15.40	12,814,615	\$197,345,071	\$124,301,766 ¹⁰
West Ohio	\$15.40	<u>713,311</u>	<u>\$10,984,989</u>	<u>\$7,860,687¹¹</u>
Total		13,527,926	\$208,330,060	\$132,162,453

As described above, granting the stay of execution would maintain the rate design at Stage 1, while still allowing DEO to continue to collect its approved revenue requirements. The Company would merely miss the opportunity to collect more of its authorized revenues through a fixed monthly customer charge. However, the Company would nevertheless have the reasonable opportunity to recover all its authorized revenues

⁷ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., DEO Application (Ex. F) at E-4 page 1 of 6 (East Ohio, GSS Residential bills, 4,221,824 and ECTS Residential bills, 8,592,791) and page 3 of 6 (West Ohio, GSS Residential bills, 456,459 and ECTS Residential bills, 256,852).

⁸ \$160,182,688 - \$73,043,306 = \$87,139,382.

⁹ \$8,916,388 - \$3,124,302 = \$5,792,085.

¹⁰ \$197,345,071 - \$73,043,306 = \$124,301,766.

¹¹ \$10,984,989 - \$3,124,302 = \$7,860,687.

but through a higher volumetric charge in lieu of the higher fixed charge. This arrangement ensures the Company will not suffer any substantial harm due to the stay of execution. However, the irreparable harm to DEO's low-use residential customers, described below, is exacerbated as the fixed monthly customer charge increases and the volumetric rate decreases.

B. A Stay Serves the Public Interest Because the SFV Rate Design Runs Counter to Public Policy Promoting Energy Efficiency and Conservation.

Justice Douglas, in articulating a standard for stays, emphasized that the most important consideration is “above all * * *, where lies the interest of the public” and that “the public interest [] is the ultimate important consideration for this Court in these types of cases.”¹² Justice Douglas’ dissent in *MCI* emphasizes that Commission Orders “have effect on everyone in this state -- individuals, business and industry.”¹³ In these difficult economic times, that effect is most sharply felt by residential consumers who can ill afford increases in essential services such as utilities in general and the supply of natural gas fuel in particular.

The public interest in this case focuses on the need to carry out the state policy encouraging conservation and energy efficiency efforts in Ohio. Specifically, R.C. 4929.02(A)(4) (Appx. 000017) encourages “innovation and market access for cost-effective supply- and demand-side natural gas services and goods.”¹⁴ Yet, the SFV rate

¹² *MCI Telecommunications Corp. v. Pub. Util. Com.* (1987), 31 Ohio St.3d 604, 606, 510 N.E.2d 806 (Douglas, J., dissenting).

¹³ *Id.* at 606, 510 N.E.2d at 807.

¹⁴ R.C. 4929.02(A)(4) (Appx. 000017).

design contradicts and undermines this policy by discouraging consumers to pursue conservation efforts such as purchasing insulation and other conservation retrofits.

Recent developments in high-efficiency furnaces and set-back thermostats, which promote conservation and energy efficiency, gained “market access” because individual consumers were motivated to lower their utility bills by conserving purchased fuel and using it more efficiently. The SFV rate design, on the other hand, fails to reward consumers’ conservation efforts -- and the monetary investments required -- because the fixed monthly customer charge must be paid regardless of whether the consumer reduces usage. This rate design vitiates the impact and benefit of reduced consumption.

Further, the SFV rate design prolongs the time (the payback period) it takes for investments in conservation and efficiency retrofits to pay for themselves in savings. R.C. 4905.70 (Appx. 000005) charges the Commission with encouraging these kinds of retrofits and innovation.¹⁵ Thus, by discouraging consumers from investing in energy efficiency and conservation efforts, the Commission fails to adhere to state energy policy and ignores the duty that the General Assembly placed upon it through Section 4905.70 (Appx. 000005) of the Revised Code.

R.C. 4911.15 (Appx. 000014) allows the Consumers’ Counsel to represent consumers “whenever in [her] opinion the public interest is served.”¹⁶ The Consumers’ Counsel first intervened in this case to serve the public interest and moves to stay the Commission’s order now for the same reason. The SFV rate design approved by the Commission below unfairly burdens low-use consumers, discourages conservation, and

¹⁵ R.C. 4905.70 (Appx. 000005).

¹⁶ R.C. 4911.15 (Appx. 000014).

diminishes the value of energy efficiency investments to residential consumers. A stay of that Order would thus serve the public interest.

C. Irreparable Harm Will be Suffered by Residential Customers in the Absence of Action by this Court.

Harm is irreparable “when there could be no plain, adequate and complete remedy at law for its occurrence and when any attempt at monetary restitution would be ”impossible, difficult, or incomplete.”¹⁷ In the context of judicial orders, this Court traditionally looks to the lack of an effective legal remedy to determine whether to allow an interlocutory appeal to stay the proceedings.¹⁸ The SFV rate design irreparably harms DEO’s low-use residential customers and warrants this Court granting the requested stay.

1. Ohio Law Provides No Plain, Adequate, And Complete Remedy For The Harm That Will Ensue To Dominion East Ohio’s Customers If A Stay Is Not Granted.

a. There Is No Plain, Adequate And Complete Remedy For The Lost Opportunities To Conserve.

A rate design with a fixed monthly customer charge that is more than three times what many consumers were paying only a year ago will likely discourage individual energy conservation efforts, and contrary to current public policy, may encourage increased usage. Under the SFV rate design, the cost per unit of gas consumed decreases as consumption increases. Such a rate design encourages consumption which negatively influences conservation decisions and energy efficiency efforts that can benefit customers on their utility bills and is so important to state and national energy concerns.

¹⁷ *FOP v. City of Cleveland* (8th Dist. 2001), 141 Ohio App. 3d 63, 81 (citing *Cleveland v. Cleveland Elec. Illuminating Co.* (8th Dist. 1996), 115 Ohio App. 3d 1, 12, appeal dismissed, 78 Ohio St.3d 1419 (1997)).

¹⁸ See, e.g., *Tilberry v. Body* (1986), 24 Ohio St.3d 117, 493 N.E.2d 954; and *Sinnott v. Aqua-Chem, Inc.* (2007), 116 Ohio St.3d 158, 2007-Ohio-5584, 876 N.E.2d 1217, at ¶16.

The SFV rate design may discourage residential customers from investing in energy-efficient home improvements or from implementing conservation measures, because the new rate structure will not reward their investment. Certainly, conservation becomes less attractive to consumers if conserving does not reduce their gas bills or if the payback period for their investments in higher-priced insulation or energy efficient equipment is extended over a longer time period. These opportunities for conservation and the ensuing savings on customers' bills will be lost if a stay is not granted. There is no way to reach back and recover the energy that customers would have conserved under a different rate structure. That energy and the opportunity for savings will be lost forever, and no legal remedy will restore it.

b. There Is No Plain, Adequate And Complete Remedy To Address The Violations Of The Notice Requirements Imposed By R.C. 4909.18, R.C. 4909.19, R.C. 4909.43 And Due Process Rights.

Ohio law requires that customers be provided actual notice of the utility's filing of an application for an increase in distribution service rates and that certain officials in municipalities also be provided notice of the utility's intent to file such an application. R.C. 4909.18 (Appx. 000006), 4909.19 (Appx. 000009) and 4909.43 (Appx. 000011) are provisions of the Revised Code that address the process for applying for a rate increase before the Commission. These provisions require that, among other things, a utility applying for a rate increase publish "the substance and prayer of its application" once a week for three consecutive weeks in generally circulated newspapers throughout the affected areas.¹⁹ In addition, R.C. 4909.43 (Appx. 000011) requires a public utility to

¹⁹ R.C. 4909.19 (Appx. 000009).

send written notification to “the mayor and legislative authority of each municipality” of the proposed rates contained in each application.²⁰ DEO did not provide customers with this notice and the PUCO failed to enforce the notice requirements.

In this case, the Company failed to provide a notice to consumers and municipalities with sufficient detail of the residential rate design as approved by the Commission. Instead of such a notice, DEO provided the following notice to the mayors and legislative authorities of each municipality pursuant to R.C. 4909.43 (Appx. 000011):

As customer usage declines, base rates would be adjusted automatically to keep our base rate revenues per customer the same. Customers would still gain all of the benefits of reduced gas costs, which comprise over three-fourths of a typical customer's bill.²¹

This notice describes a rate design that features what is known as a decoupling mechanism with annual true-ups which is substantially different than the residential SFV rate design that the Commission approved in its Order.²²

The General Assembly enacted R.C. 4909.18 (Appx. 000006), R.C. 4909.19 (Appx. 000009) and 4909.43 (Appx. 000011) in order to provide customers with an opportunity to speak out regarding rate increase proposals and to be able to protect their interest in both the rate case process and substantive matters. The legal requirements imposed by these statutes can be neither waived nor ignored by the Commission.

²⁰ R.C. 4909.43 (Appx. 000011).

²¹ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Pre Filing Notice (Ex. G) at Tab 5 (July 20, 2007). Emphasis added.

²² *Id.*, PUCO Case No. 07-829-GA-AIR, et al., Opinion & Order (Ex. A) at 25 (Oct. 15, 2008).

Because the inadequate notice failed to give DEO customers any notice of SFV rates, customers were denied their fundamental opportunity to be heard; they were not aware of the implications of the SFV rate design and thus were unable to determine whether to participate in the hearing. This is a denial of their basic due process rights, guaranteed by the 14th amendment to the U.S. Constitution, and reinforced under R.C. 4909.18 (Appx. 000006), 4909.19 (Appx. 000009) and 4909.43 (Appx 000011).

The inadequate notice prevented customers from deciding whether to participate in the proceedings. Specifically, “[t]he fundamental requisite of due process of law is the opportunity to be heard.”²³ Due process for individuals is a constitutional right protected by the Fourteenth Amendment. The opportunity to be heard can have no meaning, however, if one is not informed of the issues in contention and consequently can not make a decision as to whether to challenge or object to the matter.²⁴

Since DEO’s notice did not sufficiently inform its customers of the issues in contention, in particular the proposed radical change in rate design, DEO’s customers were unable to make an informed decision to participate in the rate case. Customers’ opportunity to be heard could not be assured under such circumstances. Consequently, customers’ due process rights were violated.

Some courts have ruled that when the process is flawed or biased, this may be sufficient to warrant injunctive relief, if events subsequent to the process produce

²³ *Grannis v. Ordean*, 234 U.S. 385, 394, 43 S. Ct. 779, 784 (1914), 58 L. Ed. 1363, 1369, citing *Louisville & N.R. Co. v. Schmidt* (1900), 177 U.S. 230, 236; *Simon v. Craft* (1901), 182 U.S. 427, 436.

²⁴ See, for example, *Mullane v. Central Hanover Bank & Trust Co.* (1950), 339 U.S. 306, 314, 70 S. Ct. 652, 657, 94 L. Ed. 865, 873, where the Court noted that “[t]he right to be heard has little reality or worth unless one is informed that the matter is pending and can choose for himself whether to appear or default, acquiesce or contest.”

irreparable harm.²⁵ Such circumstances exist in this case. The lack of adequate notice under R.C. 4909.18 (Appx. 000006) and R.C. 4909.19 (Appx. 000009) caused the hearing process to be flawed. DEO customers were not given sufficient information to determine the impact of the proposed rate design on their individual bills. Therefore, the implementation of the SFV residential rates, which resulted from a proceeding in which the due process rights of consumers were violated, will result in harm to DEO's residential customers for which there is no adequate remedy.

2. Any Attempt At Monetary Restitution For The Payment Of Unlawful And Unreasonable Rates Would Be Impossible, Difficult, Or Incomplete.

Economic loss is irreparable harm where that loss cannot be recovered. In *Tilberry v. Body* this Court found that the effect of a court order calling for the dissolution of a business partnership would cause "irreparable harm" to the partners because "a reversal * * * on appeal would require the trial court to undo the entire accounting and to return all of the asset distributions" -- a set of circumstances that would be "virtually impossible to accomplish."²⁶ In *Sinnott v. Aqua-Chem, Inc.* this Court found that a lower court's pre-trial findings could be appealed at the point they were issued because the findings allowed the case to proceed to trial.²⁷ The majority reasoned that "the incurrence of unnecessary trial expenses is an injury that cannot be remedied by an appeal from a final judgment,"²⁸ and so concluded that "[i]n some instances, '[t]he

²⁵ *United Church of the Medical Center v. Medical Center Commission* (C.A.7, 1982), 689 F.2d 693, 701.

²⁶ *Tilberry*, 24 Ohio St.3d at 121, 493 N.E.2d at 957.

²⁷ *Sinnott* at ¶30.

²⁸ *Id.* at ¶26.

proverbial bell cannot be unrung and an appeal after final * * * judgment on the merits will not rectify the damage' suffered by the appealing party."²⁹

Tilberry and *Sinnott* illustrate that economic harm does become irreparable where the loss cannot be recovered. No post-judgment remedy could have restored the unnecessary trial expenses to the corporation in *Sinnott*. And recovery of partnership distributions after dissolution in *Tilberry* would have been "virtually impossible." For DEO's low-use residential consumers affected by the Commission's Order here, any recovery subsequent to a successful appeal is highly unlikely considering that the Company can be expected to argue and the PUCO can be expected to rule that recompensing consumers is barred by Ohio law which they will claim prohibits the retroactive refund of overpayments by customers where such payments are not made subject to refund.³⁰

This Court expressed this principle in its landmark holding in *Keco Industries, Inc. v. Cincinnati and Suburban Bell Tel. Co.* (1957), 166 Ohio St. 254. The Supreme Court limited retroactive ratemaking, according to its interpretation of R.C. 4905.32 (Appx. 000004):

²⁹ *Sinnott* at ¶23 (quoting *Gibson-Myers & Assocs. v. Pearce* (9th Dist.), 1999 Ohio App. LEXIS 5010, *7-*8 (compelled disclosure of a trade secret would "surely cause irreparable harm").

³⁰ See, e.g., *Lucas County Commissioners v. Pub. Util. Comm.* (1997), 80 Ohio St.3d 344, 686 N.E.2d 501; *Keco Indus. v. Cincinnati & Suburban Bell Tel. Co.* (1957), 166 Ohio St. 254, 141 N.E.2d 465, par. 2 of the syllabus.

Under this section a utility has no option but to collect the rates set by the Commission and is clearly forbidden to refund any part of the rate collected.³¹

Pursuant to the Commission's order and the schedule imposed therein,³² DEO raised its fixed monthly customer charge from \$4.38 or \$5.70 per month to \$12.50 per month on October 16, 2008. DEO is scheduled to impose the next increase to \$15.40 with the October 2009 billing cycle. It is this Stage 2 increase that OCC is asking the Court to stay.

The impact of the Stage 2 increase over the Stage 1 rate -- as demonstrated in the prefiled Testimony of PUCO Staff witness Puican -- means that consumers at the lowest-usage levels (0-5 Mcf per year) must bear a 20.9 per cent **increase** (\$34.95)³³ in their annual delivery charges, while highest-usage customers (1,000 to 2,000 Mcf per year) will experience a 16.11 per cent (\$798.18)³⁴ **decrease**. Thus the low-use residential customer is forced to subsidize the higher-use Commercial and Industrial customers, as well as high-use residential customers. To put such demands on these low-use (and

³¹ *Keco Industries, Inc. v. Cincinnati and Suburban Bell Tel. Co.* (1957), 166 Ohio St. 254, 257, 141 N.E.2d 465.

³² *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Opinion & Order (Ex. A) at 14-15 (Oct. 15, 2008).

³³ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Second Supplemental Direct Testimony of Stephen E. Puican (Ex. H) at Ex. SEP-2A and SEP-2B (Aug. 25, 2008). \$202.20 (Proposed Bill @ \$15.40 Fixed Charge on SEP-2B) - \$167.20 (Proposed Bill @ \$12.50 Fixed Charge on SEP 2A) = \$34.95 increase. Emphasis on Ex. SEP-2A and SEP-2B added.

³⁴ *Id.*, \$4,896.00 (Proposed Bill @ \$12.50 Fixed Charge on SEP 2A) - \$4,106.82 (Proposed Bill @ \$15.40 Fixed Charge on SEP-2B) = \$798.18 decrease.

potentially low-income) consumers is not in the public interest. The stay will provide some relief to customers who are already burdened by the fragile state of the economy by allowing them to continue to pay rates for distribution service that include a greater volumetric charge (\$0.65 or \$1.07 per Mcf vs. \$0.378 or \$0.627 per Mcf)³⁵ and a smaller fixed monthly customer charge (\$12.50 vs. \$15.40).³⁶ This configuration better aligns the bill with the customer's usage than the rates under the Stage 2 design. Allowing DEO to implement the Stage 2 of the SFV rate design will further exacerbate that subsidy.

The incremental increases in the customer charge that will be imposed in October are unrecoverable once they are paid. Without a stay, the next stage of the fixed monthly customer charge will cause DEO's low-use residential customers to suffer irreparable harm in the event that OCC prevails on appeal to this Court.

D. The OCC Has Provided a Strong Showing That it is Likely to Prevail on the Merits.

The OCC provided substantial and appropriate evidentiary support for its positions during the pendency of this case at the PUCO. The gravity of the errors presented, which include notice issues as well as federal, state, and public policy considerations, when fully weighed and addressed, make it likely that the OCC will prevail on the merits

³⁵ Id., PUCO Case No. 07-829-GA-AIR, et al., Opinion & Order (Ex. A) at 14-15 (Oct. 15, 2008).

³⁶ Id.

Specifically, R.C. 4903.13 (Appx. 000002) provides this Court with the authority to reverse, vacate, or modify a Commission order where the Court finds that order unlawful or unreasonable. Here OCC can show that the order is unreasonable and unlawful on five independent bases.

1. The Commission's Order Is Unlawful And Unreasonable Because It Violates The Notice Requirements Imposed By R.C. 4909.18, R.C. 4909.19, And R.C. 4909.43.

As discussed above, the General Assembly enacted R.C. 4909.18 (Appx. 000006), R.C. 4909.19 (Appx. 000009), and 4909.43 (Appx. 000011) in order to provide customers with an opportunity to protect their interests in the state regulation of the rates of public utilities. The legal requirements imposed by these statutes can be neither waived nor ignored by the PUCO. Because the PUCO failed to enforce these provisions, DEO customers and municipalities within DEO's service territory had no adequate notice with sufficient detail of the residential rate design ultimately approved. Thus, OCC can demonstrate that the Commission's failure to adhere to the statutes results in an unreasonable and unlawful Order.

2. The Commission's Order Is Unlawful And Unreasonable Because It Deviates From Precedent And The Commission Demonstrated Neither A Clear Need To Change Its Position Nor Error In Prior Decisions.

Decisions of this Court prevent the Commission from changing its position without appropriate considerations. In *Office of Consumers' Counsel v. Public Utilities Commission*, this Court stated:

* * * Although the Commission should be willing to change its position when the need therefore is clear **and** it is shown that prior decisions are in error, it should also respect its own precedents in its decisions to assure

predictability which is essential in all areas of the law, including administrative law. (Emphasis added.)³⁷

The Commission's Order here shows neither a need for a change from its previous ratemaking policy, nor that the policy was in error.³⁸ By imposing the SFV rate design on DEO's residential customers, the Commission ignored thirty years of cases supporting a rate design comprised of a low customer charge with a volumetric charge associated with usage, and thirty years of adherence to the regulatory principle of gradualism. This disregard for prior precedents has resulted in a rate design that imposed a dramatic shifting of rates toward a huge increase in the monthly fixed charge -- significantly greater than had ever been contemplated by the PUCO.

The Commission's Order neither explains its rationale for ignoring the principle of gradualism nor justifies disregarding thirty years of Commission rate design precedent. Thus, OCC can demonstrate that the Commission's Order abandons precedent pertaining to the regulatory principle of gradualism with no showing of a clear need or previous error and is, therefore, unlawful and unreasonable.

³⁷ *Office of Consumers' Counsel v. Pub. Util. Comm.* (1984), 10 Ohio St.3d 49, 50, 461 N.E.2d 303, quoting *Cleveland Electric Illuminating Co. v. Pub. Util. Comm.* (1975), 42 Ohio St.2d. 431, 330 N.E.2d 1. See, also, *State, ex rel. Auto Machine Co. v. Brown* (1929), 121 Ohio St. 73, 166 N.E. 903. See, also, *Atchison v. Wichita Bd. of Trade* (1973), 412 US 800, 806, 93 S.Ct. 2367, 37 L. Ed. 2d 350 (In 1973 the U.S. Supreme Court set a limit on the power of federal agencies to change prior established policies stating that, while an agency may flatly repudiate its norms, "whatever the ground for the departure [whether it is completely disregarding a policy or simply narrowing its applicability] * * * it must be clearly set forth so that the reviewing court may understand the basis of the agency's action and so may judge the consistency of that action with the agency's mandate."); *Williams Gas Processing v. FERC* (C.A.D.C. 2006), 475 F.3d 319, 326 (The Court further added that, although not bound by precedent, a demonstration of "reasoned decision-making necessarily requires consideration of relevant precedent.").

³⁸ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Opinion & Order (Ex. A) at 21-22 (Oct. 15, 2008).

3. The Commission's Order Is Unlawful And Unreasonable Because It Approves A Rate Design That Fails To Promote Energy Efficiency And Discourages Conservation, Thus Violating R.C. 4929.02 And R.C. 4905.70.

R.C. 4929.02 (Appx. 000017) and R.C. 4905.70 (Appx. 000005) require the Commission to approve rates that promote energy efficiency and encourage conservation in accordance with Ohio law and policy. The rate design ordered here works against both energy efficiency and conservation. The SFV rate design penalizes energy-efficient consumers in two ways. First, the payback periods for any energy efficiency investments under the SFV rate design are extended. Second, the cost per unit of consumption under the SFV rate design has increased for low-use customers and decreased as consumption rises, resulting in low-use customers subsidizing the high-use (and potentially less efficient) customers. Therefore, the SFV rate design does not encourage conservation and violates R.C. 4905.70 (Appx. 000005).

This Court has found that violations of statutes containing state policy warrant a reversal of the Commission's Order and remand to remedy the statutory violation.³⁹ R.C. 4929.02(A)(4) (Appx. 000017) declares it the policy of the State of Ohio to “[e]ncourage innovation and market access for cost-effective supply-and demand-side natural gas services and goods.”

In violation of that policy the SFV rate design sends consumers the wrong price signal, harms those who have invested in energy efficiency by extending the payback

³⁹ *Elyria Foundry Company v. Pub. Util. Comm.* (2007), 114 Ohio St.3d 305, 2007-Ohio-4164, 871 N.E.2d 1176, at ¶58. (In the Elyria Foundry Case, a violation of R.C. 4928.02(G) (Appx. 000015), a statute mandating state policy against anticompetitive subsidy relative to competitive retail electric service, was found to have been violated).

period, and removes control that consumers have over their utility bills. Thus, the SFV rate design fails to promote energy efficiency and encourage conservation, which is contrary to state policy and is in violation of R.C. 4929.02(A)(4) (Appx. 000017). OCC can, therefore, show that the Order to implement the SFV rate design violates statute and policy and is therefore unlawful and unreasonable.

4. The Commission's Order Is Unlawful And Unreasonable Because It Was Issued Against The Manifest Weight Of The Evidence.

This Court will reject a finding of fact by the Commission where “it appears from the record that the evidence and order are manifestly against the weight of the evidence, or are so clearly unsupported by it as to show misapprehension, mistake or willful disregard of duty.”⁴⁰ The Commission’s approval of the SFV rate design was done without regard for the fact that critical and fundamental information (e.g. the SFV rate design impact on low-income customers and impact on customers’ conservation efforts) was not available from the record evidence in this case.⁴¹

⁴⁰ *General Motors Corp. v. Pub. Util. Comm.* (1976), 47 Ohio St.2d 58, 66, 351 N.E.2d 183.

⁴¹ See, generally, *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Joint Application for Rehearing (Ex. I) (Nov. 14, 2008).

5. The Commission's Order Is Unlawful And Unreasonable Because The Updated Cost Of Service Study Ordered By The PUCO In This Case Confirms The Implementation Of The SFV Results In Unjust And Unreasonable Residential Rates And Is Bad Public Policy.

An updated cost-of-service study ("COSS" or "cost study") was filed by DEO in these cases on January 13, 2009.⁴² The updated cost study provides the PUCO with unrefuted proof of a subsidy within the General Sales Service customer class -- to the detriment of DEO's residential consumers, especially low-use residential customers -- an issue that the Commission should have addressed before imposing the SFV rate design.

The subsidy is a direct result of the Commission's rush to implement the SFV rate design before all the necessary analyses and studies could be performed and considered -- such as the updated cost study -- that would have provided the Commission a clear picture of the repercussions and harm that this rate design would cause DEO's residential customers. Unfortunately, the Commission was all too willing to rush the imposition of the SFV rate design on customers as part of the Duke Energy Ohio rate case⁴³ -- the first rate case in a series of gas rate case requests where the SFV rate design was imposed on the majority of Ohio's residential gas customers. The Commission attempted to justify its position, in part, stating: "Customers are accustomed to fixed monthly bills for

⁴² *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Updated Cost of Service Study (Ex. J) at 1 (Jan. 13, 2009). OCC, in conjunction with a number of other consumers groups, later filed a Motion to Re-Open the Record (Ex. K) on January 29, 2009. The matter has been fully briefed and awaits ruling on the Motion.

⁴³ *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates*, PUCO Case No. 07-589-GA-AIR et al., Opinion & Order (May 28, 2008). See Motion for a Stay of Execution by The Office of The Ohio Consumers' Counsel simultaneously filed on April 17, 2009 in S.Ct. Case No. 08-1837.

numerous other services, such as telephone, water, trash, internet and cable.”⁴⁴ But these services that the Commission relies upon as examples for fixed charge billing do not involve the consumption of a precious natural resource that is the subject of a state policy which stresses conservation. Thus, the updated cost study shows that the rate design creates a significant subsidy -- under which all residential consumers and especially low-use residential customers are subsidizing high-use Commercial and Industrial customers - - is unreasonable and unlawful.

IV. NO BOND IS NECESSARY IN ORDER TO EFFECT THE STAY

A. No Bond Is Required Because R.C. 4903.16 Is Unconstitutional Under The Separation Of Powers Doctrine.

Contrary to the separation of powers, the legislature has encroached on the Ohio Supreme Court’s ability to decide a Motion to Stay. This has occurred through the state’s bonding requirement -- or “execute an undertaking” as bonding is referred to in R.C. 4903.16 (Appx. 000003) -- associated with a Motion to Stay. R.C. 4903.16 (Appx. 000003) addresses the mandatory procedure for filing a Motion for a Stay of Execution in response to an order of the PUCO. The statute provides that a proceeding to modify an order of the PUCO does not stay execution of the order, unless the appellant applies for a stay.⁴⁵

If the appellant does apply for a stay, the appellant, upon three days notice to the commission “shall execute an undertaking* * * in such a sum as the Supreme Court

⁴⁴ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, PUCO Case No. 07-829-GA-AIR, et al., Opinion & Order (Ex. A) at 18 (Oct. 15, 2008).

⁴⁵ R.C. 4903.16 (Appx. 000003).

prescribes⁴⁶ * * * conditioned for the prompt payment by appellant of all damages caused by the delay in the enforcement of the order.”⁴⁷ The PUCO and utilities have argued that R.C. 4903.16 (Appx. 000003) requires a bond to be posted for a Motion for a Stay of Execution before the Motion can be considered by this Court.

The requirement that opposing parties in the past have proposed for the posting of a bond would adversely effect a consumer party’s ability to obtain a stay. In fact, the bond requirement, if applied as proposed by opposing parties, would essentially write the stay provision out of the law as far as protecting consumers. But such a result is not an appropriate limitation on the Court’s powers to act to protect appellants. As explained below, R.C. 4903.16 (Appx. 000003) is unconstitutional because it violates the separation of powers doctrine and, therefore, should not apply to the current Motion for a Stay of Execution filed by the OCC in these proceedings.

The separation of powers doctrine prevents the distinct branches of government from exercising the core functions of another. Although the Ohio Constitution does not explicitly contain the separation of powers doctrine, Ohio courts have nevertheless held that it is inherent in the constitutional framework of the government.⁴⁸ This Court has previously explained that underlying the policy of the division of powers of government into three departments is that powers properly belonging to one of the departments ought not to be directly and completely administered by either of the other departments, and

⁴⁶ If the Court does prescribe an undertaking, then the amount should be nominal (such as \$1.00).

⁴⁷ R.C. 4903.16 (Appx. 000003).

⁴⁸ *State v. Sterling* (2007), 113 Ohio St.3d 255, 2007-Ohio-1790, 864 N.E.2d 630, at ¶22 (citing the Ohio Constitution); *State ex. rel. Bryant v. Akron Metro Park Dist.* (1929), 120 Ohio St. 464, 473, 166 N.E. 407.

further that none of them ought to possess directly or indirectly an overruling influence over the others.⁴⁹

Because this Court has stated that the three grand divisions of the government must be protected from encroachments by the others,⁵⁰ any attempt by the legislature to exercise a judicial power or to limit or encroach upon the courts in the exercise of their inherent powers is an unconstitutional violation of the principle of separation of powers.⁵¹ This Court has held that, inherent within a court's jurisdiction, and essential to the orderly and efficient administration of justice, is the power to grant or deny stays.⁵² Thus, the Court has emphasized that the power to grant or deny stays is one exclusively belonging to the judiciary upon which the legislature cannot encroach.

Furthermore, this Court has recently stated that “it is not within the purview of the legislature to grant or deny the power nor is it within the purview of the legislature to shape or fashion circumstances under which [a stay of power] may be or may not be granted or denied.”⁵³ Therefore, the legislature is not even entitled to impose limitations on the inherent power of the judiciary to grant or deny stays.

⁴⁹ *State ex. rel Bryant v. Akron Metro Park Dist.* (1929), 120 Ohio St. 464, 473, 864 N.E.2d 630.

⁵⁰ *Sterling* at ¶25 (quoting *Fairview v. Giffie*) (1905), 73 Ohio St. 183, 187, 166 N.E. 407).

⁵¹ *Hale v. The State* (1896), 55 Ohio St. 210, 212-13, 45 N.E. 199; *State v. Sanders* (2nd Dist. 1995), 1995 Ohio App. LEXIS 5825, at *29, unreported.

⁵² *State v. Hoehhausler* (1996), 76 Ohio St.3d 455, 464, 1996 Ohio 374; 668 N.E.2d 457; *Landis v. N. American Co.* (1936), 299 U.S. 248, 254, 57 S. Ct. 163, 166; 81 L. Ed. 153, 158; *State v. Smith* (1989), 42 Ohio St.3d 60, 61, 537 N.E.2d 198; *City of Norwood v. Horney* (2006), 110 Ohio St.3d 353, 2006-Ohio-3799, 853 N.E.2d 1115, at ¶118.

⁵³ *City of Norwood*, at ¶120.

If R.C. 4903.16 (Appx. 000003) is construed to require every appellant to post a bond in the event the Court grants a stay from a PUCO order, then this legislated bond-posting requirement improperly encroaches upon the judicial power to grant a stay by shaping or fashioning circumstances under which that inherent judicial power may or may not be granted. If the appellant does not or cannot post the legislatively mandated bond, then opposing parties in appeals will argue that the judiciary lacks the power to implement the stay that it intended to grant for a Stay of Execution. Moreover, the appellant may have no means of protection from irreparable harm during the pendency of an appeal.

Thus, the legislative requirement is unconstitutionally shaping the circumstances under which the judiciary can exercise its power to grant stays. This stands in direct violation of the separation of powers doctrine as reflected in Ohio law. For these reasons, R.C. 4903.16 (Appx. 000003) is unconstitutional under the separation of powers doctrine and cannot be applied to require with regard to this Court's granting of the OCC's Motion for a Stay of Execution.

B. The Public Office Exemption To The Bond Requirement

Ohio law provides exemptions that relieve OCC from having to post a bond -- or "execute an undertaking" as bonding is referred to in R.C. 4903.16 (Appx. 000003) -- in furtherance of a requested stay. A public officer is not required to post a supersedeas bond when acting in a representative capacity for the State. Specifically, R.C. 2505.12 (000001) provides:

An appellant is *not required to give a supersedeas bond* in connection with any of the following:

(A) An appeal by any of the following:

* * *

(3) Any public officer of the state or of any of its political subdivisions who is suing or is sued solely in the public officer's representative capacity as that officer.⁵⁴

According to R.C. 4911.06 (Appx. 000013), the Consumers' Counsel "shall be considered a state officer * * *."⁵⁵ Furthermore, according to R.C. 4911.02 (Appx. 000012), the Consumers' Counsel may "institute, intervene in, or otherwise participate in proceedings in both state and federal courts * * * on behalf of the residential consumers."⁵⁶ Thus, in filing a request for a stay of execution, the Consumers' Counsel acts in a representative capacity and, as a public officer, is not required to post a supersedeas bond. In fact, the Court has even granted a stay for an entity other than a public officer without requiring that a bond be posted by the appellant.⁵⁷

Furthermore, a review of the legislative history warranted that OCC should not be required to post a bond in order to effect a stay. The original version of R.C. 4903.16 (Appx. 000003) (passed in 1911) limited the undertaking requirement to a "public utility or railroad." Specifically, the predecessor law to R.C. 4903.16 (Appx. 000003) that was enacted years before the Revised Code was created contained a provision that "[t]he condition of the undertaking shall be that the public utility or railroad shall refund to each of such users, public or private, the amount collected by it in excess of the amount which shall finally be determined it was authorized to collect."⁵⁸ Additionally this Court has

⁵⁴ R.C. 2505.12 (Appx. 000001) (Emphasis added).

⁵⁵ R.C. 4911.06 (Appx. 000013).

⁵⁶ R.C. 4911.02 (Appx. 000012).

⁵⁷ In *MCI Telecommunications Corp. v. Pub. Util. Comm.* (1987), 31 Ohio St.3d 604, 510 N.E.2d 806, a stay was granted in a utility case by the Ohio Supreme Court without the posting of a bond despite the fact that the appellant was not a public entity.

⁵⁸ G.C. 614-70 (Section 73, H.B. 89, 79th General Assembly, 1911) (Appx. 000019).

also said that “[p]atently, Section 4903.16 (Appx. 000003) Revised Code, was designed primarily to apply to a public utility which is dissatisfied with the rates or charges as ordered by the Public Utilities Commission.”⁵⁹ Accordingly, OCC is not required to post a bond because the OCC is acting in a representative capacity as a public officer of the State.

C. DEO Will Suffer No Financial Harm As A Result Of This Court’s Stay Of The Order.

As described above, DEO’s rates (Stage 1) are currently designed to collect its full revenue requirement under the approved Residential Tariffs. The stay of execution means that the current tariff for collecting that revenue requirement will continue to be collected. This ensures the Company will not sustain any substantial harm due to the stay of execution. Accordingly, no bond is necessary in order to effect a stay.

V. CONCLUSION

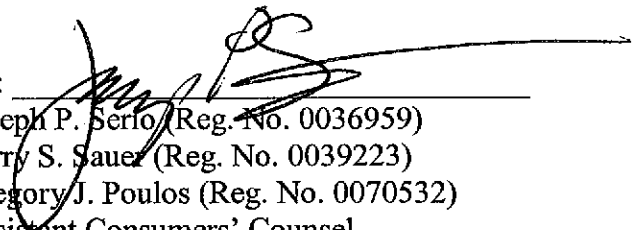
The SFV rate design will discourage conservation and investment in energy-efficient home improvements. It will cause irreparable harm to residential consumers by forcing low-use customers to subsidize high-use customers, and force residential customers to subsidize commercial and industrial customers -- and at rates that no customer will be able to recover even if this Court finds the PUCO’s Order unreasonable on OCC’s appeal. For these reasons, this Court should stay execution of the Commission’s Order that authorizes the October 2009 effective date of the next phase of the SFV rate design change -- which allows the collection of an even greater portion of the distribution revenues from the fixed monthly charge and less from the volumetric rate

⁵⁹ *City of Columbus v. Public Utilities Commission of Ohio* (1959), 170 Ohio St. 105, 109, 163 N.E.2d 167.

-- until it has decided the appeal. Finally, no bond is necessary in order to effectuate the stay. But if this Court requires a bond to be posted in order to effect the stay, the bond should be nominal in amount⁶⁰ since there will be no substantial harm to the Company.

Respectfully submitted,

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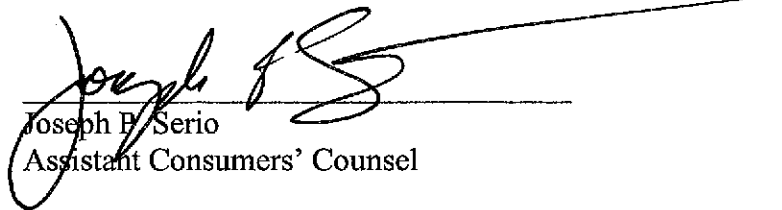
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⁶⁰ Such as \$1.00.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Motion for Stay of Execution of the Office of the Ohio Consumers' Counsel was served upon all parties of record by regular U.S. Mail this 17th day of April 2009.



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IN THE SUPREME COURT OF OHIO

The Office of the Ohio Consumers' Counsel,)	Case No. 09-0314
)	
Appellant,)	
)	
. v.	)	Appeal from the Public
	)	Utilities Commission of Ohio
The Public Utilities Commission	)	Case Nos. 07-829-GA-AIR,
of Ohio,	)	07-830-GA-ALT,
	)	07-831-GA-AAM,
	)	08-169-GA-ALT, and
Appellee.)	06-1453-GA-UNC

**APPENDIX OF
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

APPENDIX
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2505.12 No supersedeas bond required for certain appeals.

An appellant is not required to give a supersedeas bond in connection with any of the following:

(A) An appeal by any of the following:

(1) An executor, administrator, guardian, receiver, trustee, or trustee in bankruptcy who is acting in that person's trust capacity and who has given bond in this state, with surety according to law;

(2) The state or any political subdivision of the state;

(3) Any public officer of the state or of any of its political subdivisions who is suing or is sued solely in the public officer's representative capacity as that officer.

(B) An administrative-related appeal of a final order that is not for the payment of money.

Effective Date: 07-11-2001

000001

4903.13 Reversal of final order - notice of appeal.

A final order made by the public utilities commission shall be reversed, vacated, or modified by the supreme court on appeal, if, upon consideration of the record, such court is of the opinion that such order was unlawful or unreasonable.

The proceeding to obtain such reversal, vacation, or modification shall be by notice of appeal, filed with the public utilities commission by any party to the proceeding before it, against the commission, setting forth the order appealed from and the errors complained of. The notice of appeal shall be served, unless waived, upon the chairman of the commission, or, in the event of his absence, upon any public utilities commissioner, or by leaving a copy at the office of the commission at Columbus. The court may permit any interested party to intervene by cross-appeal.

Effective Date: 10-01-1953

000002

4903.16 Stay of execution.

A proceeding to reverse, vacate, or modify a final order rendered by the public utilities commission does not stay execution of such order unless the supreme court or a judge thereof in vacation, on application and three days' notice to the commission, allows such stay, in which event the appellant shall execute an undertaking, payable to the state in such a sum as the supreme court prescribes, with surety to the satisfaction of the clerk of the supreme court, conditioned for the prompt payment by the appellant of all damages caused by the delay in the enforcement of the order complained of, and for the repayment of all moneys paid by any person, firm, or corporation for transportation, transmission, produce, commodity, or service in excess of the charges fixed by the order complained of, in the event such order is sustained.

Effective Date: 10-01-1953

000003

4905.32 Schedule rate collected.

No public utility shall charge, demand, exact, receive, or collect a different rate, rental, toll, or charge for any service rendered, or to be rendered, than that applicable to such service as specified in its schedule filed with the public utilities commission which is in effect at the time.

No public utility shall refund or remit directly or indirectly, any rate, rental, toll, or charge so specified, or any part thereof, or extend to any person, firm, or corporation, any rule, regulation, privilege, or facility except such as are specified in such schedule and regularly and uniformly extended to all persons, firms, and corporations under like circumstances for like, or substantially similar, service.

Effective Date: 10-01-1953

000004

4905.70 Energy conservation programs.

The public utilities 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. Notwithstanding sections 4905.31, 4905.33, 4905.35, and 4909.151 of the Revised Code, the commission shall examine and issue written findings on the declining block rate structure, lifeline rates, long-run incremental pricing, peak load and off-peak pricing, time of day and seasonal pricing, interruptible load pricing, and single rate pricing where rates do not vary because of classification of customers or amount of usage. The commission, by a rule adopted no later than October 1, 1977, and effective and applicable no later than November 1, 1977, shall require each electric light company to offer to such of their residential customers whose residences are primarily heated by electricity the option of their usage being metered by a demand or load meter. Under the rule, a customer who selects such option may be required by the company, where no such meter is already installed, to pay for such meter and its installation. The rule shall require each company to bill such of its customers who select such option for those kilowatt hours in excess of a prescribed number of kilowatt hours per kilowatt of billing demand, at a rate per kilowatt hour that reflects the lower cost of providing service during off-peak periods.

Effective Date: 01-01-2001

000005

4909.18 Application to establish or change rate.

Any public utility desiring to establish any rate, joint rate, toll, classification, charge, or rental, or to modify, amend, change, increase, or reduce any existing rate, joint rate, toll, classification, charge, or rental, or any regulation or practice affecting the same, shall file a written application with the public utilities commission. Except for actions under section 4909.16 of the Revised Code, no public utility may issue the notice of intent to file an application pursuant to division (B) of section 4909.43 of the Revised Code to increase any existing rate, joint rate, toll, classification, charge, or rental, until a final order under this section has been issued by the commission on any pending prior application to increase the same rate, joint rate, toll, classification, charge, or rental or until two hundred seventy-five days after filing such application, whichever is sooner. Such application shall be verified by the president or a vice-president and the secretary or treasurer of the applicant. Such application shall contain a schedule of the existing rate, joint rate, toll, classification, charge, or rental, or regulation or practice affecting the same, a schedule of the modification amendment, change, increase, or reduction sought to be established, and a statement of the facts and grounds upon which such application is based. If such application proposes a new service or the use of new equipment, or proposes the establishment or amendment of a regulation, the application shall fully describe the new service or equipment, or the regulation proposed to be established or amended, and shall explain how the proposed service or equipment differs from services or equipment presently offered or in use, or how the regulation proposed to be established or amended differs from regulations presently in effect. The application shall provide such additional information as the commission may require in its discretion. If the commission determines that such application is not for an increase in any rate, joint rate, toll, classification, charge, or rental, the commission may permit the filing of the schedule proposed in the application and fix the time when such schedule shall take effect. If it appears to the commission that the proposals in the application may be unjust or unreasonable, the commission shall set the matter for hearing and shall give notice of such hearing by sending

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written notice of the date set for the hearing to the public utility and publishing notice of the hearing one time in a newspaper of general circulation in each county in the service area affected by the application. At such hearing, the burden of proof to show that the proposals in the application are just and reasonable shall be upon the public utility. After such hearing, the commission shall, where practicable, issue an appropriate order within six months from the date the application was filed.

If the commission determines that said application is for an increase in any rate, joint rate, toll, classification, charge, or rental there shall also, unless otherwise ordered by the commission, be filed with the application in duplicate the following exhibits:

- (A) A report of its property used and useful in rendering the service referred to in such application, as provided in section 4909.05 of the Revised Code;
- (B) A complete operating statement of its last fiscal year, showing in detail all its receipts, revenues, and incomes from all sources, all of its operating costs and other expenditures, and any analysis such public utility deems applicable to the matter referred to in said application;
- (C) A statement of the income and expense anticipated under the application filed;
- (D) A statement of financial condition summarizing assets, liabilities, and net worth;
- (E) A proposed notice for newspaper publication fully disclosing the substance of the application. The notice shall prominently state that any person, firm, corporation, or association may file, pursuant to section 4909.19 of the Revised Code, an objection to such increase which may allege that such application contains proposals that are unjust and discriminatory or unreasonable. The notice shall further include the average percentage increase in rate that a representative industrial, commercial, and residential customer will bear should the increase be granted in full;
- (F) Such other information as the commission may require in its discretion.

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Effective Date: 01-11-1983

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4/14/2009

4909.19 Publication - investigation.

Upon the filing of any application for increase provided for by section 4909.18 of the Revised Code the public utility shall forthwith publish the substance and prayer of such application, in a form approved by the public utilities commission, once a week for three consecutive weeks in a newspaper published and in general circulation throughout the territory in which such public utility operates and affected by the matters referred to in said application, and the commission shall at once cause an investigation to be made of the facts set forth in said application and the exhibits attached thereto, and of the matters connected therewith. Within a reasonable time as determined by the commission after the filing of such application, a written report shall be made and filed with the commission, a copy of which shall be sent by certified mail to the applicant, the mayor of any municipal corporation affected by the application, and to such other persons as the commission deems interested. If no objection to such report is made by any party interested within thirty days after such filing and the mailing of copies thereof, the commission shall fix a date within ten days for the final hearing upon said application, giving notice thereof to all parties interested. At such hearing the commission shall consider the matters set forth in said application and make such order respecting the prayer thereof as to it seems just and reasonable.

If objections are filed with the commission, the commission shall cause a pre-hearing conference to be held between all parties, intervenors, and the commission staff in all cases involving more than one hundred thousand customers.

If objections are filed with the commission within thirty days after the filing of such report, the application shall be promptly set down for hearing of testimony before the commission or be forthwith referred to an attorney examiner designated by the commission to take all the testimony with respect to the application and objections which may be offered by any interested party. The commission shall also fix the time and place to take testimony giving ten days' written notice of such time and place to all parties. The taking of testimony shall commence on the date fixed in said

notice and shall continue from day to day until completed. The attorney examiner may, upon good cause shown, grant continuances for not more than three days, excluding Saturdays, Sundays, and holidays. The commission may grant continuances for a longer period than three days upon its order for good cause shown. At any hearing involving rates or charges sought to be increased, the burden of proof to show that the increased rates or charges are just and reasonable shall be on the public utility.

When the taking of testimony is completed, a full and complete record of such testimony noting all objections made and exceptions taken by any party or counsel, shall be made, signed by the attorney examiner, and filed with the commission. Prior to the formal consideration of the application by the commission and the rendition of any order respecting the prayer of the application, a quorum of the commission shall consider the recommended opinion and order of the attorney examiner, in an open, formal, public proceeding in which an overview and explanation is presented orally. Thereafter, the commission shall make such order respecting the prayer of such application as seems just and reasonable to it.

In all proceedings before the commission in which the taking of testimony is required, except when heard by the commission, attorney examiners shall be assigned by the commission to take such testimony and fix the time and place therefor, and such testimony shall be taken in the manner prescribed in this section. All testimony shall be under oath or affirmation and taken down and transcribed by a reporter and made a part of the record in the case. The commission may hear the testimony or any part thereof in any case without having the same referred to an attorney examiner and may take additional testimony. Testimony shall be taken and a record made in accordance with such general rules as the commission prescribes and subject to such special instructions in any proceedings as it, by order, directs.

Effective Date: 01-11-1983

000010

4909.43 Filing rate increase application.

(A) No public utility shall file a rate increase application covering a municipal corporation pursuant to section 4909.18 or 4909.35 of the Revised Code at any time prior to six months before the expiration of an ordinance of that municipal corporation enacted for the purpose of establishing the rates of that public utility.

(B) Not later than thirty days prior to the filing of an application pursuant to section 4909.18 or 4909.35 of the Revised Code, a public utility shall notify, in writing, the mayor and legislative authority of each municipality included in such application of the intent of the public utility to file an application, and of the proposed rates to be contained therein.

Effective Date: 01-11-1983

4911.02 Consumers' counsel - powers and duties.

(A) The consumers' counsel shall be appointed by the consumers' counsel governing board, and shall hold office at the pleasure of the board.

(B)(1) The counsel may sue or be sued and has the powers and duties granted him under this chapter, and all necessary powers to carry out the purposes of this chapter.

(2) Without limitation because of enumeration, the counsel:

(a) Shall have all the rights and powers of any party in interest appearing before the public utilities commission regarding examination and cross-examination of witnesses, presentation of evidence, and other matters;

(b) May take appropriate action with respect to residential consumer complaints concerning quality of service, service charges, and the operation of the public utilities commission;

(c) May institute, intervene in, or otherwise participate in proceedings in both state and federal courts and administrative agencies on behalf of the residential consumers concerning review of decisions rendered by, or failure to act by, the public utilities commission;

(d) May conduct long range studies concerning various topics relevant to the rates charged to residential consumers.

Effective Date: 09-01-1976

000012

4/14/2009

4911.06 Consumers' counsel considered state officer.

The consumers' counsel shall be considered a state officer for the purpose of section 24 of Article II, Ohio constitution.

Effective Date: 09-01-1976

4911.15 Counsel may represent residential consumer or municipal corporation.

The consumers' counsel, at the request of one or more residential consumers residing in, or municipal corporations located in, an area served by a public utility or whenever in his opinion the public interest is served, may represent those consumers or corporations whenever an application is made to the public utilities commission by any public utility desiring to establish, modify, amend, change, increase, or reduce any rate, joint rate, toll, fare, classification, charge, or rental.

The consumers' counsel may appear before the public utilities commission as a representative of the residential consumers of any public utility when a complaint has been filed with the commission that a rate, joint rate, fare, toll, charge, classification, or rental for commodities or services rendered, charged, demanded, exacted, or proposed to be rendered, charged, demanded, or exacted by the utility is in any respect unjust, unreasonable, unjustly discriminatory, unjustly preferential, or in violation of the law.

Nothing in Chapter 4911. of the Revised Code shall be construed to restrict or limit in any manner the right of a municipal corporation to represent the residential consumers of such municipal corporation in all proceedings before the public utilities commission, and in both state and federal courts and administrative agencies on behalf of such residential consumers concerning review of decisions rendered by, or failure to act by, the public utilities commission.

Effective Date: 06-12-1980

000014

4928.02 State policy.

It is the policy of this state to do the following throughout this state :

(A) Ensure the availability to consumers of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service;

(B) Ensure the availability of unbundled and comparable retail electric service that provides consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs;

(C) Ensure diversity of electricity supplies and suppliers, by giving consumers effective choices over the selection of those supplies and suppliers and by encouraging the development of distributed and small generation facilities;

(D) Encourage innovation and market access for cost-effective supply- and demand-side retail electric service including, but not limited to, demand-side management, time-differentiated pricing, and implementation of advanced metering infrastructure;

(E) Encourage cost-effective and efficient access to information regarding the operation of the transmission and distribution systems of electric utilities in order to promote both effective customer choice of retail electric service and the development of performance standards and targets for service quality for all consumers, including annual achievement reports written in plain language;

(F) Ensure that an electric utility's transmission and distribution systems are available to a customer-generator or owner of distributed generation, so that the customer-generator or owner can market and deliver the electricity it produces;

(G) Recognize the continuing emergence of competitive electricity markets through the development and implementation of flexible regulatory treatment;

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Lawmaker ORC 4928.02 State policy:

(H) Ensure effective competition in the provision of retail electric service by avoiding anticompetitive subsidies flowing from a noncompetitive retail electric service to a competitive retail electric service or to a product or service other than retail electric service, and vice versa, including by prohibiting the recovery of any generation-related costs through distribution or transmission rates;

(I) Ensure retail electric service consumers protection against unreasonable sales practices, market deficiencies, and market power;

(J) Provide coherent, transparent means of giving appropriate incentives to technologies that can adapt successfully to potential environmental mandates;

(K) Encourage implementation of distributed generation across customer classes through regular review and updating of administrative rules governing critical issues such as, but not limited to, interconnection standards, standby charges, and net metering;

(L) Protect at-risk populations, including, but not limited to, when considering the implementation of any new advanced energy or renewable energy resource;

(M) Encourage the education of small business owners in this state regarding the use of, and encourage the use of, energy efficiency programs and alternative energy resources in their businesses;

(N) Facilitate the state's effectiveness in the global economy.

In carrying out this policy, the commission shall consider rules as they apply to the costs of electric distribution infrastructure, including, but not limited to, line extensions, for the purpose of development in this state.

Effective Date: 10-05-1999; 2008 SB221 07-31-2008

000018

4929.02 Policy of state as to natural gas services and goods.

(A) It is the policy of this state to, throughout this state:

- (1) Promote the availability to consumers of adequate, reliable, and reasonably priced natural gas services and goods;
- (2) Promote the availability of unbundled and comparable natural gas services and goods that provide wholesale and retail consumers with the supplier, price, terms, conditions, and quality options they elect to meet their respective needs;
- (3) Promote diversity of natural gas supplies and suppliers, by giving consumers effective choices over the selection of those supplies and suppliers;
- (4) Encourage innovation and market access for cost-effective supply- and demand-side natural gas services and goods;
- (5) Encourage cost-effective and efficient access to information regarding the operation of the distribution systems of natural gas companies in order to promote effective customer choice of natural gas services and goods;
- (6) Recognize the continuing emergence of competitive natural gas markets through the development and implementation of flexible regulatory treatment;
- (7) Promote an expeditious transition to the provision of natural gas services and goods in a manner that achieves effective competition and transactions between willing buyers and willing sellers to reduce or eliminate the need for regulation of natural gas services and goods under Chapters 4905. and 4909. of the Revised Code;
- (8) Promote effective competition in the provision of natural gas services and goods by avoiding subsidies flowing to or from regulated natural gas services and goods;

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(9) Ensure that the risks and rewards of a natural gas company's offering of nonjurisdictional and exempt services and goods do not affect the rates, prices, terms, or conditions of nonexempt, regulated services and goods of a natural gas company and do not affect the financial capability of a natural gas company to comply with the policy of this state specified in this section;

(10) Facilitate the state's competitiveness in the global economy;

(11) Facilitate additional choices for the supply of natural gas for residential consumers, including aggregation;

(12) Promote an alignment of natural gas company interests with consumer interest in energy efficiency and energy conservation.

(B) The public utilities commission and the office of the consumers' counsel shall follow the policy specified in this section in exercising their respective authorities relative to sections 4929.03 to 4929.30 of the Revised Code.

(C) Nothing in Chapter 4929. of the Revised Code shall be construed to alter the public utilities commission's construction or application of division (A)(6) of section 4905.03 of the Revised Code.

Effective Date: 06-26-2001; 2008 SB221 07-31-2008

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CONDANAH
THE W. H. ANDERSON COMPANY
LAW BOOKS & SUPPLIES
1912

The General Code depends on an act of the legislature which is passed from the
state form with the state constitution and printed, their printing is usually in volume

VOLUME ONE

JOHN J. ADAMS

W. H. HERBERT PAGE

And All Laws of a General Nature Passed
Since Its Adoption and in Force January 1, 1912

of 1910

State of Ohio

Revised General Code

The

§ 614-70

PUBLIC SERVICE COMMISSION, Tit. III, Div. II, Ch. 1.

Enforcement of
order.

Sec. **614-70.** § 73. Upon the commencement of any action which the operation of the order, ruling, determination, direction or requirement contained in it shall not be suspended until the determination of said action, unless the court or a judge thereof, after notice of such hearing, shall otherwise order and the court or judge thereof may, after hearing, fix the terms and conditions for the suspension of said order, ruling, determination, direction or requirement or any part thereof.

Board.

Provided, however, that the commencement of such action to vacate and set aside any order of the commission with respect to any fare, toll, price, rate, charge, or rental, shall vacate and suspend the order of the commission sought to be vacated, if such public utility or railroad shall elect to charge the fare, toll, price, rate, charge, or rental in force and effect immediately prior to the entering of such order of the commission, and shall give an undertaking in such amount as the court shall determine. The undertaking shall be filed with the court and shall be payable to the state of Ohio for the use and benefit of the users affected by the order of the commission. The condition of the undertaking shall be that the public utility or railroad shall refund to each of such users, public or private, the amount collected by it in excess of the amount which shall finally be determined it was authorized to collect from such users. The court shall make all necessary orders in respect to the form of such undertaking and the manner of making such refunds.

HISTORY.—102 v. 510, § 73.

Service of order.

Sec. **614-71.** § 74. Every order provided for in this act, shall be served upon every person or corporation to be affected thereby, either by personal delivery or a certified copy thereof, or by mailing a certified copy thereof, in a sealed package with postage prepaid, to the person to be affected thereby, or in the case of a corporation, to any officer or agent thereof, upon whom a summons may be served. It shall be the duty of every person and corporation to notify the commission forthwith, in writing, of the receipt of the certified copy of every order so served, and in the case of a corporation such notification must be signed and acknowledged by a person or officer duly authorized by the corporation to admit such service. Within a time specified in the order of the commission every person or corporation upon whom it is served must if so required in the order notify the commission in like manner whether the terms of the order are accepted and will be obeyed.

HISTORY.—102 v. 510, § 74.

Free service or
reduced rates
valid, when.

Sec. **614-72.** § 75. Nothing in this act contained shall prevent any public utility or railroad from granting the whole or any part of its property for any public purpose, or granting reduced rate or free service of any kind to the United States government, the state government or any political division or subdivision thereof, or for charitable purposes or for fairs or exhibitions or to any officer or employe of such public utility or railroad or his family and all contracts and agreements made

EXHIBIT A

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East) Case No. 07-829-GA-AIR
 Ohio for Authority to Increase Rates for its)
 Gas Distribution Service.)

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East) Case No. 07-830-GA-ALT
 Ohio for Approval of an Alternative Rate)
 Plan for its Gas Distribution Service.)

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East) Case No. 07-831-GA-AAM
 Ohio for Approval to Change Accounting)
 Methods.)

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East)
 Ohio for Approval of Tariffs to Recover)
 Certain Costs Associated with a Pipeline) Case No. 08-169-GA-ALT
 Infrastructure Replacement Program)
 Through an Automatic Adjustment Clause)
 and for Certain Accounting Treatment.)

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East)
 Ohio for Approval of Tariffs to Recover) Case No. 06-1453-GA-UNC
 Certain Costs Associated with Automated)
 Meter Reading and for Certain Accounting)
 Treatment.)

OPINION AND ORDER

The Commission, considering the above-entitled applications, the testimony, the applicable law, the proposed stipulation, and other evidence of record, and being otherwise fully advised, hereby issues its opinion and order.

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
 Technician _____ Date Processed OCT 15 2008

APPEARANCES:

Jones Day, by David A. Kutik, North Point, 901 Lakeside Avenue, Cleveland, Ohio 44114-1190, Mark A. Whitt, Meggan A. Rawlin, and Andrew J. Campbell, 325 John H. McConnell Boulevard, Suite 600, Columbus, Ohio 43215-2673, and Jean A. Demarr, 1201 East 55th Street, Cleveland, Ohio 44101, on behalf of The East Ohio Gas Company d/b/a Dominion East Ohio.

Vorys, Sater, Seymour & Pease, LLP, by W. Jonathan Airey and Gregory D. Russell, 52 East Gay Street, Columbus, Ohio 43216-1008, on behalf of the Ohio Oil & Gas Association.

Vorys, Sater, Seymour & Pease, LLP, by M. Howard Petricoff and Stephen M. Howard, and Michael J. Settineri, 52 East Gay Street, Columbus, Ohio 43216-1008, on behalf of the Integrys Energy, Inc.

Schwarzwald & McNair, LLP, by Todd M. Smith, 616 Penton Media Building, 1300 East Ninth Street, Cleveland, Ohio 44114, on behalf of Utility Workers Union of America, Local G555.

John M. Dosker, 1077 Celestial Street, Suite 110, Cincinnati, Ohio 45202-1629, on behalf of Stand Energy Corporation.

Bell & Royer Co., LPA, by Barth E. Royer, 33 South Grant Avenue, Columbus, Ohio 43215-3927, on behalf of Dominion Retail, Inc.

David C. Reinbolt and Colleen L. Mooney, 231 West Lima Street, P.O. Box 1793, Findlay, Ohio 45839-1793, on behalf of Ohio Partners for Affordable Energy.

Chester, Wilcox & Saxbe, LLP, by John W. Bentine, Mark S. Yurick, and Matt White, 65 East State Street, Suite 1000, Columbus, Ohio 43215-4213 and Vincent A. Parisi, 5020 Bradenton Avenue, Dublin, Ohio 43017, on behalf of Interstate Gas Supply, Inc.

The Legal Aid Society of Cleveland, by Joseph P. Meissner, 1223 West 6th Street, Cleveland, Ohio 44113, on behalf of The Neighborhood Environmental Coalition, The Empowerment Center of Greater Cleveland, Cleveland Housing Network, and The Consumers for Fair Utility Rates

Sheryl Creed Maxfield, First Assistant Attorney General of the State of Ohio, by Duane W. Luckey, Section Chief, by Stephen A. Reilly and Anne L. Hammerstein,

Assistant Attorneys General, 180 East Broad Street, Columbus, Ohio 43215, on behalf of the staff of the Public Utilities Commission of Ohio.

Janine L. Migden-Ostrander, Ohio Consumers' Counsel, by Joseph P. Serio, Larry S. Sauer, and Gregory J. Poulos, Assistant Consumers' Counsel, 10 West Broad Street, Columbus, Ohio 43215-3485, on behalf of the residential utility consumers of The East Ohio Gas Company d/b/a Dominion East Ohio.

OPINION:

I. HISTORY OF THE PROCEEDINGS:

The applicant, The East Ohio Gas Company d/b/a Dominion East Ohio (DEO or company), is a natural gas company as defined by Section 4905.03(A)(6), Revised Code, and a public utility as defined by Section 4905.02, Revised Code. DEO distributes and sells natural gas to approximately 1,200,000 customers in approximately 400 eastern and western Ohio communities (Staff Ex. 1, at 1). DEO's current base rates were established by the Commission in Case No. 93-2006-GA-AIR, Opinion and Order (November 3, 1994).

On July 20, 2007, DEO filed its notice of intent to file an application to increase its rates for gas distribution service in its entire service area subject to the jurisdiction of the Commission. By entry of August 15, 2007, the Commission approved the requested test year of January 1, 2007, through December 31, 2007, and the date certain of March 31, 2007. The Commission also granted DEO's request to waive certain of the standard filing requirements for various financial and informational data.

On August 30, 2007, DEO filed applications for approval of an increase in gas distribution rates, for approval of an alternative rate plan for its gas distribution service, and for approval of an application to modify certain accounting methods, in Case Nos. 07-829-GA-AIR (07-829), 07-830-GA-ALT (07-830), and 07-831-GA-AAM (07-831), respectively. On December 13, 2006, DEO filed an application in Case No. 06-1453-GA-UNC (06-1453), requesting approval of tariffs to recover, through an automatic adjustment mechanism, costs associated with the deployment of automated meter reading (AMR) equipment. On February 22, 2008, DEO filed an application in Case No. 08-169-GA-UNC (08-169) requesting approval of: tariffs to recover, through an automatic adjustment mechanism, costs associated with a pipeline infrastructure replacement (PIR) program; its proposal to assume responsibility for and ownership of the curb-to-meter service lines; and the accounting authority to defer the costs associated with the PIR program for subsequent recovery. By entry of April 9, 2008, the Commission, *inter alia*, granted DEO's request to consolidate these five cases.

By entries issued April 9, 2008, and June 27, 2008, the motions to intervene filed by the following entities were granted: the Neighborhood Environmental Coalition, the Empowerment Center of Greater Cleveland, the Cleveland Housing Network, and the Consumers for Fair Utility Rates (jointly, Citizens' Coalition); the Ohio Energy Group (OEG); Interstate Gas Supply, Inc. (IGS); Dominion Retail, Inc. (Dominion Retail); Stand Energy Corporation (Stand); Utilities Workers Union of America, Local G555 (Local G555); Integrys Energy Services, Inc. (Integrys); the Ohio Oil and Gas Association (OOGA); the Office of the Ohio Consumers' Counsel (OCC); Ohio Partners for Affordable Energy (OPAE); Industrial Energy Users-Ohio (IEU-Ohio); and the city of Cleveland (Cleveland). By entry issued April 9, 2008, the Commission also granted a motion to admit David C. Rinebolt to practice *pro hac vice* on behalf of OPAE. On June 19, 2008, and July 28, 2008, IEU-Ohio and OEG, respectively, filed notices of withdrawal from these proceedings.

Pursuant to Section 4909.19, Revised Code, the Commission's staff conducted an investigation of the matters set forth in DEO's applications in 07-829, 07-830, 07-831, and 06-1453 and, on May 23, 2008, staff filed its written report of investigation of those applications. Objections to the staff report were filed by Cleveland, DEO, OCC, Citizens' Coalition, Integrys, and OPAE. On May 23, 2008, the report of conclusions and recommendations of the financial audit of DEO by Blue Ridge Consulting Services, Inc., was filed. On June 12, 2008, staff filed its written report of investigation of DEO's application in 08-169. Objections to the staff report in 08-169 were filed by DEO and OCC. A prehearing conference was held on July 8, 2008.

By entries issued June 27, 2008, and July 31, 2008, ten local public hearings were scheduled throughout the company's service territory. The evidentiary hearing commenced on August 1, 2008, and concluded on August 27, 2008. On August 22, 2008, a stipulation was filed in these matters, resolving all of the issues in these cases with the exception of the issue of the rate design. Signatories to the stipulation are DEO, staff, OCC, OPAE, Citizens' Coalition, OOGA, Stand, and Cleveland. On October 10, 2008, DEO, staff, and OOGA filed a notice of substitution of Joint Exhibit 1-A to the stipulation. On October 14, 2008, the signatory parties to the stipulation filed late-filed Exhibit 1-C to the stipulation, which is a revised schedule A-1 containing the revenue requirement agreed to in the stipulation.¹ Initial briefs were filed on September 10, 2008, by DEO, staff, OCC, OPAE, Citizens' Coalition, OOGA, and Cleveland. Reply briefs were filed on September 16, 2008, by DEO, staff, OCC, OPAE, OOGA, and Cleveland. An oral argument, on the issue of the rate design, was held before the Commission on September 24, 2008.

¹ All of the signatory parties agreed to the filing of this exhibit, with the exception of Citizens' Coalition, which could not be reached.

II. SUMMARY OF THE EVIDENCE AND DISCUSSION:

A. Summary of the Local Public Hearings

Ten local public hearings were held in order to allow DEO's customers the opportunity to express their opinions regarding the issues in these proceedings. Those hearings were held in the following cities: Youngstown on July 28, 2008, and August 19, 2008; Lima on July 29, 2008; Canton on July 31, 2008; Akron on July 31, 2008, and August 21, 2008; Cleveland on August 4, 2008; Geneva on August 4, 2008; Marietta on August 5, 2008; and Garfield Heights on August 18, 2008. At those hearings, public testimony was heard from 57 customers in Youngstown, 15 customers in Lima, 10 customers in Canton, 31 customers in Akron, 17 customers in Cleveland, 15 customers in Geneva, 9 customers in Marietta, and 32 customers in Garfield Heights. At each public hearing, customers were permitted to testify about issues in these cases. In addition, some customers who were opposed to the proposals signed forms indicating that they were at the hearing and they opposed the proposals. In addition to the public testimony, several hundred letters were filed in the case docket by customers stating opposition to the applications in these cases.

The principal concern expressed by customers, both at the public hearings and in letters, was in response to a recommendation made by the staff pertaining to the appropriate rate design that the company should apply in order to recover the recommended revenue requirement in these proceedings. Staff recommended that the Commission approve a rate structure primarily based on a fixed distribution service charge and a small volumetric rate, rather than the current method of recovery that applies a minimal customer service charge and relatively high volumetric rates (Staff Ex. 1 at 34). In general, the vast majority of those who testified or wrote letters requested that the staff recommendation not be adopted. The principal concern expressed by those customers involved their expectation that the change in rate design and the increase in rates would negatively impact low-income customers, the elderly, and those on fixed incomes. Those customers noted that they also face increases in other utility charges, gasoline, food, and medical expenses and that the proposed increase would cause undue hardship. In addition, at all of the public hearings, representatives of low-income groups testified as to the degree to which such customers would be negatively affected by the rate increase. Many other witnesses expressed concern that the change in rate design would cause low-use customers to subsidize high-use customers. Some witnesses pointed out that they had invested in conservation and weatherization measures for their homes and that, under the proposed change in rate design, their monthly bills would increase even though their gas use would remain low or decrease. Several other witnesses submitted that their gas usage was minimal and that increasing the customer charge as proposed by staff would be

detrimental to them. Witnesses also argued that the proposed increase in rates is not justified in light of the company's positive financial position.

B. Summary of the Proposed Stipulation

As noted previously, the parties to these proceedings entered into a stipulation that was filed on August 22, 2008. The only issue not resolved in the stipulation is the proposed rate design which was litigated and is expressly reserved in the stipulation for the Commission's determination. A new rate design is recommended by the staff, DEO, and OOGA, but opposed by OCC, Citizens' Coalition, Cleveland, and OPAE. The remaining parties take no position on the rate design issue. Pursuant to the stipulation, the parties agree, *inter alia*, that:

- (1) The parties entered into the stipulation notwithstanding any objections filed on June 23, and July 25, 2008,² to the staff reports of investigation filed May 23, and June 12, 2008.
- (2) DEO should be granted a net base rate revenue increase of \$40,500,000. The signatory parties agree that DEO's current rates are no longer sufficient to yield a reasonable compensation for the services rendered and are, therefore, unreasonable. The recommended total net base rate revenue increase of \$40,500,000 provides reasonable compensation for the services rendered. The total revenue requirement reflects 8.49 percent as a reasonable rate of return on rate base.
- (3) Unless otherwise specifically provided for in the stipulation, all rates, terms, conditions, and any other items shall be treated in accordance with the staff reports. If any proposed rates, terms, conditions, or other items set forth in DEO's applications are not addressed in the staff reports, the proposed rate, term, condition, or other item shall be treated in accordance with the applicable application.
- (4) The parties agree that the rate design issue, which is characterized as fixed versus volumetric and/or a sales decoupling rider versus straight fixed variable, is not resolved in the stipulation and will be decided by the Commission after the issue is fully litigated.

² On September 2, 2008, Cleveland filed a letter clarifying that its objections, which were filed on June 20, 2008, should be included in this provision of the stipulation.

- (5) The revenue increase includes \$5,500,000 for base rate funded demand-side management (DSM) programs for low-income customers. In addition to low income DSM expenditures that will be recovered through base rates, additional annual DSM expenditures of \$4,000,000 will be recovered through a DSM rider applicable to customers served under the General Sales Service (GSS) and Energy Choice Transportation Service (ECTS) rate schedules, for a total annual DSM commitment of \$9,500,000. DEO shall convene, within two months of the approval of this stipulation, a DSM collaborative comprised of DEO, staff, OCC, OP&E, and representatives of other parties. The collaborative shall enter into a contract by March 31, 2009, to implement said programs. DSM applications seeking recovery for DSM funding through the DSM rider, over and above the current \$4,000,000 commitment, may be filed at any time the collaborative deems an increase in ratepayer funding is reasonable and prudent. If an increase in the DSM rider is granted, DEO's transportation migration riders, Part A and B, shall be increased by the amount necessary to recover an equivalent amount for funding DEO's participation in Gas Technology Institute research programs, up to \$600,000 per year.
- (6) By December 31, 2008, DEO shall provide \$1,200,000 of shareholder-funded assistance to those organizations set forth in the stipulation, to help DEO's customers in the areas of payment assistance and education regarding the efficient use of natural gas.
- (7) The staff's recommended percentage allocation of the revenue increase by rate schedule class shall be used to apportion the net base rate revenue increase to rate schedules.
- (8) Firm storage service rates shall be adjusted to reflect increased gas storage migration costs, but these amounts shall not be treated as a part of the base rate increase. The portion of firm storage service revenues reflecting such costs shall be credited to amounts that would otherwise be recovered by transportation migration rider, Part B.
- (9) The investigation fee set forth in paragraph 23 of the company's proposed rules and regulations, relating to meter tampering, shall be \$112.
- (10) A late-payment charge (LPC) of 1.5 percent on overdue balances (a) will be credited toward amounts that would otherwise be recovered

through the uncollectibles expense rider; (b) will not be imposed if the amount due is paid by the time the next bill is generated; (c) will not be imposed on customers participating in the percentage of income payment plan (PIPP) or the PIPP arrearage crediting program; and (d) will not be assessed to customers participating in a short-term payment plan or budget billing plan, provided they make the minimum payment required under the plan by the bill due date. (However, if the customer does not pay the full plan amount, the LPC will be charged only on the payment plan arrearage.)

- (11) Security deposits shall be billed in three equal installments, to be paid concurrently with the monthly bill.
- (12) No later than six months after approval of the stipulation, DEO shall complete studies on the feasibility of providing adjusted bill due dates to allow customers the option of having the due date on the bill coincide with the time when they are most capable of paying the bill, and reducing fees charged to customers who pay their bills through authorized agents, by telephone, by credit card, and through the internet.
- (13) To the extent that any of the items enumerated in paragraphs (10) through (12) above are addressed in Case No. 08-723-AU-ORD, *In the Matter of the Commission's Review of Chapters 4901:1-17 and 4901:1-18, and Rules 4901:1-5-07, 4901:1-10-22, 4901:1-13-11, 4901:1-15-17, 4901:1-21-14, and 4901:1-29-12 of the Ohio Administrative Code*, the outcome of that rulemaking proceeding shall govern.
- (14) The firm receipt point and commodity exchange revenue sharing mechanism proposed by DEO shall be implemented, and the customer revenue portion shall be credited to amounts that would otherwise be collected through the PIPP rider.
- (15) The period in which DEO must remit payments to natural gas marketers for the purchase of receivables billed from the DEO's customer care system (CCS) shall be extended from 14 to 30 days. DEO shall remit 100 percent of the value of supplier receivables, less any unpaid supplier balances, by writing a check or executing a wire transfer weekly for accounts billed from the CCS and monthly for accounts billed from the special billing system. Such payments shall be made approximately 30 days after the accounts have been billed.

- (16) The \$3,720,000 of test year off-system transportation and storage revenue shall not be credited to amounts that would otherwise be recovered through the transportation migration rider, Part B.
- (17) The staff recommendations with regard to the PIR application in 08-169 shall be adopted with the following modifications:
 - (a) DEO shall assume ownership of and responsibility for all customer-owned service lines (including effectively coated lines) whenever such lines are separated from the main line and a pressure test is required before the line can be returned to service.
 - (b) DEO may implement the PIR program and PIR cost recovery charge mechanism for an initial five-year period or until the effective date of new base rates resulting from the filing of an application to increase base rates, whichever comes first. At that time, DEO may request continuation of the PIR program beyond the initial term, and the other signatory parties retain all rights with respect to any positions taken in future PIR filings by the company.
 - (c) OCC shall be provided an opportunity for meaningful participation with the company and staff in annual PIR previews and PIR cost recovery procedures and any other PIR-related process or proceeding that impacts the scope of the PIR program and/or the cost recovery of the PIR program. Beginning within one month of Commission approval of this stipulation, and annually thereafter, in conjunction with the annual PIR preview, DEO, staff, OCC and other interested parties will be given the opportunity to review the PIR program plan as proposed by DEO for the upcoming year.
 - (d) By August 2012, DEO shall perform studies assessing the impact of the PIR program on safety and reliability, the estimated costs and benefits resulting from acceleration of the pipeline replacement activity, and DEO's ability to effectively and prudently manage, oversee, and inspect the PIR program. Such studies shall be provided to the signatory parties and considered in the annual PIR post-audit procedure. Should OCC decide to engage an auditor independently for the PIR

post-audit procedure, DEO agrees to cooperate and provide the information needed to conduct a meaningful audit.

- (e) DEO shall revise its proposed allocation methodology to identify and allocate more precisely the costs associated with investments undertaken in the PIR program. The Commission will determine the appropriate allocation of such costs.
 - (f) Any savings relative to a baseline level of operation and maintenance expenses associated with leak detection and repair processes, department of transportation inspections of inside meters that may no longer be necessary if meters are relocated outside, and corrosion monitoring expenses shall be used to reduce the fiscal year-end regulatory asset eligible for recovery through the PIR cost recovery charge. DEO shall work with staff and OCC to develop an appropriate baseline for those expenses.
 - (g) Any request for re-authorization of the PIR program shall be filed in accordance with then-applicable law and shall include all applicable due process protections.
- (18) The staff's recommendations with regard to the AMR application in 06-1453 shall be adopted. Within three months of the approval of this stipulation, DEO shall work with staff and OCC to develop an appropriate baseline from which meter reading and call center savings will be determined and such quantifiable savings shall be credited to amounts that would otherwise be recovered through the AMR costs recovery charge.
- (19) For purposes of calculating the AMR cost recovery charge and the PIR cost recovery charge, the rate of return on rate base for calculation of such charges shall be the rate of return specified in this stipulation.
- (20) DEO shall evaluate the feasibility of separating the residential and nonresidential GSS/ECTS classes for purposes of rate design and will share with the signatory parties the results of the feasibility study before including in its next base rate application a class cost of service study that separately assesses those classes.

- (21) DEO shall file tariff sheets to implement the provisions of this stipulation and commitments made to the OOGA in accordance with the letter attached as Joint Exhibit 1-B.

(Jt. Ex. 1).

C. Consideration of the Stipulation

Rule 4901-1-30, O.A.C., authorizes parties to Commission proceedings to enter into stipulations. Although not binding on the Commission, the terms of such an agreement are accorded substantial weight. See, *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, at 125 (1992), citing *Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155 (1978). This concept is particularly valid where the stipulation is unopposed by any party and resolves almost all of the issues presented in the proceeding in which it is offered.

The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. See, e.g., *Cincinnati Gas & Electric Co.*, Case No. 91-410-EL-AIR (April 14, 1994); *Western Reserve Telephone Co.*, Case No. 93-230-TP-ALT (March 30, 1994); *Ohio Edison Co.*, Case No. 91-698-EL-FOR et al. (December 30, 1993); *Cleveland Electric Illum. Co.*, Case No. 88-170-EL-AIR (January 30, 1989); *Restatement of Accounts and Records (Zimmer Plant)*, Case No. 84-1187-EL-UNC (November 26, 1985). The ultimate issue for our consideration is whether the agreement, which embodies considerable time and effort by the signatory parties, is reasonable and should be adopted. In considering the reasonableness of a stipulation, the Commission has used the following criteria:

- (1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (2) Does the settlement, as a package, benefit ratepayers and the public interest?
- (3) Does the settlement package violate any important regulatory principle or practice?

The Ohio Supreme Court has endorsed the Commission's analysis using these criteria to resolve issues in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St.3d 547 (1994), (citing *Consumers' Counsel*, supra, at 126). The court stated in that case that the Commission may place substantial weight on the terms of a stipulation, even though the stipulation does not bind the Commission (*Id.*).

The signatory parties agree that the stipulation is supported by adequate data and information, represents a just and reasonable resolution of certain issues in these proceedings and is the product of lengthy, serious bargaining among knowledgeable and capable parties (Jt. Ex. 1 at 2). In support of the stipulation, Jeffrey A. Murphy, Director of Rates and Gas Supply for DEO, testified that the signatory parties to the stipulation regularly participate in regulatory matters before the Commission and represent a broad range of interests, including the company, staff, various consumer groups, a major natural gas marketer, and a natural gas producer (DEO Ex. 1.4 at 3). Upon review of the terms of the stipulation and the attached schedules and tariffs, the Commission believes that the parties engaged in comprehensive negotiations prior to signing the agreement. Therefore, based on our three-prong standard of review, we find that the first criterion, that the process involved serious bargaining by knowledgeable, capable parties, is met.

Mr. Murphy testified that the stipulation, as a package, benefits ratepayers and the public interest. According to the witness, the \$40,500,000 net base rate revenue increase agreed to in the stipulation represents a \$30,000,000 reduction from the increase requested by DEO in its application. In addition, Mr. Murphy notes that the stipulation provides for two new initiatives, the AMR and PIR programs, which will enhance service and safety. The witness further states that, among other things, the stipulation benefits customers by protecting low-income customers and providing for a substantial increase in the funding of programs to assist customers, i.e., the DSM program (DEO Ex. 1.4 at 4-6). Upon review of the stipulation, we find that, as a package, with the modification discussed later in this opinion and order, it benefits the ratepayers and the public interest. The Commission notes, however, that, while the stipulation may serve to benefit the immediate needs of the parties, it may not advance the public's longer term interest in promoting energy efficiency and conservation. The Commission is concerned that declining block rate structures, such as that embodied in the parties' stipulation for the Large Volume General Sales Service and Large Volume Energy Choice Transportation Service rate classes, may not encourage efficient use. While it is incumbent upon the Commission to balance competing policy interests, energy efficiency and conservation concerns have garnered amplified Commission attention. In the interest of timely resolution of a matter to which all parties have agreed, however, the Commission is willing to accept this stipulation.

Finally, the signatory parties agree that the stipulation violates no regulatory principle or precedent (Jt. Ex. 1 at 2). Upon consideration, the Commission finds that there is no evidence that the stipulation violates any important regulatory principle or practice and, therefore, the stipulation meets the third criterion. Accordingly, we find that the stipulation entered into by the parties should be adopted, as modified herein.

The Commission notes that the parties have agreed, in the stipulation, to adopt staff's recommendations related to AMR. Specifically, the parties agreed that, within three months of the Commission's approval of this stipulation, DEO shall work with staff and OCC to develop an appropriate baseline from which meter reading and call center savings will be determined and such quantifiable savings shall be credited to amounts that would otherwise be recovered through the AMR cost recovery charge. While the Commission acknowledges that DEO is already involved in the deployment of AMR technology, advanced metering infrastructure (AMI) technology offers additional benefits to both customers and the company that may warrant consideration by the Commission. DEO acknowledged that it had not conducted any evaluation of partnering with electric utilities or purchasing services from electric companies that may deploy AMI and have a service territory overlapping with that of DEO (August 25, 2008, Tr. at 79). Accordingly, the Commission directs DEO to conduct a review and report back to the staff within 180 days of this order on the technical capability of DEO's advanced metering system to take advantage of communications systems and services that could become available with parallel electric utility deployment of AMI and on the potential consumer and utility benefits and costs associated with utilizing enhanced AMI communications systems and services.

D. Summary of the Rate Design Issue

1. Background and General Arguments

The only outstanding issue in this case is the appropriate rate design. In its initial filings, DEO proposed that a sales reconciliation rider (SRR) be applied to the company's sales and ECTS rate schedules. Initially, the SRR would be set at zero and, on the first of November of each year, the rider rate would be revised after approval by the Commission (App. Par. 7). In the application, the company stated that the reduced gas consumption attributable to energy conservation inhibits DEO's ability to earn the Commission-approved revenue requirement, because there is an over-reliance on volumetric rates and an understatement of the costs that do not vary with usage. According to the application, the SRR would address this problem and would eliminate DEO's disincentive to support energy conservation measures through DSM by decoupling the linkage between customer usage and the company's opportunity to receive revenue requirements based on its cost of providing utility service. DEO also notes that a move to a straight fixed variable (SFV) rate design would eliminate the problem entirely. DEO explained that, as proposed in the application, the SRR was modeled after the mechanism approved by the Commission in *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval Pursuant to Revised Code Section 4929.11, of a Tariff to Recover Conservation Expenses and Decoupling Revenues Pursuant to Automatic Adjustment Mechanisms and for Such Accounting Authority as May be Required to Defer Such Expenses and Revenues for Future Recovery Through Such*

Adjustment Mechanisms, Case No. 05-1444-GA-UNC, Supplemental Opinion and Order (June 27, 2007) (*Vectren*) (App. Alt. Reg. Exs. A and B; DEO Ex. 1.0 at 40-42).

In the staff report, it was noted that, under the traditional rate design for gas companies, which consists of a minimal customer service charge and a volumetric rate, the gas utilities have seen the recovery of the distribution costs deteriorate as the volume of gas used has decreased. Therefore, staff recommended, as a replacement for DEO's proposed SRR, a change in the rate structure policy that is based on a fixed distribution service charge. According to the staff report, this rate design would reduce the revenue deterioration in a time of reduced consumption, would reduce the need for frequent rate cases, and would alleviate the need for a decoupling mechanism, such as the SRR proposed in the initial application, which requires frequent reconciliations (Staff Ex. 1 at 34-36).

As noted previously, the stipulating parties agreed that the rate design issue, characterized as fixed versus volumetric and/or a sales decoupling rider versus straight fixed variable, is not resolved through the stipulation and would be submitted to the Commission for a decision (Jt. Ex. 1 at 4). DEO points out that all of the parties agree that some form of decoupling mechanism is required for DEO. However, the parties disagree on the specific design of the mechanism (DEO Br. at 1-2).

DEO and OOGA have joined staff in the rate design recommended in the staff report for a fixed distribution service charge. Therefore, DEO, staff, and OOGA advocate the adoption of a modified SFV or levelized rate design which allocates most of the fixed costs of delivering gas to a monthly flat fee, with the remaining fixed costs being recovered through a variable or volumetric component (Staff Ex. 1 at 34-36; Jt. Ex. 1 at 4; Jt. Ex. 1-A). The modified SFV proposal would be applied to DEO's GSS and ECTS rate schedules and would limit eligibility to customers consuming less than 3,000 thousand cubic feet (mcf) per year. In addition, the proposal would be phased in over a two-year period (DEO Ex. 1.4 at 7).

Under this proposed modified SFV rate design, DEO's current \$5.70 and \$4.38 residential fixed customer charges, as well as the \$1.2355 and \$1.1201 per mcf charges, for DEO's East Ohio and West Ohio Divisions, respectively, would be eliminated. Instead, residential customers would pay a flat monthly fee of \$12.50 in year one and \$15.40 in year two, but with a corresponding lower usage component to recover the remaining fixed distribution costs. Under the levelized rate design proposal, the monthly volumetric charge in year one would be \$0.648 per mcf for the first 50 mcf and \$1.075 per mcf over 50 mcf. In year two, the volumetric charge would be \$0.378 per mcf for the first 50 mcf and \$0.627 per mcf over 50 mcf (Staff Ex. 1 at 34-36; Jt. Ex. 1 at 4; Jt. Ex. 1-A; DEO Ex. 1-4 at 7-

8).³ According to DEO, the proposal is termed a “modified” SFV because the rates proposed in Joint Exhibit 1-A do not recover all of DEO’s fixed costs in the fixed monthly customer charge. DEO explains that, under the modified SFV, for the average customer using 99.1 mcf per year, only 71 percent of the annual base rate revenues will be provided by the \$12.50 fixed monthly charge and, in year two, only 84 percent of the annual base rate revenues will be provided by the \$15.40 monthly charge (DEO Ex. 1.4 at 8).

The modified SFV rate design is opposed by OCC, Citizens’ Coalition, Cleveland, and OP&E, who advocate for keeping the current low residential customer charge and high volumetric rates. They argue that, if a decoupling mechanism is to be adopted, the appropriate design is a decoupling rider, such as the SRR that was initially proposed in DEO’s application, rather than the modified SFV or levelized rate design recommended by DEO, staff, and OOGA (Jt. Ex. 1 at 4; OCC Br. at 3). The remaining parties in this case take no position on the rate design issue (Jt. Ex. 1 at 4).

DEO states that there are no statutory provisions expressly related to rate design. The company notes that both the SFV approach advocated by staff, DEO, and OOGA, and the rider approach advocated by the consumer groups are consistent with the results of the cost-of-service study, provide DEO with its revenue requirement, and do not violate any statute or decision of the Ohio Supreme Court. Therefore, DEO submits that the Commission should decide which rate design is best by considering which is most consistent with the fundamental regulatory principles and policies of the Commission (DEO Br. at 2-3). DEO’s witness, Mr. Murphy, testified that DEO’s operation and maintenance expenses, as well as other elements of the cost of service for the company, are predominantly fixed in nature and do not vary with usage (DEO Ex. 1.4 at 9). According to staff, the distribution facilities required to serve a small residence are, typically, the same as those required to service a large residence (Staff Ex. 1 at 34). DEO and staff submit that the SFV rate design is more consistent with the principle of cost causation, which supports recovering the fixed costs in a more fixed manner (Tr. IV at 83; DEO Br. at 5; Staff Ex. 1 at 34). DEO points out that the SRR rate design advocated by the consumer groups requires customers to pay a higher portion of the fixed costs during the heating season, which is inconsistent with the manner in which the costs are incurred; therefore, DEO posits that the rider design does not embody the degree of cost causation inherent in the SFV rate design (DEO Br. at 6). Mr. Murphy points out that the current \$5.70 fixed charge provides only 30 percent recovery of the company’s authorized base rate revenue (Tr. IV at 89). However, under the SFV rate design, in year two, DEO will recover 84 percent of its base rate revenues in the fixed charge (DEO 1.4 at 8). To ensure that DEO is financially stable and able to invest in its pipeline system, OOGA states that it is essential

³ On October 10, 2008, DEO, staff, and OOGA filed a letter clarifying that the volumetric charges set forth in Jt. Ex. 1-A were updated in the proposed tariffs filed on October 8, 2008, to reflect the revenue requirement agreed to in the stipulation.

that DEO's fixed costs for operating and maintaining its system be separated from the costs for the volume of gas transported, and points out that this is accomplished by the SFV rate design (OOGA Br. at 5). In addition, DEO, staff, and OOGA note that the modified SFV is consistent with the levelized rate design approved by the Commission in *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Rates, for Approval of an Alternative Rate Plan for Gas Distribution Service, and for Approval to Change Accounting Methods*, Case Nos. 07-589-GA-AIR, 07-590-GA-ALT, and 07-591-GA-AAM, Opinion and Order (May 28, 2008) (*Duke*) (DEO Ex. 1.4 at 8-9; Staff Br. at 2; OOGA Br. at 4).

Finally, OPAE maintains that the SFV rate design undermines the traditional regulatory balance and renders the utility virtually risk free by allowing DEO to recover 84 percent of its revenue requirement in year two (OPAE Br. at 6). However, DEO argues that it faces economic risks under the SFV rate design, citing, as an example, the fact that three out of four of DEO's largest customers filed for bankruptcy (Tr. VI at 43). In addition, DEO submits that the reduced rate of return found in the stipulation reflects the reduced risk to the company (Tr. VI at 47).

2. Conservation

OCC, OPAE, Cleveland, and Citizens' Coalition argue against the SFV rate design, stating that it violates Sections 4929.02 and 4905.70, Revised Code, and the state policy to promote conservation (OCC Br. at 2; OPAE Br. at 3; Cleve. Br. at 3; Cit. Coal. Br. at 9 and 12). OCC, OPAE, and Cleveland believe that the SFV rate design provides a disincentive for conservation and decreases the natural gas price signal that encourages customers to conserve (OCC Ex. 21 at 10-11; OCC Br. at 2; OPAE Br. at 3; Cleve. Br. at 9-10). Furthermore, Cleveland argues that approval of the SFV rate design will impede the development of DSM innovation in Ohio (Cleve. Br. at 10). OCC, OPAE, and Cleveland believe that the SFV proposal penalizes those customers who made energy efficiency investments and leads to less energy efficiency by lessening consumer incentives for self-initiated efficiency and increases the period of time for payback on the investments in hard economic times (OCC Ex. 21 at 13-15; OCC Br. at 2; OPAE Br. at 3; Cleve. Br. at 7). According to Cleveland, the fixed cost nature of the SFV rate design diminishes the value of a customer's reduction in consumption through energy conservation, because a smaller amount of the customer's bill is determined by the volumetric rate (Cleve. Br. at 7). OCC believes that because the SFV rate design reduces costs to high-use customers, those customers will be encouraged to use more gas (OCC Reply Br. at 8).

In response to the allegation that a reduction in the variable rate will render conservation futile, DEO and staff argue that the gas cost is, and will remain, the largest charge on most bills and, thus, will be the primary driver for customers' conservation decisions (DEO Br. at 7; Staff Ex. 3 at 3-4). DEO points out that OCC's witness, Mr.

Radigan, agrees that the total bill is the "biggest driver of usage decision" (DEO Br. at 7; Tr. V at 23). Therefore, DEO reasons that conservation is not discouraged by the SFV rate design and conserving customers will reap the full value of gas cost savings under this rate design (DEO Br. at 7). Staff also notes that, if the volumetric rate is artificially inflated beyond its cost basis, as is the case with the SRR proposal, a customer's analysis of the payback for conservation is skewed, which will cause the customer to overinvest in conservation, thus exacerbating the underrecovery of DEO's fixed costs (Staff Ex. 3 at 4-5). DEO maintains that the SFV proposal accomplishes the goal set forth in Section 4929.02, Revised Code, by aligning the interests of DEO and its customers with respect to energy efficiency and conservation (DEO Br. at 10). DEO and staff argue that, by lessening the tie between a customer's usage and DEO's revenues, the SFV rate design eliminates the primary disincentive to DEO's support of conservation measures (DEO Br. at 10; Staff Ex. 3 at 5). DEO contends that its willingness to nearly triple its DSM funding pursuant to the stipulation is evidence that the SFV better aligns DEO's interest in promoting conservation with that of its customers than does the SRR alternative promoted by the consumer groups (DEO Br. at 10).

3. Price Signals and Simplicity

DEO believes that the SFV proposal further supports the policy goals of Section 4929.02, Revised Code, because the more accurate price signals will improve market operation and customer participation. DEO also notes that, consistent with Section 4929.02, Revised Code, the SFV rate design will avoid subsidies, such as the subsidization of conservation services and of low-usage customers by normal- and high-usage customers, which would occur under the SRR proposal (DEO Br. at 11-12).

Furthermore, DEO contends that the SFV model advances the state energy policy, as modified by Am. Sub. Senate Bill No. 221, which was signed into law May 1, 2008 (DEO Ex. 1.4 at 8). DEO and staff believe that the SFV rate design sends better price signals to customers (DEO Ex. 1.4 at 9; Staff Br. at 4). As DEO explains, the company's non-gas costs are primarily fixed and the SFV rate design would accurately communicate to customers the fact that DEO's costs to serve them are primarily fixed. On the other hand, according to DEO, the current rate design sends the misleading price signal that the company's costs vary with monthly usage. According to DEO, this misleading signal would not be cured if the rider advocated by the consumer groups is adopted (DEO Br. at 6). In addition, DEO avers that the inevitability of true-ups associated with the SRR makes it more difficult for customers to make decisions based on the price of distribution. For example, with the SRR, a customer saving in one period by conserving may have to pay a rate increase in a subsequent period in order to offset the impact on the base rate revenues (DEO Ex. 1.4 at 10; DEO Br. at 7).

DEO offers that the SFV rate design is straightforward and achieves simplicity because a fixed charge collects most fixed costs and a per-unit charge mostly collects costs that vary with usage (DEO Br. at 8). DEO points out that OCC's witness, Mr. Radigan, agrees that levelized rates are easier for customers to understand and that a decoupling rider is harder to explain than the SFV rate design (Tr. V at 21; DEO Br. at 9). DEO and staff note that not only is the rider proposal hard to explain but it is complex to execute because it will require additional, and potential contentious, proceedings before the Commission (DEO Br. at 9; Staff Ex. 3 at 6). In addition, staff notes that the SFV approach eliminates the need for carrying charges associated with deferred recoveries, such as those required by the SRR proposal (Staff Ex. 3 at 6; Staff Br. at 2).

4. Customer Usage

With regard to customer use, DEO advocates that the modified SFV rate design is preferable to the SRR supported by the consumer groups because the SFV design addresses the issue of declining use per customer by permitting a greater recovery of fixed charges in a demand rate rather than a usage rate (DEO Ex. 1.4 at 8; Tr. VI at 12). According to DEO's witness, Mr. Murphy, "DEO's average weather-normalized use per customer ("UPC") declined at a moderate rate of 1-2% per year until prices began to rise substantially, culminating in a year-over-year UPC decline of over 6% when prices reached their all-time peak during the 2005-2006 winter..." (DEO Ex 1.0 at 41). Staff agrees that the continued deterioration in consumption results in DEO underrecovering revenues associated with fixed costs (Staff Ex. 1 at 34).

OPAE and OCC argue that neither DEO nor the staff supports the assertion that declines in the customer usage per capita resulted in DEO failing to meet the revenue requirement authorized in DEO's prior rate case, let alone the new revenue requirement. OPAE believes that there is no justification for an SFV rate design other than a financial advantage for DEO (OPAE Br. at 2; OCC Reply Br. at 5).

OCC is concerned that low-usage customers may drop off the system if the SFV rate design is approved (OCC Ex. 21 at 12-13; OCC Br. at 2). If this occurs, OCC contends that DEO will lose revenues, which it will attempt to collect from the remaining customers in a future rate case (OCC Reply Br. at 5-7). Cleveland points to Mr. Radigan's testimony to support its contention that low-usage customers will bear a disproportionately greater increase in their natural gas bills if they maintain their current usage patterns (Cleve. Br. at 8; OCC Ex. 21 at 12). Cleveland believes that this could have an even greater impact on low-income and elderly customers with fixed incomes (Cleve. Br. at 8). According to OCC, the SFV rate design is regressive toward low-usage customers, some of which are low- or fixed-income customers (OCC Ex. 21 at 11-12; OCC Br. at 2). Furthermore, OCC submits that the SFV rate design results in low-usage residential customers, who will see

an increase in their fixed monthly charge, subsidizing high-usage non-residential customers, who will see a decrease in their fixed monthly charge (OCC Br. at 9-10). Cleveland states that it opposes any rate design which, in the event customers conserve gas or are low-use customers, guarantees DEO recovery (Cleve. Br. at 3).

5. Impact on Low-Income Customers

Turning now to the concern for low-income customers, OP&E argues that low-income users will be harmed if the SFV rate design is adopted. Furthermore, OP&E believes that adoption of the SFV rate design will create pressure for low-income customers that have not previously sought assistance to request it (OP&E Br. at 5).

DEO states that the average usage for DEO's residential customers is 99.1 mcf per year and the average usage for DEO's PIPP customers is 131 mcf per year (Tr. IV at 18-19). DEO argues that the record reflects that both PIPP and non-PIPP low-income customers use more gas than the average residential DEO customer uses (DEO Reply Br. at 10). Using the average PIPP usage as a proxy for low-income customers, staff witness Steve Puican testified that, on average, low-income customers in DEO's territory are not low-usage customers. Therefore, staff concludes that, because low-income customers are more likely to be high-usage customers, it is reasonable to conclude that low-income customers are more likely to actually benefit from the SFV rate design (Staff Ex. 3 at 7; Staff Br. at 14).

OCC disagrees with staff's assumption that the average usage of PIPP customers is an appropriate proxy for the average usage of non-PIPP low-income customers (Staff Ex. 3 at 7; OCC Br. at 11). OCC witness Colton, referring to data from the United States Census Bureau, United States Department of Energy, Department of Labor, and the Energy Information Administration, counters that PIPP is not an appropriate proxy for low income customer usage (OCC Ex. 22 at 10-36; OCC Br. at 11). Mr. Colton believes that, in addition to the level of consumption to determine if the average low-income customer is a low-usage customer, Mr. Puican should have considered the size and density of the customers' housing units, because both are related to income level (OCC Ex. 22 at 34-35). Citing Mr. Colton's testimony, Cleveland argues that, because of their limited means, low-income customers likely live in smaller dwellings and use less gas than wealthy homeowners in larger homes (Cleve. Br. at 8; OCC Ex. 22 at 10-21). When looking at usage and density, Mr. Colton concludes that the SFV rate design shifts costs from the higher-income households to the lower-income households (OCC Ex. 22 at 34-35).

DEO rebuts OCC's argument stating that an analysis of a valid proxy for the low-income non-PIPP customers reveals that those customers, on average, will save money in the first year of the transition to SFV and see an increase of only \$0.43 per month in year two (DEO Ex. 1.5 at 4). DEO submits that the testimony and analysis of OCC's witness,

Mr. Colton, should be rejected because it is fundamentally flawed in that it relied on nationwide and statewide data that is not specific to DEO's territory and the facts in this case. Further, DEO avers that Mr. Colton incorrectly assumes that annual gas expenditures and consumption are equivalent (DEO Reply Br. at 13). OCC and OPAE discount DEO's attempt to rebut Mr. Colton's conclusions (OCC Br. at 13; OPAE Br. at 4).

6. Cost-of-Service Study for GSS class

With regard to DEO's cost-of-service study for the GSS class, OCC argues that DEO's study does not support charging GSS class customers uniform rates under the SFV rate design. OCC explains that the GSS class is comprised of non-homogenous residential and non-residential consumers with widely varying usage. OCC points out that the average residential customer uses 99.1 mcf per year, the average non-residential customer uses 390 mcf per year, and the largest consumption in the GSS class is in excess of 5,000 mcf per year (OCC Br. at 6-7; Tr. IV at 18). According to OCC, under the SFV rate design, no user should pay more than their appropriately allocated share of fixed costs; however, the record does not establish that all customers in the GSS class place the same burden on the system. OCC maintains that, without more detail in the cost-of-service study, it is undetermined who is actually responsible for the fixed costs that are recovered through the SFV rate design. OCC believes that the same fixed charge should not be levied on the residential customers and the non-residential large users, i.e., those in excess of 300 mcf per year, in the GSS class. OCC advocates that a new class of service study should be done which separates the customers in the GSS class into more homogeneous groups. OCC notes that, while this cost-of-service study will be done prospectively pursuant to the stipulation, this future event will not help low-use residential customers harmed by the SFV rate design (OCC Br. at 7-8).

DEO maintains that the SFV rate design is supported by cost-of-service studies (DEO Ex. 1.4 at 9). Contrary to OCC's assertions regarding the cost-of-service studies, DEO states that OCC's witness Mr. Radigan, conceded that DEO's cost-of-service study was reasonably conducted and followed generally accepted guidelines for such studies (OCC Ex. 21 a 21). Furthermore, DEO's witness Andrews believes that, if any subsidy is taking place, it is the non-residential customers within the GSS class that are subsidizing the residential customers (Tr. 1 at 235 and 237). In fact, according to Mr. Andrews, the inclusion of the non-residential customers in the GSS class is a benefit to the residential customers because it ends up lowering the costs to serve the GSS class as a whole (Tr. 1 at 219).

7. Gradualism

Referring to the doctrine of gradualism, according to OCC, this doctrine of rate design will be violated if the SFV concept is approved (OCC Ex. 21 at 15-17; OCC Br. at 2). OCC states that the increase of the customer charge, by \$8.12 in year one and \$11.02 in year two, will cause harm to DEO's residential customers and the regulatory process. OCC, the Citizens' Coalition, and Cleveland argue that, in deciding the rate design issue, the Commission should take into consideration the public outcry at the local public hearings and in the letters submitted in these dockets that oppose the SFV rate design (OCC Br. at 14; Cit. Coal. Br. at 1; Cleve. Br. at 5). The Citizens' Coalition submits that the Commission should take into consideration the fragile economic situations of DEO's customers, as evidenced in the testimony provided at the public hearings, when deciding if the customers should be subject to the rate shock that the Citizens' Coalition maintains will be caused by adoption of the SFV rate design (Cit. Coal. Br. at 6). OCC also maintains that the SFV rate design will have a more extreme impact on customer bills than would the SRR decoupling proposal which provides for the reconciliation of revenue (OCC Ex. 21 at 17-19; OCC Br. at 2). OPAB states that the SRR strikes an appropriate balance between the customers who deserve a refund when increased sales result in over-earning, while at the same time protecting DEO from reductions in sales due to weather, conservation, efficiency, and price volatility (OPAB Br. at 7).

DEO and staff advocate that the SFV proposal contains measures that satisfy the principle of gradualism. DEO submits that the two-year phase-in of the SFV rates will give the affected customers an opportunity to adjust to the elimination of past subsidies. Furthermore, DEO and staff emphasize that, under the SFV proposed rates, DEO will only be recovering 84 percent of its annual base-rate revenues in year two and 16 percent of the fixed costs will still remain in the volumetric rates (DEO Br. at 12-13; DEO Ex. 1.4 at 8; Staff Br. at 12). In addition, DEO notes that the increase in funding for DSM spending set forth in the stipulation from \$3,500,000 to \$9,500,000, with an additional \$1,200,000 supporting low-income programs and consumers, is another way the potential impact of the SFV proposal is being mitigated (DEO Br. at 13).

E. Consideration of the Rate Design Issue

The Commission notes initially that the parties in these proceedings agree that DEO's rates are no longer sufficient to yield a reasonable compensation for the services rendered by the company. Furthermore, there is also no dispute in this case as to the amount of the increase in revenues needed to allow DEO to earn a fair rate of return on its investment (It. Ex. 1 at 3).

The only issue left for the Commission to decide is the design of the rates that DEO should bill to GSS/ECTS customers in order to collect the revenues agreed to in the

settlement. Several months ago, we were faced with this same issue in the *Duke* case and, in that case, we determined that it was time to reevaluate traditional natural gas rate design. In the past, natural gas utilities provided both the natural gas itself and the infrastructure and services to deliver it. Now customers can choose a natural gas supplier separate from the distribution utility which delivers it. Historically, natural gas rate design included a modest customer charge which only covered a portion of the fixed costs, such as metering charges, but recovered other fixed charges through a volumetric rate that added to the cost of the natural gas itself. We also noted in *Duke*, as we do in these cases, that conditions in the natural gas industry have changed markedly in the past several years. The natural gas market is now characterized by volatile and sustained price increases, causing customers to increase their efforts to conserve gas. The evidence of record documents the sales-per-customer trend in recent years and reflects that, when prices began to rise substantially, DEO's average weather-normalized use per customer declined each year by over six percent (DEO Ex 1.0 at 41; Staff Ex. 1 at 34). Under traditional rate design, the ability of a utility, like DEO, to recover its fixed costs of providing service hinges in large part on its actual sales, even though the company's costs remain fairly constant regardless of how much gas is sold. Thus, a negative trend in sales has a corresponding negative effect on DEO's ongoing financial stability, its ability to attract new capital to invest in its network, and its incentive to encourage energy efficiency and conservation.

The Commission has determined previously, and does so again today, that a rate design which separates or "decouples" a gas company's recovery of its cost of delivering the gas from the amount of gas customers actually consume is necessary to align the new market realities with important regulatory objectives. We believe it is in the interest of all customers that DEO has adequate and stable revenues to pay for the costs of its operations and capital and to ensure the continued provision of safe and reliable service. We further believe that there is a societal benefit to promoting conservation by removing from rate design the current built-in incentive to increase gas sales. A rate design that prevents a company from embracing energy conservation efforts is not in the public interest. A strict application of cost causation would "decouple" throughput and recovery of fixed costs, thus eliminating any disincentive to promote conservation.

Additionally, the stipulation provides \$9,500,000 for DSM projects under the stipulation is critical to our decision in this case (Jt. Ex. 1, at 4). The Commission has long recognized that conservation and efficiency should be an integral part of natural gas policy. To that end, the Commission has recognized that DSM program designs that are cost-effective, produce demonstrable benefits, and produce a reasonable balance between reducing total costs and minimizing impacts on non-participants are consistent with Ohio's economic and energy policy objectives. In the stipulation, the parties have agreed to fund DSM programs for low-income customers as well as to convene, within two

months, a DSM collaborative comprised of DEO, staff, OCC, OP&E, and representatives of other parties. We laud the parties for this agreement and we encourage DEO to make cost-effective weatherization and conservation programs available to all low-income consumers and to ramp up such programs as rapidly as reasonably practicable. Furthermore, we encourage the collaborative to address additional opportunities to achieve energy efficiency improvements and to consider programs which are not limited to low-income residential consumers. As part of its review, the collaborative should develop energy efficiency program design alternatives and should consider those alternatives in a manner that strikes a balance between cost savings and any negative ratepayer impacts. The energy efficiency programs should also consider how best to achieve net total resource cost and societal benefits; how to minimize unnecessary and undue ratepayer impacts; how process and impact evaluation will be conducted to ensure that programs are implemented efficiently; how to capture what otherwise become lost opportunities to achieve efficiency improvements in new buildings; how to minimize "free ridership" and the perceived inequity resulting from the payment of incentives to those who might adopt efficiency measures without such incentives; and how to integrate gas DSM programs with other initiatives. Noting that the stipulation establishes a collaborative and a threshold related to reasonable and prudent DSM spending above the current \$4,000,000 commitment, the Commission directs that the collaborative shall file a report within nine months of this order, identifying the economic and achievable potential for energy efficiency improvements and program designs to implement further reasonable and prudent improvements in energy efficiency.

In evaluating whether the strict application of cost causation principles would result in a disproportionate impact on economically vulnerable customers, we consider low-income users, some of whom may also be on fixed incomes. We are persuaded that the majority of low-income customers actually use more natural gas, on average, than those customers whose means place them above 175 percent of the federal poverty level. Thus, low-income customers, on average, would actually enjoy lower bills under the strict application of cost causation principles.

Having determined that a new decoupling rate design is appropriate, we must decide which is the better choice of two methods: a levelized rate design (that is, SFV), which recovers most fixed costs up front in a flat monthly fee, or a decoupling rider (that is, SRR), which maintains a lower fixed customer charge and allows DEO to offset lower sales through an adjustable rider.

On balance, the Commission finds that the modified SFV rate design advocated by DEO, staff, and OOGA is preferable to a decoupling rider. Both methods would address revenue and earnings stability issues in that the fixed costs of delivering gas to the home will be recovered regardless of consumption. Each would also remove any disincentive by

the company to promote conservation and energy efficiency. The levelized rate design, however, has the added benefit of producing more stable customer bills throughout all seasons because fixed costs will be recovered evenly throughout the year. In contrast, with a decoupling rider, as favored by OCC, OP&E, the Citizens' Coalition, and Cleveland, customers would still pay a higher portion of their fixed costs during the heating season when their bills are already the highest, and the rates would be less predictable since they could be adjusted each year to make up for lower-than-expected sales.

A levelized rate design also has the advantage of being easier for customers to understand. Customers will transparently see most of the costs that do not vary with usage recovered through a flat monthly fee. As we noted in *Duke*, customers are accustomed to fixed monthly bills for numerous other services, such as telephone, trash, internet, and cable services. A decoupling rider, on the other hand, is much more complicated and harder to explain to customers. It is difficult for customers to understand why they have to pay more through a decoupling rider if they worked hard to reduce their usage; the appearance is that the company is penalizing them for their conservation efforts.

The Commission also believes that a levelized rate design sends better price signals to consumers. Under the current rate structure, the rate for delivering the gas to the home is only about 30 percent of the total bill; therefore, the largest portion of the bill, the other 70 percent, is for the gas that the customer uses (Tr. IV at 89). This commodity portion, the cost of the actual gas used, is the biggest driver of the amount of a customer's bill. Therefore, we believe that the gas usage will still have the biggest influence on the price signals received by the customers when making gas consumption decisions, and customers will still receive the benefits of any conservation efforts in which they engage. While we acknowledge that there will be a modest increase in the payback period for customer-initiated energy conservation measures with a levelized rate design, this result is counterbalanced by the fact that the difference in the payback period is a direct result of inequities within the existing rate design that cause higher-use customers to pay more of their fair share of the fixed costs than low-use customers.

The levelized rate design also promotes the regulatory objective of providing a more equitable cost allocation among customers, regardless of usage. It fairly apportions the fixed costs of service, which do not change with usage, among all customers, so that everyone pays his or her fair share. Customers who use more energy for reasons beyond their control, such as abnormal weather, large number of persons sharing a household, or older housing stock, will no longer have to pay their own fair share plus part of someone else's fair share of the costs.

We turn now to the issue raised by the parties regarding intra-class cost allocation. The foundation of rate design is that each customer bears his or her proportionate share of the costs for providing the utility services. We conclude that the costs at issue are principally fixed. We are convinced that, while no cost of service analysis can perfectly allocate costs, a strict cost causation analysis of the facts in this matter leads to the conclusion that each GSS/ECTS customer should bear an equal proportion of the distribution costs. We do note, however, that, while the GSS/ECTS rate classes could be more precisely drawn, to the extent that there is an intra-class subsidy there is evidence that it may be from nonresidential users to residential users.

Our analysis does not end there, however. Before strictly applying cost causation, we must consider and balance other important public policy outcomes of rate design. Would strict application of cost causation discourage conservation? Would it disproportionately impact economically vulnerable consumers, including both low-income customers and those on a fixed income? Will customers understand the rate design? Does it generate accurate price signals? Can it be implemented without rate shock - that is, with sensitivity to gradualism? On balance, what style of rate design will result in the best package of possible public policy outcomes?

We find today that it is in the public interest to move to a levelized rate design as soon as practicable. DEO and the staff have proposed a modified SFV rate design to be adopted over two years. We find that the first two years of that schedule should be adopted. In adopting this portion of their joint recommendation, we note that continuation of the inclining block volumetric rate will exacerbate any intra-class subsidy between nonresidential and residential users. It will, however, also provide modest incentive for customer-initiated conservation measures. As there is some agreement that this is a reasonable step toward a levelized rate design, we adopt the proposal for the first two years only. However, the Commission continues to believe that an expeditious transition to a full straight fixed variable rate design is the appropriate approach and notes that the phased-in rates provided in the stipulation will allow DEO to recover only 84 percent of its fixed costs in the fixed distribution service charge during the second year and beyond.

Therefore, the Commission is approving the first two years of this transition, however, prior to approval of rates for rates of the third year and beyond the Commission believes that a review of the cost allocation methodologies for the GSS/ECTS classes is appropriate. Therefore, DEO is directed to complete the cost allocation study required in the stipulation within 90 days of this order. Upon completion, DEO should submit a report and recommendation regarding whether the GSS/ECTS classes are appropriately comprised of both residential and nonresidential customers or whether the classes should be split. DEO shall also provide, if the recommendation is to split the classes, a

recommended cost allocation per class. Upon review of the cost allocation study, the Commission will be establishing a process that will be followed to determine the appropriate rates in year three and beyond, as soon as practicable.

The Commission is sensitive to the impact of any rate increase on customers, especially during these tough economic times. We believe that the modified SFV rate design is a move toward correcting the traditional design inequities, while mitigating the impact of the new rates on residential customers, by maintaining a volumetric component to the rates for this first year. The additional cost allocation information will provide us the opportunity to reassess whether it is appropriate to separate the residential and non-residential consumers in these classes before establishing rates for the second year and beyond. However, even with these measures, we are concerned with the impact on low-income, low-use customers.

As noted in the *Duke* case, the Commission recognizes that, with this change to rate design, as with any change, there will be some customers who will be better off and some customers who will be worse off, as compared with the existing rate design. The levelized rate design will impact low-usage customers more, since they have not been paying the entirety of their fixed costs under the existing rate design. Higher-use customers, who have been overpaying their fixed costs, will actually experience a rate reduction. Customers in the middle ranges will see only the impact of the increase agreed to by the parties; they will see no additional impact as a result of the Commission choosing the levelized rate design.

The Commission is concerned with the impact that the change in rate structure will have on some DEO customers who are low-income, low-use customers. One of the major concerns raised by customers at the local hearings held in these matters was the effect a levelized rate design would have on low-use customers with low incomes. As a result, the Commission believes that some relief is warranted for this class of customers. In the *Duke* case, we approved a pilot program available to a specified number of eligible customers, in order to provide incentives for low-income customers to conserve and to avoid penalizing low-income customers who wish to stay off of programs such as PIPP. We emphasized in the *Duke* case that the implementation of the pilot program was important to our decision to adopt a levelized rate design in that case. Therefore, the Commission finds that DEO should likewise implement a one-year low-income pilot program aimed at helping low-income, low-use customers pay their bills.

As in the *Duke* case, the customers in the low-income pilot program shall be non-PIPP low-usage customers, verified at or below 175 percent of the poverty level. DEO's program should provide a four-dollar, monthly discount to cushion much of the impact on qualifying customers. This pilot program should be made available one year to the first 5,000 eligible customers. DEO, in consultation with staff and the parties, shall

establish eligibility qualifications for this program by first determining and setting the maximum low-usage volume projected to result in the inclusion of 5,000 low-income customers who are determined to be at or below 175 percent of the poverty level. The Commission expects that DEO will promote this program such that, to the fullest extent practicable, the program is fully enrolled with 5,000 customers. Following the end of the pilot program, the Commission will evaluate the program for its effectiveness in addressing our concerns relative to the impact on low-use, low-income customers.

In addition, the Commission is cognizant of the reduction in risk assumed by the company as a result of the rate design approved by the Commission. This, in conjunction with the testimony heard in local hearings and, most importantly, taking notice of deteriorating economic conditions, leads us to alter downward the approved rate of return by 20 basis points, to 8.29 percent.

As a final matter pertaining to the rate design, the Commission would note that OCC makes the argument in its brief that DEO failed to request approval of the SFV rate design in its initial application and failed to provide adequate notice to its customers of the SFV rate design, as required by Sections 4909.18, 4909.19, and 4904.43, Revised Code (OCC Br. at 2-3). DEO and staff point out that the SFV rate design was not proposed in the application, but was recommended by the staff in the staff report that was issued eight months after the application was filed. Therefore, DEO and staff maintain that the statute did not require that the notice of the application reference the SFV and that the authority relied on by OCC is inapplicable (DEO Reply Br. at 1-2; Staff Reply Br. at 2-3). The Commission agrees that the support cited by OCC in its brief is not applicable. As OCC pointed out in its brief, Section 4909.18, Revised Code, requires that the substance of DEO's initial application be disclosed in the publication (OCC Br. at 5). Essentially, OCC is maintaining that, in order to comply with the statute, the company must republish notice simply because the company is now supporting the staff's proposal in the staff report of investigation in this case. The Commission finds that OCC's contention is without merit. Furthermore, as OCC acknowledges in its brief, the notice for public hearing did appropriately state that one of the issues in the case was the rate design and included straight fixed variable (OCC Br. at 6).

III. RATE DETERMINANTS:

As proposed under the stipulation, the value of DEO's property used and useful in the rendition of gas service as of the date certain is \$1,404,744,493. The Commission finds the rate base stipulated by the parties to be reasonable and proper, and adopts the valuation of \$1,404,744,493 as the rate base for purposes of these proceedings.

The stipulation recommends that rates be approved that would enable DEO to earn a rate of return of 8.49 percent. As noted above, the Commission believes that the rate of

return should be reduced by 20 basis points to 8.29 percent. The Commission finds that a rate of return of 8.29 percent is fair and reasonable for DEO. We will, therefore, authorize a rate of return of 8.29 percent for purposes of these cases.

Applying a rate of return of 8.29 percent to the value of the used and useful property as of the date certain results in required operating income of \$116,453,318. Under the stipulation, the parties agreed that the adjusted operating income of DEO during the test year was \$93,250,390. This results in an income deficiency of \$23,202,928, which, when adjusted for uncollectibles and taxes, results in a revenue increase of \$37,476,976. Therefore, we find that a revenue increase of \$37,476,976 is reasonable and should be approved.

IV. TARIFFS:

As part of its investigation in this matter, the staff reviewed the company's various rates and charges, and the provisions governing terms and conditions of service. On October 8, 2008, the company filed proposed tariffs which reflect the agreement of the parties to the stipulation. In addition, the tariffs filed on October 8, 2008, include provisions for the modified SFV rate design proposed by DEO, staff, and OOGA. DEO indicated that these proposed tariffs will be substantially identical to the final compliance tariffs that will be filed with approved rates and appropriate effective dates inserted if the final order does not require alteration of the terms and conditions contained therein. The Commission has reviewed the proposed tariffs and found that they correctly incorporate the provisions of the stipulation and the modified SFV rate design. The proposed tariffs filed on October 8, 2008, should be approved, subject to modification to reflect the rate of return approved by this opinion and order. Therefore, the Commission finds that DEO should file, in final form, four, complete, printed copies of the final tariff, as modified, with the Commission's docketing division, consistent with this order. The effective date of the increase shall be a date not earlier than the date upon which final tariffs are filed with the Commission and the date on which DEO files proposed tariffs addressing the low-income pilot program. The new tariffs shall be effective for service rendered on or after such effective date.

With regard to the tariffs addressing the low-income pilot program required by this order, the Commission finds that DEO should file proposed revised tariffs in accordance with our directives for this pilot, as set forth in this order. Upon review of the tariffs, the Commission will issue an entry approving the tariffs implementing the pilot program.

FINDINGS OF FACT:

- (1) On July 20, 2007, DEO filed a notice of intent to file an application for an increase in rates. In that notice, the company

requested a test year beginning January 1, 2007, and ending December 31, 2007, with a date certain of March 31, 2007.

- (2) By Commission entry issued August 15, 2007, the test year and date certain were approved.
- (3) On August 30, 2007, DEO filed applications requesting approval for an increase in gas distribution rates, for an alternative rate plan for its gas distribution service, and to modify certain accounting methods, 07-829, 07-829, 07-830, and 07-831, respectively. On December 13, 2006, DEO filed an application, 06-1453, for approval of an automatic adjustment mechanism, associated with the deployment of AMR equipment. On February 22, 2008, DEO filed an application, 08-169 for approval of an automatic adjustment mechanism to recover costs associated with its PIR program. By entry of April 9, 2008, the Commission, *inter alia*, granted DEO's request to consolidate these five cases.
- (4) The Commission granted intervention to Citizens Coalition, OEG, ICS, Dominion Retail, Stand, Local G555, Integrys, OOGA, OCC, OPAE, IEU-Ohio, and Cleveland. On June 19, 2008, and July 28, 2008, IEU-Ohio and OEG, respectively, filed notices of withdrawal from these proceedings.
- (5) The Commission granted a motion to admit David C. Rinebolt to practice *pro hac vice* on behalf of OPAE.
- (6) On May 23, 2008, the report of conclusion and recommendations of the financial audit of DEO by Blue Ridge Consulting Services, Inc., was filed.
- (7) On June 12, 2008, staff filed its written report of investigation with the Commission in 07-829, 07-830, 07-831, and 06-1453.
- (8) Objections to the staff report in 07-829, 07-830, 07-831, and 06-1453 were filed by Cleveland, DEO, OCC, Citizens Coalition, Integrys, and OPAE.
- (9) On June 12, 2008, staff filed its written report of investigation of 08-169 with the Commission.

- (10) Objections to the staff report in 08-169 were filed by DEO and OCC.
- (11) Local public hearings were held as follows: Youngstown on July 28, 2008 and August 19, 2008; Lima on July 29, 2008; Canton on July 31, 2008; Akron on July 31, 2008, and August 21, 2008; Cleveland on August 4, 2008; Geneva on August 4, 2008; Marietta on August 5, 2008; and Garfield Heights on August 18, 2008.
- (12) DEO published notice of the local public hearings and the evidentiary hearing.
- (13) A prehearing conference was held on July 8, 2008.
- (14) The evidentiary hearing commenced on August 1, 2008, and concluded on August 27, 2008.
- (15) On August 22, 2008, as supplemented on October 14, 2008, a stipulation was filed in these matters which resolved all outstanding issues except the issue of rate design. Signatories to the stipulation include DEO, staff, OCC, OP&E, Citizens' Coalition, OOGA, Stand, and Cleveland.
- (16) Initial briefs were filed by OCC, DEO, OP&E, Cleveland, Neighborhood Coalition, OOGA, and staff on September 10, 2008. Reply briefs were filed by DEO, staff, OCC, OP&E, OOGA, and Cleveland on September 16, 2008.
- (17) An oral argument was held before the Commission on September 24, 2008, on the issue of rate design.
- (18) The company filed proposed revised tariffs and proof of publication of the application and the hearings.
- (19) The value of all of the company's property used and useful for the rendition of service to its customers affected by this application, determined in accordance with Section 4909.15, Revised Code, is not less than \$1,404,744,493.

- (20) Applying a rate of return of 8.29 percent results in required operating income of \$116,453,318. Under the stipulation, the parties agreed that the adjusted test year operating income was \$93,250,390. This results in an income deficiency of \$23,202,928, which, when adjusted for uncollectibles and taxes, results in a revenue increase of \$37,476,976.
- (21) DEO's proposed revised tariffs are consistent with the discussion and findings set forth in this opinion and order and shall be approved, except for modification based on our adjustment of the rate of return. DEO shall file in final form, four, complete printed copies of the final tariff consistent with this order.
- (22) DEO should file proposed revised tariffs addressing the low-income pilot program.
- (23) DEO should conduct a review and report back to the staff within 180 days on the technical capability of DEO's advanced metering system.
- (24) That the DSM collaborative should file a report within nine months of this order identifying the economic and achievable potential for energy efficiency improvements and program designs to implement further reasonable and prudent improvements in energy efficiency.

CONCLUSIONS OF LAW:

- (1) DEO is natural gas company as defined by Section 4905.03(A)(6), Revised Code, and a public utility as defined by Section 4905.02, Revised Code.
- (2) The company's application was filed pursuant to, and this Commission has jurisdiction of the application under, the provisions of Sections 4909.17, 4909.18, and 4909.19, Revised Code, and Chapter 4929, Revised Code, and the application complies with the requirements of these statutes.

- (3) Staff investigations were conducted and reports duly filed and mailed, and public hearings held herein, the written notice of which complied with the requirements of Sections 4909.19 and 4903.083, Revised Code.
- (4) The stipulation submitted by the parties, as modified on this opinion and order, is reasonable and, as indicated herein, shall be adopted.
- (5) The existing rates and charges for service are insufficient to provide the applicant with adequate net annual compensation and return on its property used and useful in the provision of service.
- (6) A rate of return of 8.29 percent is fair and reasonable under the circumstances of this case and is sufficient to provide the applicant just compensation and return on its property used and useful in the provision of service to its customers.
- (7) The company is authorized to withdraw its current tariffs and to file, in final form, revised tariffs which the Commission has approved herein.

ORDER:

It is, therefore,

ORDERED, That the joint stipulation filed on August 22, 2008, as modified in this opinion and order, be approved in accordance with this opinion and order. It is, further,

ORDERED, That, in accordance with this opinion and order, DEO conduct a review and report back to the staff within 180 days on the technical capability of DEO's advanced metering system. It is, further,

ORDERED, That the application of DEO for authority to increase its rates and charges for service be granted to the extent provided in this opinion and order. It is, further,

ORDERED, That, consistent with this opinion and order DEO shall file a cost of service study within 90 days. It is, further,

ORDERED, That, consistent with this opinion and order, the DSM collaborative file a report in nine months of this order identifying the economic and achievable potential energy efficiency improvements and program designs to implement further reasonable prudent improvements in energy efficiency. It is, further,

ORDERED, That DEO implement a one-year low-income pilot program consistent with this opinion and order and file proposed revised tariffs addressing the low-income pilot program. It is, further,

ORDERED, That DEO be authorized to file in final form four complete copies of the tariff consistent with this opinion and order (other than the requirement for a low-income pilot program) and to cancel and withdraw its superseded tariffs. DEO shall file one copy in its TRIPLEX docket (or may make such filing electronically as directed in Case No. 06-900-AU-WVR) and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

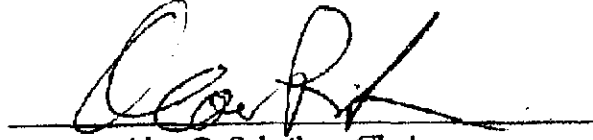
ORDERED, That the effective date of the new tariffs shall be a date not earlier than all of the following: the date of this opinion and order; the date upon which four complete, printed copies of final tariffs are filed with the Commission; and the date on which DEO files proposed tariffs addressing the low-income pilot program. The new tariffs shall be effective on service rendered on or after such effective date. It is, further,

ORDERED, That DEO shall notify all affected customers via a bill message or via a bill insert within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That nothing in this opinion and order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this opinion and order be served on all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman



Paul A. Centolella



Ronda Hartman Fergus



Valerie A. Lemmie



Cheryl L. Roberto

CMTP/SEF:ct

Entered in the Journal

OCT 15 2008



Renee J. Jenkins
Secretary

EXHIBIT B

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-829-GA-AIR
Ohio for Authority to Increase Rates for its)
Gas Distribution Service.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-830-GA-ALT
Ohio for Approval of an Alternative Rate)
Plan for its Gas Distribution Service.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-831-GA-AAM
Ohio for Approval to Change Accounting)
Methods.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Recover)
Certain Costs Associated with a Pipeline) Case No. 08-169-GA-ALT
Infrastructure Replacement Program)
Through an Automatic Adjustment Clause)
and for Certain Accounting Treatment.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Recover) Case No. 06-1453-GA-UNC
Certain Costs Associated with Automated)
Meter Reading and for Certain Accounting)
Treatment.)

ENTRY

The Commission finds:

- (1) This Commission's October 15, 2008, Opinion and Order authorized The East Ohio Gas Company d/b/a/Dominion East Ohio (DEO) to file, for Commission review and approval, four complete copies of tariffs to effectuate the low-income pilot program ordered by the Commission in that Opinion and Order.

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technician _____ Date Processed OCT 22 2008

- (2) In accordance with the Opinion and Order, DEO has submitted for Commission review and approval four complete copies of its proposed tariffs.
- (3) Upon review, that Commission finds that DEO's proposed tariffs are consistent with the Opinion and Order, except that, in paragraph four of Original Sheet No. F-ECTS-LI1, the language should be modified to read, "The following charges for this one-year pilot program, limited to 5,000 customers, are effective for bills rendered on or after _____, 2008.". Therefore, DEO's proposed tariffs are approved with this modification.

It is, therefore,

ORDERED, That the DEO's proposed tariffs be approved, to the extent set forth herein. It is, further,

ORDERED, That DEO be authorized to file in final form four complete, printed copies of tariffs consistent with the findings of this Entry. DEO shall file one copy in its TRF docket number (or may make such filing electronically as directed in Case No. 06-900-AU-WVR), and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

ORDERED, That the effective date of the new tariffs shall be the date upon which four complete, printed copies of final tariffs are filed with the Commission. The new tariffs shall be effective for bills rendered on or after such effective date. It is, further,

ORDERED, That nothing in this Entry shall be deemed to be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule or regulation. It is, further,

ORDERED, That a copy of this Entry be served upon all parties of record in this case.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Alan R. Schriber, Chairman

Paul A. Centolella



Ronda Hartman Fergus



Valerie A. Lemmie




Cheryl L. Roberto

MR:sm

Entered in the Journal

OCT 22 2008



Renee J. Jenkins
Secretary

EXHIBIT C

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-829-GA-AIR
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Certain Accounting Treatment.)

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Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Recover)
Certain Costs Associated with a Automated) Case No. 06-1453-UNC
Meter Reading Deployment through an)
Automatic Adjustment Clause, And for)
Certain Accounting Treatment.)

MOTION TO STAY IMPLEMENTATION OF RESIDENTIAL STAGE 2 TARIFFS;

BY

**THE OFFICE OF THE OHIO CONSUMERS' COUNSEL,
THE CITY OF CLEVELAND,
THE NEIGHBORHOOD ENVIRONMENTAL COALITION,
THE EMPOWERMENT CENTER OF GREATER CLEVELAND,
CLEVELAND HOUSING NETWORK,
THE CONSUMERS FOR FAIR UTILITY RATES,
AND OHIO PARTNERS FOR AFFORDABLE ENERGY**

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The Office of the Ohio Consumers' Counsel ("OCC"), the City of Cleveland, a citizens coalition comprised of the Neighborhood Environmental Coalition, the Empowerment Center of Greater Cleveland, the Cleveland Housing Network, and the Consumers for Fair Utility Rates ("Citizens Coalition"), and Ohio Partners for Affordable Energy ("OPAE") (collectively "Joint Consumer Advocates"), moves, pursuant to Ohio Adm. Code 4901-1-12, to stay the Public Utilities Commission of Ohio ("Commission" or "PUCO") Opinion and Order ("Order") implementing the Stage 2 Tariff Rate General Sales Service ("GSS") and Energy Choice Transportation Service ("ECTS") GSS and ECTS together ("Tariffs"), as submitted by The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO" or "the Company") in response to the Commission's Order of October 15, 2008.¹

The PUCO should stay the implementation of these Stage 2 Tariffs to avoid irreparable harm to consumers and above all else, to serve the public interest in conservation and protecting Ohio's low-income customers during these especially difficult economic times. Moreover, the stay will protect consumers who were denied adequate notice and due process of this rate increase.²

Therefore, in order to prevent irreparable harm to DEO's 1.2 million residential customers and to properly realign DEO's rate design with the public interest, the Joint Consumer Advocates respectfully request that the Commission grant this Motion to Stay of Stage 2 rates during the appeal of this case.³ In order to protect DEO's residential consumers, Joint Consumer Advocates seek a stay at the PUCO (and likely will also seek a stay from the Court). These

¹ Entry at 2 (March 19, 2008) (OCC is not seeking an expedited ruling because the Attorney Examiner established an expedited schedule for the filing of Memorandum Contra of seven days.)

² Order at 14 (GSS/ECTS fixed monthly customer charge will increase from \$12.50 (Year 1 or Stage 1) to \$15.40 (Year 2 or Stage 2) (October 15, 2008).

³ *OCC v. PUCO*, S.Ct. Case No. 08-1837 (September 16, 2008)..

pleadings must be acted upon before the Stage 2 rate is scheduled to go into effect in October 2009. The reasons for granting the Joint Consumer Advocates' Motion are further set forth in the attached Memorandum in Support.

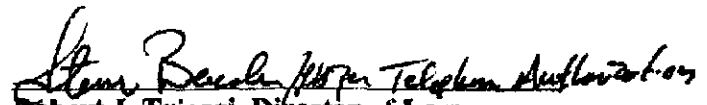
Respectfully submitted,

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MEMORANDUM IN SUPPORT

I. INTRODUCTION

On October 15, 2008, the Commission issued an Order which included the approval of a modified residential rate design subject to the filing and approval of tariffs. The Commission's modifications include tariffs which employ a straight-fixed variable ("SFV") rate design. A number of parties, including DEO, OCC, PUCO Staff, City of

Cleveland ("City"), the Citizens Coalition⁴ and Ohio Partners for Affordable Energy ("OPAE") among others reached a settlement agreement on most issues with the exception of DEO's rate design and the customer notice. This settlement agreement was not opposed by the other parties to the proceeding. The Order approved the settlement agreement without modification. The Order ruled on the remaining issues of rate design and notice, finding that an SFV rate design should be implemented as part of a two-stage process. The Order also concluded that the customer notice of the resulting SFV rate design substantially complied with the applicable statutes.⁵

On November 14, 2008, the Joint Consumer Advocates applied for rehearing of the October 15, 2008 Order issued by the Public Utilities Commission of Ohio ("Commission" or "PUCO"). Through this Joint Application for Rehearing, the Joint Consumer Advocates sought to protect DEO's residential consumers from the consequences of the SFV rate design ordered by the Commission.

The Joint Application for Rehearing by the Joint Consumer Advocates asserted the following:

- A. The Commission erred when it failed to comply with the requirements of R.C. 4903.09, and provide specific findings of fact and written opinions that were supported by record evidence.
- B. The Commission erred by approving a rate design for a two-year transition period without establishing R.C. 4909.18 and R.C. 4909.19 as governing the process for determining the rate design that will be implemented after the two-year transition period.
- C. The Commission erred by approving a rate design that includes an increase to the monthly residential customer charge without

⁴ The Citizens Coalition consisted of: Neighborhood Environmental Coalition, the Empowerment Center of Greater Cleveland, the Cleveland Housing Network, and the Consumers for Fair Utility Rates.

⁵ Order at 27 (October 15, 2008).

providing consumers adequate notice of the SFV rate design pursuant to R.C. 4909.18, R.C. 4909.19 and R.C. 4909.43.

- D. The Commission erred by approving an SFV rate design that discourages customer conservation efforts in violation of R.C. 4929.05 and R.C. 4905.70.
- E. The Commission erred by approving a rate design that unreasonably violates prior Commission precedent and policy.

On December 19, 2008, the Commission denied the Joint Consumer Advocates Application for Rehearing. Because the rejected Joint Application for Rehearing presents the very real possibility of irreparable harm to residential consumers, and involves issues of public interest, the Joint Consumer Advocates now respectfully request that the PUCO grant the Motion to Stay the approval and implementation of the Stage 2 GSS and ECTS Tariffs submitted by DEO.

On January 29, the Joint Consumer Advocates filed a Joint Motion to Reopen the Record in which the PUCO considered a distribution rate increase for DEO. The Commission was asked to reopen the record for the limited purpose of taking additional evidence in the form of the updated cost-of-service study ("COSS") that DEO filed with the PUCO on January 13, 2009. The PUCO has not yet ruled upon that Joint Motion.

Residential consumers will be irreparably harmed during the appeal process if Stage 2 rates are implemented. The public interest is best served by protecting consumers during the appellate processes; thus, the PUCO should grant this Motion to Stay the implementation of the Stage 2 rates. Instead of permitting Stage 2 rates to go into effect in October 2009, as proposed and approved by the Commission, the PUCO should rule that Stage 1 rates will remain in effect until the final adjudication of the appeal of this matter.

II. STANDARD OF REVIEW

Factors or “standards” that may be employed to evaluate a Motion to Stay were presented by Ohio Supreme Court Justice Douglas in a dissenting opinion in *MCI Telecommunications Corp. v. Public Utilities Commission* (1987):

These standards should include consideration of whether the seeker of the stay has made a strong showing of the likelihood of prevailing on the merits; whether the party seeking the stay has shown that without a stay irreparable harm will be suffered; whether or not, if the stay is issued, substantial harm to other parties would result; and, above all in these types of cases, where lies the interest of the public.⁶

Although these standards have not been adopted by the Ohio Supreme Court, the PUCO has relied upon these factors for determining whether to grant a stay of its own order.⁷

When these factors are applied to the circumstances in this case, it is clear that the PUCO should stay the implementation of DEO’s Stage 2 GSS and ECTS Tariffs. The arguments are set forth in detail below.

III. ARGUMENT

A. **The Public Interest Lies In Encouraging Customers To Reduce Individual Household Usage.**

In a dissent in the Supreme Court case in which Justice Douglas recommended standards for a stay of a PUCO decision, he noted that PUCO Orders “have effect on everyone in this state -- individuals, business and industry.”⁸ That effect on customers is more pronounced given the well documented economic challenges in DEO’s service

⁶ *MCI Telecommunications Corp. v. Public Utilities Commission* (1987), 31 Ohio St.3d 604, 606, 510 N.E.2d 806.

⁷ *In the Matter of the Application of Columbus Southern Power Company for Approval of an Electric Security Plan; an Amendment to its Corporate Separation Plan; and Sale or Transfer of Certain Generating Assets*, Case No. 08-917-EL-SSO, Entry at 3 (March 30, 2009).

⁸ *MCI*, 31 Ohio St.3d at 606.

territory where customers can ill afford increases in the essential services such as utilities in general, and the supply of natural gas fuel in particular.⁹ It thus was fitting that Justice Douglas, in articulating a standard for stays, emphasized that the most important consideration is “above all in these types of cases, where lies the interest of the public” and that “the public interest [] is the ultimate important consideration for this court in these types of cases.”¹⁰

The difficult economic times also serve to highlight the fact that, as pointed out in the Application for Rehearing, through the SFV rate design, low-use, low-income residential customers will subsidize larger, high-use commercial and industrial customers.¹¹ This is certainly not in the public interest. This stay would provide some relief to customers who are already burdened by the fragile state of the economy by allowing them to continue to pay Stage 1 rates, which include a greater volumetric charge and a smaller fixed customer charge -- a general configuration that more appropriately aligns the bill with the customer’s usage. A stay; therefore, would further the public interest.

In addition, the state policy encouraging conservation and energy efficiency efforts is contradicted by the Stage 2 rates -- rates that have a high customer charge with a greatly reduced volumetric rate. The language of R.C. 4929.02(A)(4) encourages “innovation and market access for cost-effective supply and demand side natural gas services and goods.” This policy is undermined by the SFV rate design’s emphasis on removing DEO’s disincentive to promote conservation and demand side management,

⁹ DEO Ex. No. 1.1 (Murphy Direct Testimony) at 21-22 (September 13, 2007).

¹⁰ *MCI*, 31 Ohio St.3d at 606.

¹¹ Joint Application for Rehearing at 9. See also, Joint Motion to Reopen the Record at 5-7 (January 29, 2009).

rather than providing DEO's residential customers with the necessary price signals that would encourage energy efficiency investments such as the purchase of insulation and other conservation retrofits. The Stage 2 rates further exacerbate this impact.

Furthermore, the recent developments in high-efficiency furnaces and set-back thermostats -- which promote conservation and energy efficiency -- were innovations that were provided "market access" because individual consumers were motivated by the effort to conserve and more efficiently utilize purchased fuel. The price signal from an SFV design discourages individual conservation, because it extends the payback period for conservation and efficiency retrofits and compromises their overall cost-effectiveness. Again, the Stage 2 rates would further extend the payback period and reduce the positive impact of conservation measures on customers' bills.

In addition to being contrary to state policy, discouraging energy conservation means the PUCO is also out of compliance with R.C. 4905.70, which charges the Commission with encouraging these kinds of retrofits and innovations. The SFV rate design reduces the demand for energy conservation retrofits and energy efficiency innovations will be reduced in the DEO service territory by the Commission's approval of the SFV design utilized in the Stage 2 rates. Therefore, the Joint Consumer Advocates' Motion to Stay the approval of the Stage 2 rates should be granted because it is in the public interest.

B. Irreparable Harm will be Suffered by Residential Customers In the Absence of Action by the Commission.

Harm is irreparable "when there could be no plain, adequate and complete remedy at law for its occurrence and when any attempt at monetary restitution would be

'impossible, difficult, or incomplete."¹² In the context of judicial orders, the Supreme Court of Ohio traditionally looks to whether there is an effective legal remedy if the order takes effect, to determine whether to stay the proceedings.¹³ In the case before the Commission the harm caused by permitting Stage 2 rates to be implemented is irreparable in a number of respects. Irreparable harm will exist because for certain customers, such as low-income low-usage customers, rate collections will increase under Stage 2 and the Commission will likely rule that Ohio law does not permit refunds for such an overpayment.

Another example of irreparable harm from implementing Stage 2 rates flows from the fact that Stage 2 rates as structured will cause customers to forego or limit conservation efforts. The lost opportunities for conservation cannot be remedied.

Further, with the implementation of Stage 2 rates, low-usage customers may migrate off of DEO's distribution service by switching to alternative fuel. The loss of customers is irreparable harm. Irreparable harm is also found here because the hearing process itself was fundamentally flawed due to lack of notice. Finally, the Company's updated cost of service study demonstrates the irreparable harm to residential customers who are being asked to subsidize certain Commercial and Industrial customers. These arguments are discussed in detail below.

1. **The PUCO would likely rule that Ohio law does not permit the Commission to refund any overpayment of rates later found by the Ohio Supreme Court to be unjust and unreasonable, in the absence of a stay or rates being collected subject to refund. An**

¹² *FOP v. City of Cleveland* (8th Dist. 2001), 141 Ohio App. 3d 63, 81, citing *Cleveland v. Cleveland Elec. Illuminating Co.* (8th Dist. 1996), 115 Ohio App. 3d 1, 12, appeal dismissed, 78 Ohio St.3d 1419 (1997).

¹³ See, e.g., *Tilberry v. Body* (1986), 24 Ohio St.3d 117; *Sinnott v. Aqua-Chem, Inc.* (2007), 116 Ohio St.3d 158, 161.

example of the harm related to this result is the overpayment of rates by low-income low-usage customers.

The Commission should stay the implementation of the Stage 2 GSS and ECTS rates because there is no remedy at law for consumers if the Stage 2 rates are ultimately found to be unjust and unlawful. DEO's Stage 2 rates are to take effect on October 2009. It is possible or likely that these rates could go into effect prior to a resolution by the Ohio Supreme Court on an appeal. The aforementioned harm caused by implementing Stage 2 rates will be irreparable for consumers such as low-income low-usage customers. These customers in particular will be irreparably harmed because under the Stage 2 rates they will be paying increased fixed customer charge and a reduced volumetric charge; therefore, even if their usage is unchanged their bill will increase despite the fact that their use is minimal. Given the PUCO's likely adverse ruling against any future opportunities for refunds, there will not be an opportunity for a refund of these rates, if the Joint Consumer Advocates were to prevail on appeal.

The Ohio Supreme Court expressed this principle in its landmark holding in *Keco Industries, Inc. v. Cincinnati and Suburban Bell Tel. Co.*, 166 Ohio St. 254 (1957). The Supreme Court limited retroactive ratemaking, according to its interpretation of R.C. 4905.32:

Under this section a utility has no option but to collect the rates set by the Commission and is clearly forbidden to refund any part of the rate collected.¹⁴

Without a stay, the implementation of the Stage 2 GSS and ECTS rates would cause DEO's residential customers to suffer irreparable harm even if the Joint Consumer

¹⁴ *Keco Industries, Inc. v. Cincinnati and Suburban Bell Tel. Co.*, (1957), 166 Ohio St. 254, 257. If the PUCO denies a stay, then Movants reserve their rights to later argue that there is no bar to a refund of the amounts, such as in the event the Court overturns the PUCO's decision.

Advocates were to prevail on appeal. Therefore, the PUCO should protect the Company's residential customers from this harm and grant the Joint Consumer Advocates' Motion to Stay the implementation of these tariffs.

2. Irreparable harm will result from lost opportunities for customers to conserve.

Under Stage 2 rates, customers will be burdened by a fixed \$15.40 unavoidable customer charge and a reduced volumetric charge. This rate structure will not encourage energy conservation, and may in fact provide customers an incentive to use more gas because the average cost per unit will decrease as a customer uses more than the average volume of gas.¹⁵ Under Stage 2 rates, customers lose certain tools to reduce their gas bill. No matter how little gas a customer uses or how great their conservation efforts are, the fact remains that their distribution bill will not go down.

Customers will begin making choices about their gas service -- choices of whether to engage in conservation and choices about alternatives to paying a large customer charge when their usage is low. Customers may determine not to pursue energy efficiency programs or implement energy efficiency measures, because the new rate structure provides them fewer opportunities to reduce their bills. Customers may also discontinue using energy efficiency measures if the rate structure implemented makes it less attractive to them. Certainly conservation is much less attractive if no matter how much you conserve, you do not achieve the type of reductions in your gas bill that you previously achieved -- or more importantly the type of reductions that you thought you would achieve based on the state policy encouraging conservation. The opportunities for

¹⁵ Transcript cite from public testimony where witness said this.

conservation and the ensuing savings on customers' bills are opportunities that will be lost if a stay is not granted. It is impossible to reach back and achieve the energy conservation and savings that would have been implemented and achieved by customers under a different set of rates.

3. **The SFV rate design may force low-use customers to migrate off the system, and cause irreparable harm to remaining customers who will have responsibility for system costs that are recovered from those remaining customers.**

The SFV rate design may also cause low-usage customers to drop off the system for periods of time or permanently.¹⁶ Residential customers, primarily low-usage customers, may opt to discontinue service for non-winter heating season months or possibly altogether if a stay is not granted maintaining the current rate structure. Low-use, low-income customers may determine that the significantly higher fixed customer charge is too great a price to pay to have gas service. Even low use higher income customers may reach the same conclusion. The potential loss of customers would place an even greater burden on remaining customers who might then become responsible for the recovery of the costs associated with the facilities and fixed costs used to serve those customers no longer taking gas service. It would be impossible to undo the harm from such losses.

4. **Lack of due process constitutes irreparable harm.**

Inasmuch as DEO did not file for the SFV rate design, neither of its notices to consumers could, and did not, mention the proposed SFV rate design, and its impact and implications for customers, and are thus deficient and fatally inadequate. Because of this

¹⁶ OCC Initial Brief at 2 (September 10, 2008); See also, OCC Ex. No. 21 (Radigan Direct Testimony) at 12-13 (June 23, 2008).

inadequacy, customers were denied their fundamental opportunity to be heard -- they were not made aware of the proposed changes in the rate design, and thus were unable to determine whether to participate in the hearing. This is a denial of their due process rights, guaranteed by the 14th amendment to the U.S. Constitution, and reinforced under R.C. 4909.18 and R.C. 4909.19.

The notice requirements for an application for a traditional rate case and for an alternative regulation case can be found under R.C. 4909.18, R.C. 4909.19 and R.C. 4909.43. In this case, the Company failed to provide consumers notice with sufficient detail of the residential rate design as approved by the Commission. R.C. 4909.18 provides that, unless otherwise ordered by the Commission, the public utility must file, along with its application to the Commission, “[a] proposed notice for newspaper publication fully disclosing the substance of the application.” And, irrespective of whether the utility is required to file such notice with the Commission, R.C. 4909.19 provides that the utility must publish once a week for three consecutive weeks in newspapers of general circulation throughout the affected areas **the substance and prayer of its application.**¹⁷ Instead of such a notice, DEO provided the following notice to the mayors and legislative authorities of each municipality pursuant to R.C. 4909.43:

As customer usage declines, base rates would be adjusted automatically to keep our base rate revenues per customer the same. Customers would still gain all of the benefits of reduced gas costs, which comprise over three-fourths of a typical customer's bill.¹⁸

¹⁷ R.C. 4909.19 (emphasis added).

¹⁸ PFN at Tab 5 (July 20, 2007).

This notice describes a rate design that features a decoupling mechanism with annual true-ups which is substantially different than the residential SFV rate design that the Commission approved in its Order.¹⁹

In addition, and as noted in the Joint Application for Rehearing, the notice fails to comply with two required components established by the Ohio Supreme Court that must be met in order for the notice to be considered adequate.²¹ First, the notice did not “fully [disclose] the essential nature or quality” of the application.²² This failure occurred because the notice did not reveal the extent of the increase to the fixed monthly customer charge to be borne by customers in the GSS or ECTS Tariffs. Therefore, the Court’s requirement of full disclosure was not satisfied due to the deficiency of the notice.

The second component established by the Court is that the notice must be understandable and the proposal must be in a format “that consumers can determine whether to inquire further as to the proposal or intervene in the rate case.”²³ Again, as pointed out in the Joint Application for Rehearing, the straight-fixed variable rate design is a dramatic departure from the rate design employed by utilities over the past thirty years.²⁴ Thus the notice failed to comply with the statutory requirements of R.C. 4909.18 and R.C. 4909.19 and failed to meet standards adopted by the Ohio Supreme Court.

Because of the inadequate notice, customers could not determine whether to participate in the process, whether by comment or intervention. The *fundamental*

¹⁹ Order at 25.

²¹ Joint Application for Rehearing at 24 (November 14, 2008).

²² *Ohio Assoc. of Realtors v. Pub. Util. Comm.* (1979), 60 Ohio St.2d 172, 176.

²³ *Id.* at 176.

²⁴ Joint Application for Rehearing at 35.

requisite of procedural due process of law is the opportunity to be heard.²⁵ Procedural due process for individuals is a constitutional right protected by the Fourteenth Amendment. The opportunity to be heard can have no meaning, however, if one is not informed of the issues in contention and consequently can not make a decision as to whether to challenge or object to the matter.²⁶

Since DEO's notice did not sufficiently inform its customers of the issues in contention, DEO's customers were unable to make a decision as to whether to challenge or object to the matter. Customers' opportunity to be heard could not be assured under such circumstances. Consequently, customers' rights to procedural due process in the form of an opportunity to be heard were violated.

Some courts have judiciously ruled that when the process is flawed or biased, this may be sufficient to warrant injunctive relief, if events subsequent to the process produce irreparable harm.²⁷ Similar circumstances exist in this case. The lack of adequate notice under R.C. 4909.18 and R.C. 4909.19 caused the hearing process undertaken to be flawed. DEO customers were not given sufficient information to determine the impact of the proposed rate design on their individual bills. Therefore, the implementation of the Stage 2 rates, which are the result of a proceeding in which due process was violated due to inadequate notice, will result in irreparable harm to DEO's residential customers.

²⁵ *Grannis v. Ordean*, 234 U.S. 385, 394, 43 S. Ct. 779, 784 (1914), citing *Louisville & N.R. Co. v. Schmidt*, 177 U.S. 230, 236 (1900); *Simon v. Craft*, 182 U.S. 427, 436 (1901).

²⁶ See for example *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 313, 70 S. Ct. 652 (1950), where the Court noted that "[t]he right to be heard has little reality or worth unless one is informed that the matter is pending and can choose for himself whether to appear or default, acquiesce or contest."

²⁷ *United Church of the Medical Center v. Medical Center Commission*, 689 F.2d 693, 701.

5. DEO's updated cost of service study articulates the irreparable harm suffered by DEO's residential customers who are asked to subsidize certain commercial and industrial customers.

On January 13, 2009, DEO filed its updated COSS, as Ordered by the PUCO.²⁸

The updated COSS showed that the GSS class is comprised of non-homogenous residential and non-residential (Commercial and Industrial) consumers with widely varying usage. In the test year under the traditional rate design, the residential GSS customers were providing slightly less than the overall return and the non-residential GSS customers were providing a slightly higher relative return.

However, under the SFV rate design that differential is reversed, in year one, where the residential GSS customers' rate of return increases to 8.13% and the non-residential GSS customers' rate of return plummets to 6.13%.²⁹ The overall system average return in year one is 8.48%.³⁰ In year two of the transition under the SFV rate design (Stage 2), the residential GSS and ECTS customers rate of return increases to 8.74% (meaning that residential GSS consumers are paying rates that result in the Company earning a higher than the system average return) and the non-residential GSS and ECTS customers rate of return plunges to a mere 3.23% (meaning that the non-residential GSS and ECTS consumers are paying rates that result in the Company earning far less than the system average return).³¹ The overall system average rate of return remained at 8.48%.³²

²⁸ Order at 10 (October 15, 2008).

²⁹ Joint Motion to Reopen the Record at 6-8 (January 29, 2009).

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

The revenue shift is equally dramatic for residential consumers who will be paying a significantly larger portion of the overall rate increase than the PUCO contemplated in its Order absent the updated COSS. The GSS and ECTS residential distribution base rate increase in year one is \$28 Million whereas the GSS and ECTS non-residential base rate revenues actually decrease in year one by \$5 million, a total revenue shift of \$33 million that requires that much more to be paid by residential consumers under the PUCO's new rate design. In year two the GSS and ECTS residential base revenues increase another \$9 million while the GSS and ECTS non-residential base rate revenues decrease by that same \$9 million, for a total revenue shift of \$42 million to be paid by residential consumers. With DEO's filing of the updated COSS study, there is unrefuted evidence provided by the Company of the irreparable harm that the SFV rate design causes residential customers due to the fact that these customers are subsidizing the commercial and industrial customers served under the GSS and ECTS tariffs.

C. A stay of implementation of the Stage 2 Residential Tariffs would not cause substantial harm to the Company.

No substantial harm will inure to the Company as a result of the Stay being granted. DEO is currently collecting the revenue requirements approved by the Commission in its Order under the Stage 1 Residential Tariffs. Granting the Motion to Stay would mean that the current Stage 1 rates will remain. The current Stage 1 rates reflect an increased monthly customer charge (that itself is inappropriate) and a larger volumetric rate, relative to the Stage 2 rate design. The implementation of Stage 2 rates means that the current tariff will continue to be collected, and the level of revenue

collected by the Company remains unaffected. This ensures the Company will not suffer any economic shortfall, or sustain substantial harm as a result of granting the Joint Consumer Advocates' Motion to Stay. Notably, the Company did not even propose this rate design as part of its Application -- thus not implementing something that the Company did not ask for cannot be deemed to be a harm. Therefore, the Commission should grant the Joint Consumer Advocates' Motion to Stay.

D. The Joint Consumer Advocates have provided a strong showing that they are likely to prevail on the merits of the appeal.

These matters, when fully weighed and addressed, make it likely that the Joint Consumer Advocates will prevail on the merits in the appeal. Moreover, it should be persuasive for a stay that, in the pending appeal, the Joint Consumer Advocates are likely to prevail on the merits with their arguments that include violations of the law regarding notice and state objectives for conservation. Therefore, the Motion to Stay the implementation of the Stage 2 rates should be granted.


IV. CONCLUSION

For the reasons set forth herein, the Commission should grant the Joint Consumer Advocates' Motion to Stay the implementation of the Stage 2 rates as submitted by DEO. The Joint Consumer Advocates have demonstrated that under the factors of consideration employed by the PUCO, granting the Joint Consumer Advocates' motion will prevent irreparable harm and allow the Commission to realign its orders with the public interest. In addition, no substantial harm will be sustained by the Company if the Motion is granted. The Joint Consumer Advocates are likely to prevail on the merits of the appeal when serious consideration is given to the issues presented upon appeal. Therefore, the

Joint Consumer Advocates respectfully requests the Commission grant the Motion to Stay implementation of DEO's Stage 2 GSS and ECTS Tariffs.

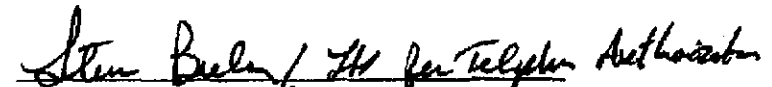
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing *Joint Motion to Stay* has been served upon the below-named persons via electronic transmission³³ this 31st day of March, 2009.



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EXHIBIT D

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East) Case No. 07-829-GA-AIR
 Ohio for Authority to Increase Rates for its)
 Gas Distribution Service.)

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East) Case No. 07-830-GA-ALT
 Ohio for Approval of an Alternative Rate)
 Plan for its Gas Distribution Service.)

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East) Case No. 07-831-GA-AAM
 Ohio for Approval to Change Accounting)
 Methods.)

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East)
 Ohio for Approval of Tariffs to Recover)
 Certain Costs Associated with a Pipeline) Case No. 08-169-GA-ALT
 Infrastructure Replacement Program)
 Through an Automatic Adjustment Clause)
 and for Certain Accounting Treatment.)

In the Matter of the Application of The East)
 Ohio Gas Company d/b/a Dominion East)
 Ohio for Approval of Tariffs to Recover) Case No. 06-1453-GA-UNC
 Certain Costs Associated with Automated)
 Meter Reading and for Certain Accounting)
 Treatment.)

ENTRY ON REHEARING

The Commission finds:

- (1) On August 30, 2007, The East Ohio Gas Company d/b/a Dominion East Ohio (DEO) filed applications to increase its gas distribution rates, for authority to implement an alternative rate plan for its gas distribution services, and for approval to change accounting methods. On December 13, 2006, DEO filed

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an application for approval of tariffs to recover, through an automatic adjustment mechanism, costs associated with the deployment of automated meter reading equipment. On February 22, 2008, DEO filed an application requesting approval of tariffs to recover, through an automatic adjustment mechanism, costs associated with a pipeline infrastructure replacement program. All of these applications were consolidated by the Commission.

- (2) By opinion and order issued October 15, 2008, the Commission, *inter alia*, approved the joint stipulation and recommendation (stipulation) filed by the parties in these cases, which resolved all of the issues raised in the applications except for the issue of the rate design for DEO's General Sales Service (GSS) and Energy Choice Transportation Service (ECTS) rate schedules. With regard to the rate design, the Commission adopted the first two years of the modified straight fixed variable (SFV) levelized rate design to decouple DEO's revenue recovery from the amount of gas actually consumed, which was proposed by Staff and DEO. Prior to approval of rates for year three and beyond, the Commission directed DEO to complete the cost allocation study required in the stipulation and to provide it to the Commission for consideration. In its opinion and order, the Commission acknowledged that adoption of the SFV rate design will reduce the risk assumed by the company. The Commission, based upon this reduction in risk, the testimony heard at the local hearings, and the deteriorating economic conditions, found that the rate of return set forth in the stipulation should be altered downward by 20 basis points to 8.29 percent.
- (3) Section 4903.10, Revised Code, states that any party who has entered an appearance in a Commission proceeding may apply for rehearing with respect to any matters determined in that proceeding, by filing an application within 30 days after the entry of the order upon the journal of the Commission.
- (4) On November 14, 2008, DEO filed an application for rehearing, asserting five grounds for rehearing. Also on November 14, 2008, the Office of the Ohio Consumers' Counsel, the city of Cleveland, Ohio Partners for Affordable Energy, the Neighborhood Environmental Coalition, the Empowerment Center of Greater Cleveland, Cleveland Housing Network, and

the Consumers For Fair Utility Rates (collectively, Consumer Groups) filed an application for rehearing, asserting eight grounds for rehearing.

- (5) On November 24, 2008, DEO filed a memorandum in opposition to the Consumer Groups' application for rehearing.
- (6) The underlying basis for all of DEO's assignments of error in its application for rehearing are based on the Commission's decision to reduce the rate of return from 8.49 percent, as recommended in the stipulation, to 8.29 percent. The following paragraphs set forth DEO's specific grounds for rehearing, together with a brief description of its rationale for each ground:
 - (a) The Commission denied DEO due process by not permitting DEO to brief or argue the rate-of-return issue and then by reducing the rate of return.

DEO asserts that it was denied the opportunity to present arguments on the issue of rate of return and then the rate of return was reduced. It points out that due process requires a fair hearing and an opportunity to be heard. Given the explicit instructions that the sole issue was the rate design and the lack of opposition on any other issue, DEO explains that it had no reason to seek to argue the rate of return issue or otherwise to protest the Commission's limitations on briefing or directives at oral argument. (DEO application for rehearing at 3-5.)

- (b) The portion of the order reducing DEO's rate of return was unlawful because it lacked record support.

DEO argues that the rate of return reduction is unsupported by the record. The Commission's basis for the cost of capital reduction, according to DEO, was a purported reduction in risk assumed by the company as a result of SFV rate design; however, there was no evidence in the record to support this statement. To the extent the SFV rate design purportedly reduces risk, DEO asserts that such risk assessment was already reflected in the stipulation's

recommended rate of return. The Commission's claim that the testimony heard at public hearings was a basis to reduce DEO's rate of return is unsupported, claims DEO, because the Commission cannot specify any witness at any public hearing who recommended or justified a rate of return reduction. Rather, DEO suggests that the testimony at the public hearings was directed at rate design and particular customers' circumstances as a result of a change in rate design and not rate of return. DEO also contends that there was no testimony in the record recommending or justifying a reduction in rate of return based on deteriorating economic conditions, which was another factor justifying the Commission's rate of return reduction. (DEO application for rehearing at 5-10.)

- (c) The portion of the order reducing DEO's rate of return was unreasonable on its face, because it relied on a factor of increased risk to reduce the rate of return.

DEO asserts that reducing the rate of return is facially unreasonable and self-contradictory. The most important factor relied upon by the Commission in reducing the rate of return—deteriorating economic conditions—in fact, demonstrates increasing risk and, thus, justifies an increase. Therefore, according to DEO, the order contradicts itself. In addition, DEO claims that the Commission's reduction only exacerbates the true cost of capital for DEO. Furthermore, DEO points out that the Commission's adjustment of the rate of return contradicts other portions of the order and that the order already contained numerous approvals and adjustments that addressed low-income customer's needs, such as the SFV rate design, a pilot program to credit bills directly, an increase in demand-side management (DSM) spending, and shareholder funding to assist low-income customers in payment assistance and conservation education. (DEO application for rehearing at 10-14.)

- (d) The order violated Section 4909.15(D)(2)(a), Revised Code, by authorizing a cost of debt lower than DEO's actual embedded cost of debt.

DEO argues that, by reducing the rate of return, the order reduced the revenue attributable to DEO's embedded cost of debt and denied DEO recovery of that embedded cost, in violation of Section 4909.15(D)(2)(a), Revised Code. DEO alternatively suggests that, because the embedded cost of debt comprises almost half of its capital structure, the order can be seen as reducing the return on equity by approximately twice as much as the 20 basis points that were identified by the Commission. It asserts that there is nothing in the record to support such a reduction. (DEO application for rehearing at 14.)

- (7) The Commission notes that our decision to reduce the rate of return was primarily based on the determination that the risk assumed by the company would be reduced as a result of the SFV rate design approved by the Commission. Upon review, we find that the stipulation approved by the parties had, in fact, already incorporated a lower rate of return due to the agreement by the parties in the stipulation to move to either a decoupling rider or an SFV rate design. It appears that the lower rate of return in the stipulation was based on a recalculation of the return on equity range to reflect a 25 basis point reduction to account for the lower risk to DEO. (Jt. Ex. 1 at 4; Tr. at 84; Staff Ex. 1 at 34.) As the stipulation already incorporated a reduced rate of return to DEO, the Commission's concern regarding the reduced risk to the company presented by the SFV rate design was addressed. Therefore, we find that DEO's application for rehearing should be granted and the rate of return agreed to in the stipulation should be reestablished at 8.49 percent. Accordingly, having reestablished the rate of return agreed to by the stipulating parties, the Commission finds that the stipulation filed in these cases should now be approved in its entirety.
- (8) In their first ground for rehearing, the Consumer Groups assert that the Commission erred when it failed to comply with the requirements of Section 4903.09, Revised Code, and provide specific findings of fact and written opinions that were

supported by record evidence. The Consumer Groups specify three different ways in which the Commission allegedly so erred. Each will be discussed individually.

- (a) First, they argue that the order acknowledges that there is insufficient evidence to support the decision inasmuch as the Commission ordered future studies that are intended to establish findings, on a prospective basis, to warrant the Commission's current decision. The Consumer Groups state that it is unclear why the Commission ordered DEO to perform a study within 90 days but was willing to wait for two years before addressing the study's results. They contend that the GSS class cannot be considered homogeneous relative to the residential consumers' usage because the average residential GSS customer uses 99.1 Mcf per year, while the average nonresidential GSS customer uses 390 Mcf per year, with some nonresidential customers using up to 3,000 Mcf per year. The Consumer Groups maintain that, absent actual homogeneous membership in the GSS customer class, there will be misallocations among customers within the GSS class and that the current shortcomings of the class cost-of-service study will do little to assist the low-use residential consumers who will be most harmed by the SFV rate design during years 1 and 2. (Consumer Groups' application for rehearing at 9-12.)

With regard to the additional studies ordered by the Commission, DEO maintains that the order should not be vacated just because there may be new facts that are yet to be discovered. DEO suggests that the Consumer Groups' understanding of the purpose of the studies, as well as the pilot program, is flawed. According to DEO, the purpose for the cost-of-service study is to determine whether the GSS/ECTS classes should be split, the answer to which would not contradict the Commission's decision to move to an SFV rate design. DEO contends that this study would address the Commission's possible order to transition to a full SFV rate design. As DEO summarizes, "that the Commission has the foresight to address that

issue in a proactive manner does not in any way suggest that the record evidence supporting the current Order is somehow inadequate." (Memorandum contra at 5-8.)

We find no merit to the Consumer Groups' argument. As we noted in the order, the modified SFV rate design is a move toward correcting the traditional design inequities, while at the same time, mitigating the impact of the new rates on customers. DEO is correct that the additional information we will obtain through this study is not intended to address any issues relevant to the determination in these proceedings to move to a modified SFV rate design. Rather, the additional cost allocation information will provide us the opportunity to reassess whether it is appropriate to separate the residential and nonresidential consumers in these classes, for future consideration. After the cost allocation study is completed, we will establish a process that will be followed to determine the appropriate rates in year three and beyond.

- (b) The Consumer Groups next argue that the Commission erred by approving a low-income pilot program without an adequate record to support the order. They contend that the Commission's statement that low-use customers have not been paying the entirety of their fixed costs is made without any basis to conclude that high-usage customers were overpaying fixed costs under the previous rate design. The Consumer Groups contend that the record in these cases does not answer the question of how the SFV rate design impacts the low-income customers and it is bad public policy to approve such a change in policy without a full and complete understanding of the harm that it may cause. They argue that it is unclear why the low-use, low-income customer program evaporates after one year when the SFV will be in place for a longer period of time. Furthermore, they state that the Commission failed to explain how DEO, which has almost 1.2 million residential customers, almost three times the number

of gas customers of Duke Energy Ohio, Inc. (Duke), should have a program that is one-half the size of the program the Commission approved for Duke. Case No. 07-589-GA-AIR et al. (Opinion and Order, May 28, 2008; Entry on Rehearing, July 23, 2008). (Consumer Groups' application for rehearing at 12-18.)

DEO counters the Consumer Groups' argument concerning the pilot program, pointing out that its adoption does not reflect a defect in the approval of the SFV rate design but, rather, merely reflects the reality that the rate design change will have a negative effect on some customers. DEO also emphasizes that adoption of the pilot program is not a "concession" that SFV will harm low-income customers, as SFV is expected to help low-income customers. DEO also points out that the Consumer Groups are in error in focusing on the distribution component of bills, as distribution costs are a very small component of total bills. (Memorandum contra at 8-11.)

As we stated in our order, the Commission recognizes that the change in rate design will leave some customers better off and some customers worse off, as compared with the existing rate design. We noted that we are concerned with the impact that the change will have on some DEO customers who are low-income, low-use customers. That formed, in part, the basis for ordering the pilot program. It is ironic that the Consumer Groups would advocate against our attempt to mitigate the impact.

- (c) In the third part of their first ground for rehearing, the Consumer Groups claim that the Commission erred by ordering an evaluation of DEO's DSM energy efficiency programs without looking at the impacts that the SFV rate design has on these programs. They contend that the Commission should order an independent DSM program. (Consumer Groups' application for rehearing at 18-20.)

DEO argues that the DSM programs it supports are worthwhile and that nothing prevents the parties from undertaking significant DSM programs within the SFV rate design. DEO also states that the DSM collaborative and related programs have nothing to do with the rate design decision by the Commission. (Memorandum contra at 11-12.)

We find no merit to the Consumer Groups' argument. While the change in rate design will have impacts on customers, it will also have impacts on the company and, in all likelihood, on the DSM programs. It would not be in the best interests of consumers or the company for those impacts not to be studied. We would note that, historically, we have approved DSM programs without having full knowledge of the results those programs will have and without having made any prior independent analysis of those programs, because we recognize the beneficial impacts such programs have on customers.

As we find no argument made under the first assignment of error to be supportable, the Consumer Groups' application for rehearing on this ground will be denied.

- (9) In their second assignment of error, the Consumer Groups argue that the Commission should not have approved a rate design for a two-year transition period without establishing that Sections 4909.18 and 4909.19, Revised Code, govern the process for determining the rate design that will be implemented after the two-year transition period. They contend that the Commission failed to discuss what will be used to determine appropriate rates beginning in year three and merely noted that it will be establishing a process. They also claim that it is unclear if the process that the Commission will develop will be limited to DEO and the Commission or whether there will be an opportunity to challenge the study. (Consumer Groups' application for rehearing at 20-22.)
- (10) We clarify that the process that will be established for determining the appropriate rates in year three and beyond will provide for input from interested stakeholders and will

ensure that all parties have the opportunity to participate. This ground for rehearing will be denied.

- (11) In their third assignment of error, the Consumer Groups claim that the Commission erred by approving a rate design that includes an increase to the monthly residential customer charge without providing consumers adequate notice of the SFV rate design pursuant to Sections 4909.18, 4909.19, and 4909.43, Revised Code. The Consumer Groups claim that both of the notices to consumers failed to mention the proposed rate design and its impact and implications for customers. According to the Consumer Groups, "a decision by the Company to change its rate design position from its application to align with the rate design position in the staff report does not relieve the Company of its statutory requirement to provide its customers with notice of the substance of its application and at the time such notice is required - with its application - not after the staff report is issued." (Consumer Groups' application for rehearing at 22-23.) The Consumer Groups believe that the change in rate design was a material change that required disclosure. With regard to the notice of the public hearings, the Consumer Groups contend that the language only mentioned the SFV rate design in general terms and failed to disclose the potential magnitude of the increase in the customer charge. (Consumer Groups' application for rehearing at 22-30.)
- (12) In its memorandum contra, DEO argues that this assignment of error has previously been addressed by the Commission and rejected. DEO states that it is required to provide two notices: a notice of the application in accordance with Section 4909.19, Revised Code, and notice of the public hearings in compliance with Section 4903.083, Revised Code. DEO points out that it could not include an SFV rate design with its notice of the application, as the application did not include an SFV proposal. Eight months later, it explains, when the staff report was issued, was the first appearance of this issue. Thus, DEO contends that the notice of its application was accurate. With regard to notice of the public hearings, DEO notes that the governing statute requires a brief summary of the then known major issues in contention. As the hearing notice disclosed issues including "[t]he level of the monthly customer charge that customers will pay" and "[r]ate design, including consideration of decoupling and straight fixed variable

mechanisms," DEO believes that the notice complied with the statute. DEO also argues that Section 4903.083, Revised Code, saves the notice from invalidation based on defects in its content.

- (13) We find the Consumer Groups' argument on this point to be without merit. We note, at the outset, that the arguments raised by the Consumer Groups on rehearing were previously denied by the Commission on page 27 of our Opinion and Order. Sections 4909.18, 4909.19, and 4909.43, Revised Code, direct the utility to notify customers, mayors, and legislative authorities in the company's service area of the application and the rates proposed therein. DEO served upon mayors and legislative authorities and published in newspapers throughout its affected service area notices that met the requirements of Section 4909.18, 4909.19, and 4909.43, Revised Code, as approved by the Commission. The notice specifically set forth the rates and percentage increase, by rate schedule, proposed by DEO in the application, including a reference to and explanation of the proposed sales decoupling rider. Although the Commission did not adopt the decoupling mechanism proposed by DEO, the notice was sufficient to inform customers of such proposal and to allow customers to register an objection to a decoupling mechanism and the increase in rates and the straight fixed variable rate design. In addition, as noted in the order, the SFV rate design was not proposed in the application, but was recommended by the staff in the staff report that was issued eight months after the application was filed. Therefore, the statute did not require that the notice of the application reference the SFV. Further, Section 4909.18, Revised Code, requires that the substance of DEO's initial application be disclosed in the publication, which it was. Furthermore, the notice for public hearing did appropriately state that one of the issues in the case was rate design and SFV.
- (14) In their fourth assignment of error, the Consumer Groups claim that the Commission erred by approving a rate design that discourages customer conservation efforts, in violation of Sections 4929.05 and 4905.70, Revised Code. They claim that the SFV rate design serves only the company's limited cost recovery interest. However, they contend, SFV fails to promote conservation because it sends the wrong price signals to customers by decreasing the volumetric rate while significantly

increasing the fixed portion. Thus, according to the Consumer Groups, SFV fails to encourage conservation. Further, the Consumer Groups say that SFV removes customers' incentive to invest in energy efficiency because it extends the payback period for those customers' energy efficiency investments. (Customer Groups' application for rehearing at 31-35.)

- (15) DEO argues that the Consumer Groups wrongly conclude that SFV penalizes conservation and encourages consumption. Although it is true the transition to SFV will result in an increase in the fixed charge and a decrease in the volumetric charge and that, therefore, low-use customers will pay more than they previously paid and high-use customers will pay less than they previously did, nevertheless, DEO argues, transition-related change has nothing to do with conservation. DEO emphasizes that the largest portion of the bill, approximately 80 percent, is the commodity charge and that the commodity charge is the "biggest driver" of usage decisions. DEO also stresses that the SFV rate design corrects the subsidy of fixed distribution costs from high-use to low-use customers. (Memorandum contra at 18-20.)
- (16) The Commission finds that the Consumer Groups' argument regarding conservation was fully considered and rejected in the order. There is no dispute that both the modified SFV rate design and the previously proposed decoupling rider reduce or eliminate any disincentive for conservation programs that might be promoted or sponsored by the utility. There is also no dispute that, under both of the proposed rate designs, a customer who makes conservation efforts to reduce gas consumption will equally enjoy the full benefit of those efforts for the commodity portion of their gas bill, which typically represents 75 to 80 percent of their total gas bill. While under the SFV rate design, a low-use customer who conserves may not reduce his distribution charges as much as he would under the decoupling rider method, it is also true that all potential customer savings are not guaranteed under the decoupling rider method favored by the Consumer Groups, due to the attendant uncertainty caused by periodic reviews and adjustments necessary with the decoupling rider. Moreover, a decoupling rider would have the effect of preserving the inequities within the existing rate design that have caused high-use customers to subsidize the fixed costs of low-use

customers. As discussed in the Commission's opinion, we opted to match costs and revenues more closely, such that customers pay their fair share of distribution costs. Finally, this argument for rehearing disregards the fact that a fundamental reason for our adoption of the new rate design is to foster conservation efforts in accordance with Sections 4929.02 and 4905.70, Revised Code. The only question at issue in these proceedings is whether an SFV rate design or a decoupling rider better achieves all competing public policy goals. As discussed at length in our opinion, we believe the SFV rate design is the better choice. This ground for rehearing is denied.

- (17) The Consumer Groups' fifth assignment of error is that the Commission erred by approving a rate design that unreasonably violates prior Commission precedent and policy. The Consumer Groups argue that the Commission has identified gradualism as one of the regulatory principles to be incorporated in its decision-making process and, for gradualism to have any legitimacy as a regulatory principle, it must be applied with a certain level of consistency and transparency. They claim that this principle has been relied upon in prior cases and that the Commission should not ignore the consumer opposition voiced against the proposed SFV rate design at the public hearings. (Consumer Groups' application for rehearing at 35-41.)
- (18) DEO asserts that, although gradualism is an important consideration, the SFV rate design approved by the Commission does reflect this policy in at least three ways. First, DEO explains that only 84 percent of the fixed costs will be recovered through the fixed charges. Second, DEO points out that the SFV rates will be phased in over two years. Finally, it notes that DEO has agreed to a "nearly three-fold increase in DSM spending," as well as additional funding for support of low-income customers. DEO stresses that the principle of gradualism should not be used to block the transition to the SFV rate design and notes that gradualism is only one of many important regulatory principles. (Memorandum contra at 20-21.)
- (19) In examining these claims, we first observe that this Commission is not bound by any statutory requirement relating to the regulatory principle of gradualism and that this

is only one of many important regulatory principles. However, consistent with the principle of gradualism, we noted in the order that the new levelized rate design best corrects the traditional rate design inequities, while mitigating the impact of the new rates on residential customers by maintaining a volumetric component to the rates, by phasing in the increase over a two-year period, and by not reflecting the full extent of DEO's fixed costs in the proposed fixed charge. We also emphasized that the low-income pilot program, aimed at helping low-income, low-use customers pay their bills, was crucial to our decision. Furthermore, we note that the Consumer Groups continue to compare the new flat monthly fee with the customer charge under the previous distribution rate structure. Such comparisons can be misleading and distort the impact on customers, since any analysis of the impact of the new levelized rate structure should consider the total customer charges. We note that, in association with the adoption of the SFV rate design, the volumetric charge reflected on the bills of residential customers will be reduced as the customer charge is phased-in to reflect the elimination of the majority of the company's fixed costs from the volumetric charge. Moreover, as noted in our order, the new rate design also achieves the important regulatory principle of matching costs and revenues to ensure that customers pay their fair share of distribution costs. Accordingly, the Commission finds that the Consumer Groups' request for rehearing on this issue should be denied.

- (20) Having determined that the rate of return agreed to in the stipulation should be reestablished and that the stipulation should be approved in its entirety, the Commission finds it necessary to update the rate determinants set forth in the October 15, 2008, opinion and order. Therefore, applying a rate of return of 8.49 percent to the value of the used and useful property as of the date certain results in required operating income of \$119,192,570. Under the stipulation, the parties agreed that the adjusted operating income of DEO during the test year was \$93,250,390. This results in an income deficiency of \$25,942,180 which, when adjusted for uncollectibles and taxes, results in a revenue increase of \$41,901,368. Therefore, we find that a revenue increase of \$40,500,000 stipulated by the parties is reasonable and should be approved.

- (21) By entry issued November 5, 2008, the Commission approved a revised bill format which incorporated the notice to all affected customers of the Commission's October 15, 2008, order in these cases, including the approved revenue increase for DEO which was based on an 8.29 percent rate of return. In light of our reestablishment of the stipulated rate of return of 8.49 percent, the Commission finds that DEO must notify customers of this change and that such notice should be provided to all affected customers via a bill message or via a bill insert in the next practicable billing cycle, but no later than 60 days from the date of this entry on rehearing. Furthermore, a copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers.
- (22) On October 8, 2008, DEO filed proposed tariffs which reflect the agreement of the parties to the stipulation, including the 8.49 percent rate of return. In our October 15, 2008, order in these cases, we found that the proposed tariffs filed by DEO correctly incorporated the provisions of the stipulation and the approved rate design; therefore, we approved the proposed tariffs filed on October 8, 2008, subject to modification to reflect the revised rate of return of 8.29 percent as approved in the order. Subsequently, by entry issued October 22, 2008, the Commission approved DEO's revised proposed tariffs, with one modification addressing the low income program, finding that the tariffs were consistent with our October 15, 2008, order, including the revised 8.29 percent rate of return.

In light of our reestablishment of the stipulated rate of return of 8.49 percent and our approval of the stipulation in its entirety, the Commission finds that the proposed tariffs filed on October 8, 2008, that reflect the agreement of the stipulating parties, including the reestablished rate of return of 8.49 percent should be approved with the following modification. In paragraph four of Original Sheet No. F-ECTS-LI1 and paragraph three of Original Sheet No. GSS-LI, the language should be modified to read, "The following charges for this one-year pilot program, limited to 5,000 customers, are effective for bills rendered on or after _____, 2008.". Therefore, DEO's proposed tariffs filed on October 8, 2008, are approved with this modification.

It is, therefore,

ORDERED, That the application for rehearing filed by DEO be granted, to the extent set forth in this entry on rehearing, that the rate of return agreed to in the stipulation be reestablished, and that the stipulation be approved in its entirety. It is, further,

ORDERED, That the Consumer Groups' application for rehearing be denied. It is, further,

ORDERED, That DEO revise the customer notice, in accordance with finding (21) and that such notice be provided to all affected customers via a bill message or via a bill insert in the next practicable billing cycle, but no later than 60 days from the date of this order. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That DEO's proposed tariffs filed on October 8, 2008, as modified in finding (22), be approved. It is, further,

ORDERED, That DEO be authorized to file in final form four complete, printed copies of tariffs consistent with the findings of this entry on rehearing. DEO shall file one copy in its TRF docket number (or may make such filing electronically as directed in Case No. 06-900-AU-WVR), and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

ORDERED, That the effective date of the new tariffs shall be the date upon which four complete, printed copies of final tariffs are filed with the Commission. The new tariffs shall be effective for bills rendered on or after such effective date. It is, further,

ORDERED, That nothing in this entry on rehearing shall be deemed to be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this entry on rehearing be served upon all parties of record.

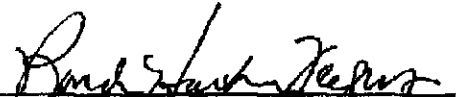
THE PUBLIC UTILITIES COMMISSION OF OHIO



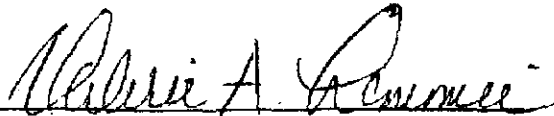
Alan R. Schriber, Chairman



Paul A. Centolella



Ronda Hartman Fergus



Valerie A. Lemmie



Cheryl L. Roberto

SEF/CMTP:ct

Entered in the Journal

DEC 19 2008



Renee J. Jenkins
Secretary

EXHIBIT E

FILE



Office of the Ohio Consumers' Counsel

Your Residential Utility Consumer Advocate

Janine L. Migden-Ostrander
Consumers' Counsel

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PUCO

April 10, 2009

Duane C. Luckey
Attorney for Appellee
Senior Deputy Attorney General
Public Utilities Commission of Ohio
180 East Broad Street, 9th Floor
Columbus, Ohio 43215-3793

Re: *In the Matter of Dominion East Ohio, Inc* PUCO Case No. 07-829-GA-AIR, et al.

On Appeal in: *Office of the Ohio Consumers' Counsel v. Public Utilities Commission*,
Supreme Court Case No. 09-0314

Dear Counsel for the PUCO:

Without waiving or conceding any arguments with respect to the notice provision in R.C. 4903.16, the Office of the Ohio Consumers' Counsel ("OCC") hereby docketed and gives notice to the Public Utilities Commission of Ohio ("PUCO" or "Commission") regarding OCC's intent to file a motion, on or after April 10, 2009, for a stay of the Commission's decisions and Orders in the above-captioned cases with respect to the implementation of stage 2 of the straight fixed variable rate design approved for The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO"). In the absence of a stay, the Commission's Order granting DEO the authority to implement the stage 2 increase to the fixed monthly customer charge that is scheduled to go into effect on or about October 1, 2009, will irreparably harm DEO's residential customers.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph P. Serio", with a long horizontal line extending to the right.

Joseph P. Serio
Assistant Consumers' Counsel

cc: Parties to PUCO Cases 07-829-GA-AIR, et al.
PUCO (by Docketing)

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.

Technician RON Date Processed 4/10/09

EXHIBIT F

THE EAST OHIO GAS COMPANY & DOMINION EAST OHIO
Case No. 07-0829-OA-AIR
Proposed - West Ohio
Class and Schedule Revenue Summary

Date: 3 Months Actual & 9 Months Estimated
Type of Filing: Original
Work Paper Reference Nos.: WPE-4a thru WPE-4o

Schedule B-4
Page 3 of 6
Witness Responsible:
L. J. Rice

Line No.	Rate Code (A)	Class Description (B)	Customer BHM (C)	Sales MCF (D)	Proposed Rate (E=F/D)	Proposed Annualized		Annualized Gas Cost Revenue (H)	Proposed Revenue Total (I=E+H)
						Proposed Revenue Less Gas Cost Revenue (G)	% of Revenue To Total Exclusive of Gas Costs (J)		
1	GSS	GENERAL SALES SERVICE							
2		Residential	456,459	3,146,450	\$4.2540	\$13,384,906.98	41.2%	\$28,646,668.70	\$42,031,575.68
3		Non Residential	39,311	1,185,361	\$3.3657	\$4,228,386.46	13.0%	\$10,824,229.26	\$15,052,615.72
4		Sub-Total	495,970	4,332,311		\$17,613,293.44	54.2%	\$39,470,897.96	\$57,084,191.40
5									
6	ECTS	ENERGY CHOICE TRANSPORTATION SERVICE							
7		Residential	256,452	1,776,440	\$3.8127	\$6,773,049.92	20.8%	\$0.00	\$6,773,049.92
8		Non Residential	33,251	968,497	\$3.1377	\$3,038,810.55	9.3%	\$0.00	\$3,038,810.55
9		Sub-Total	290,103	2,744,937		\$9,811,860.47	30.2%	\$0.00	\$9,811,860.47
10									
11	LVGSS	LARGE VOLUME GENERAL SALES SERVICE							
12		Residential	-	-	n/a	\$0.00	0.0%	\$0.00	\$0.00
13		Non Residential	276	71,855	\$3.0486	\$219,058.15	0.7%	\$664,766.16	\$883,824.31
14		Sub-Total	276	71,855		\$219,058.15	0.7%	\$664,766.16	\$883,824.31
15									
16	LVBCTS	LARGE VOLUME ENERGY CHOICE TRANSPORTATION SERVICE							
17		Residential	-	-	n/a	\$0.00	0.0%	\$0.00	\$0.00
18		Non Residential	777	220,304	\$2.4618	\$542,336.60	1.7%	\$0.00	\$542,336.60
19		Sub-Total	777	220,304		\$542,336.60	1.7%	\$0.00	\$542,336.60
20									
21	GTS	GENERAL TRANSPORTATION SERVICE							
22		Residential	-	-	n/a	\$0.00	0.0%	\$0.00	\$0.00
23		Non Residential	1,975	2,835,873	\$0.9080	\$2,575,066.44	7.9%	\$0.00	\$2,575,066.44
24		Sub-Total	1,975	2,835,873		\$2,575,066.44	7.9%	\$0.00	\$2,575,066.44
25									
26	GTS-N	GENERAL TRANSPORTATION SERVICE - NEGOTIATED							
27		Residential	-	-	n/a	\$0.00	0.0%	\$0.00	\$0.00
28		Non Residential	312	5,545,450	\$0.2692	\$1,762,061.44	5.4%	\$0.00	\$1,762,061.44
29		Sub-Total	312	5,545,450		\$1,762,061.44	5.4%	\$0.00	\$1,762,061.44
30									
31									
32									
33									
34									
35									
36									
37									
38									
39									
40									
41									
42									
43									
44									
45									
46		Sub-Total On System Only	789,413	16,750,730		\$32,523,656.54	100.0%	\$40,135,664.12	\$72,659,320.66
47									
48									
49									
50									
51									
52									
53									
54									
55									
56									
57									
58		Sub-Total before Migration Credit	789,413	16,750,730		\$32,523,656.54	100.0%	\$40,135,664.12	\$72,659,320.66
59									
60									
61									
62		TOTAL COMPANY	789,413 (Excludes FSS)	16,750,730 (Excludes FSS)		\$32,523,656.54		\$40,135,664.12	\$72,659,320.66

EXHIBIT G

Tab 5

PFN Exhibit 5:

Copy of letter sent to mayors and legislative authorities of municipalities listed in PFN Exhibit 2

Dominion East Ohio
1201 East 55th Street, Cleveland, OH 44103
Mailing Address: P.O. Box 5759
Cleveland, OH 44101-0759



Dominion[®]
East Ohio

Robert W. Varley
Managing Director, State & Local Affairs

July 20, 2007

Dear Public Official:

I want to inform you that Dominion East Ohio intends to file a request for a base rate increase for gas delivery service and other tariff changes with Public Utilities Commission of Ohio (PUCO) in about 30 days. The total rate increase that Dominion East Ohio will request is approximately \$73 million. These changes would affect the rates charged to our more than 1.2 million customers in the East Ohio and West Ohio service territories. This request, which is subject to PUCO review and approval, would increase the annual bill of a typical residential customer by about four percent. The combined impact of the rate increase and tariff changes for those customers will be less than \$4.50 per month. The new rates, if approved, are not likely to go into effect until the second quarter of 2008. That means that our base delivery rates will remain the same over the upcoming winter heating season.

It's been more than 13 years since Dominion East Ohio filed its last request for a base rate increase for delivery service. By continually striving to be more efficient, we have been able to hold off on asking for a rate increase for well over a decade. Even though we have become more efficient, many operating costs, such as healthcare expense and postage, have risen substantially since our last rate case. In addition, Dominion East Ohio has invested more than \$800 million in pipelines, meters and other assets since our last base rate case, which has increased our taxes and other expenses as well. The changes to our expenses in relation to revenues have finally led to the point where we must now seek a rate increase.

As part of its request, Dominion East Ohio is proposing to install automated meter reading equipment for all of its customers over a 5-year period, which will provide actual meter readings each month. The installation of automated metering will enhance service by eliminating estimated bills and improving budget billing calculations.

Dominion East Ohio also proposes spending up to an additional \$5.5 million per year on customer conservation programs. We would initially increase dollars spent on conservation programs from the current level of \$3.5 million per year to \$6 million. If the program exceeds approved targets, the company would then expand it by an additional \$1 million in each of the next three years. As customer usage declines, base rates would be adjusted automatically to keep our base rate revenues per customer the same. Customers would still gain all of the benefits of reduced gas costs, which comprise over three-fourths of a typical customer's bill.

We realize that Dominion East Ohio customers have seen natural gas commodity costs increase considerably during the past 13 years. Please keep in mind that Dominion East Ohio does not earn a profit on the natural gas commodity itself. We are required to pass along those costs on a dollar-for-dollar basis. Although higher natural gas commodity costs have led to higher gas bills, these costs are distinct from the base delivery rate, which recovers the company's ongoing costs of doing business and a return on its investment in assets used to provide service. The base delivery rate has not increased since 1994.

Accompanying this letter are materials providing information on this rate filing, including copies of Dominion East Ohio's proposed tariffs.

The PUCO will conduct public hearings throughout our service area, at which customers, local government officials and consumer groups will have the opportunity to ask questions and make statements related to Dominion East Ohio's rate increase request.

In the meantime, if you have questions or require additional information, please contact me at Robert.W.Varley@dom.com or (216) 736-6207, your local affairs representative - Rose Dziak at Rose.P.Dziak@dom.com or (216) 736-6201, Ty McBee at Ty.C.McBee@dom.com or (216) 736-6213, Tracy Stevens at Tracy.W.Stevens@dom.com or (330) 478-3104 or Peggy Ehora at Peggy.A.Ehora@dom.com or (419) 226-4866.

Sincerely,

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
Summary of Proposed Rates

	<u>Current Rates for</u>		<u>Proposed Rates</u> for All Customers	
	East Ohio	West Ohio Division		
<u>General Sales & Energy Choice Transportation Service (GSS & ECTS)</u>				
Customer Charge	\$5.70	\$4.38	\$5.70	/Month
Commodity Charge	\$1.2355	\$1.1201	\$1.6200	/Mcf
<u>Large Volume General Sales & Energy Choice Transportation Service (LVGSS & LVECTS)</u>				
Customer Charge	\$40.00	\$32.24	\$40.00	/Month
Commodity Charge				
First 100	\$1.2527	\$1.1201	\$1.6200	/Mcf
Next 100	\$0.9927	\$1.1201	\$0.9927	/Mcf
Next 300	\$0.9927	\$0.7391	\$0.9927	/Mcf
Next 4,500	\$0.8187	\$0.7391	\$0.8187	/Mcf
Next 20,000	\$0.8187	\$0.4221	\$0.8187	/Mcf
All Additional	\$0.8187	\$0.3731	\$0.8187	/Mcf
<u>Transportation Service for Schools (TSS)</u>				
Customer Charge	\$50.00		\$50.00	/Month
Commodity Charge				
First 100	\$1.3967		\$1.3967	/Mcf
Next 400	\$1.1367		\$1.1367	/Mcf
Next 1,500	\$0.9627		\$0.9627	/Mcf
All Additional	\$0.9627		\$0.6440	/Mcf
<u>General Transportation Service (GTS)</u>				
Customer Charge	\$102.50	\$132.99	\$102.50	/Month
Commodity Charge				
First 100	\$1.2527	\$1.4163	\$1.2527	/Mcf
Next 100	\$0.9927	\$1.4163	\$0.9927	/Mcf
Next 300	\$0.9927	\$1.0353	\$0.9927	/Mcf
Next 1,500	\$0.8187	\$1.0353	\$0.8187	/Mcf
Next 3,000	\$0.8187	\$1.0353	\$0.5000	/Mcf
Next 20,000	\$0.8187	\$0.7183	\$0.5000	/Mcf
All Additional	\$0.8187	\$0.6683	\$0.5000	/Mcf
<u>Daily Transportation Service (DTS)</u>				
Customer Charge	\$377.00		\$377.00	/Month
Commodity Charge				
First 500	\$1.0803		\$1.0803	/Mcf
Next 4,500	\$0.9113		\$0.9113	/Mcf
Next 20,000	\$0.9113		\$0.6000	/Mcf
Next 25,000	\$0.5603		\$0.6000	/Mcf
All Additional	\$0.1663		\$0.1663	/Mcf

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
Summary of Proposed Rates

	<u>Current Rates for</u>		<u>Proposed Rates</u> for All Customers	
	East Ohio	West Ohio Division		
<u>Volume Banking Service</u>				
2%	\$0.0220	\$0.0220	\$0.0166	/Mcf
4%	\$0.0270	\$0.0270	\$0.0214	/Mcf
6%	\$0.0340	\$0.0340	\$0.0263	/Mcf
8%	\$0.0400	\$0.0400	\$0.0311	/Mcf
10%	\$0.0460	\$0.0460	\$0.0358	/Mcf
<u>Transportation Surcredit Rider</u>	(\$0.005342)	(\$0.004805)	(\$0.0173)	/Mcf
<u>Gross Receipts Tax (GRT) Rider</u>	4.8957%	4.8651%	4.6044%	

The current GRT Rider is applied only to gas cost charges billed under the GSS and LVGSS rate schedules. The proposed GRT Rider will apply to all of the charges billed by Dominion East Ohio on all rate schedules, excluding charges billed on behalf of Energy Choice suppliers that may be subject to applicable sales tax rates.

Sales Reconciliation Rider (SRR)

A Sales Reconciliation Rider has been proposed to recover the difference between actual base rate revenues and approved test year revenues adjusted to reflect changes in the number of customers. The rider rate will be zero when the tariff is approved by the PUCO. Effective November 1 of each year, the rider rate will be revised after further review and approval by the PUCO. This proposed rider would apply to the GSS, LVGSS, ECTS and LVECTS rate schedules.

AMR Cost Recovery Charge

A flat monthly charge will be added to the otherwise applicable customer service charge for all customers under the following rate schedules: GSS, LVGSS, ECTS, LVECTS, GTS, and TSS. This additional charge is proposed to recover the depreciation, incremental property taxes and post in-service carrying costs associated with the installation of automated meter reading (AMR) equipment throughout Dominion East Ohio's system.

Robert W. Varley
Managing Director, State & Local Affairs

July 20, 2007

Dear Public Official:

I want to inform you that Dominion East Ohio intends to file a request for a base rate increase for gas delivery service and other tariff changes with Public Utilities Commission of Ohio (PUCO) in about 30 days. The total rate increase that Dominion East Ohio will request is approximately \$73 million. These changes would affect the rates charged to our more than 1.2 million customers in the East Ohio and West Ohio service territories. This request, which is subject to PUCO review and approval, would increase the monthly bill of a typical East Ohio residential customer by less than \$4.50. West Ohio customers would see a monthly increase of less than \$6, or 5 percent, which includes an increase in their monthly service charge. The new rates, if approved, are not likely to go into effect until the second quarter of 2008. That means that our base delivery rates will remain the same over the upcoming winter heating season.

West Ohio Gas was once a separate subsidiary of Dominion before merging with East Ohio Gas in 1997. At that time, only the gas cost portion of the companies' rates were combined. Up until this point, West Ohio Division customers had a separate monthly service charge and base rates. With this new rate case, the company is proposing that rates be the same for both East Ohio and West Ohio. As a result, the impact on West Ohio customers will be slightly different than the impact on East Ohio customers.

The company filed its last request for a base rate increase for delivery service for its West Ohio customers in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Shelby and Van Wert counties in 1983. By continually striving to be more efficient, we have been able to hold off on asking for a rate increase for 24 years. Even though we have become more efficient, many operating costs, such as healthcare expense and postage, have risen substantially since our last rate case. In addition, Dominion East Ohio has invested more than \$800 million in pipelines, meters and other assets since our last base rate case, which has increased our taxes and other expenses as well. The changes to our expenses in relation to revenues have finally led to the point where we must now seek a rate increase.

As part of its request, Dominion East Ohio is proposing to install automated meter reading equipment for all of its customers over a 5-year period, which will provide actual meter readings each month. The installation of automated metering will enhance service by eliminating estimated bills and improving budget billing calculations.

Dominion East Ohio also proposes spending up to an additional \$5.5 million per year on customer conservation programs. We would initially increase dollars spent on conservation programs from the current level of \$3.5 million per year to \$6 million. If the program exceeds approved targets, the company would then expand it by an additional \$1 million in each of the next three years. As customer usage declines, base rates would be adjusted automatically to keep our base rate revenues per customer the same. Customers would still gain all of the benefits of reduced gas costs, which comprise over three-fourths of a typical customer's bill.

We realize that Dominion East Ohio customers have seen natural gas commodity costs increase considerably during the past 13 years. Please keep in mind that Dominion East Ohio does not earn a profit on the natural gas commodity itself. We are required to pass along those costs on a dollar-for-dollar basis. Although higher natural gas commodity costs have led to higher gas bills, these costs are distinct from the base delivery rate, which recovers the company's ongoing costs of doing business and a return on its investment in assets used to provide service. The base delivery rate has not increased since 1983.

Accompanying this letter are materials providing information on this rate filing, including copies of Dominion East Ohio's proposed tariffs.

The PUCO will conduct public hearings throughout our service area, at which customers, local government officials and consumer groups will have the opportunity to ask questions and make statements related to Dominion East Ohio's rate increase request.

In the meantime, if you have questions or require additional information, please contact me at Robert.W.Varley@dom.com or (216) 736-6207, your local affairs representative – Rose Dziak at Rose.P.Dziak@dom.com or (216) 736-6201, Ty McBee at Ty.C.McBee@dom.com or (216) 736-6213, Tracy Stevens at Tracy.W.Stevens@dom.com or (330) 478-3104 or Peggy Ehora at Peggy.A.Ehora@dom.com or (419) 226-4866.

Sincerely,

EXHIBIT H

FILE

13

RECEIVED-DOCKETING DIV

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

2008 AUG 25 AM 10:08

PUCO

In the Matter of the Application of The East Ohio :
Gas Company dba Dominion East Ohio for : Case No. 07-829-GA-AIR
Authority to Increase Rates for its Gas :
Distribution Service. :

In the Matter of the Application of The East Ohio :
Gas Company dba Dominion East Ohio for : Case No. 07-830-GA-ALT
Approval of an Alternative Rate Plan for its Gas :
Distribution Service. :

In the Matter of the Application of The East Ohio :
Gas Company dba Dominion East Ohio for : Case No. 07-831-GA-AAM
Approval to Change Accounting Methods. :

In the Matter of the Application of The East Ohio :
Gas Company dba Dominion East Ohio for : Case No. 08-169-GA-ALT
Approval of Tariffs to Recover Certain Costs :
Associated with a Pipeline Infrastructure :
Replacement Program Through an Automatic :
Adjustment Clause, and for Certain Accounting :
Treatment. :

In the Matter of the Application of The East Ohio :
Gas Company dba Dominion East Ohio for : Case No. 06-1453-GA-UNC
Approval of Tariffs to Recover Certain Costs :
Associated with Automated Meter Reading and :
for Certain Accounting Treatment. :

**SECOND SUPPLEMENTAL DIRECT TESTIMONY
OF
STEPHEN E. PUICAN
UTILITIES DEPARTMENT
RATES & TARIFFS/ENERGY & WATER DIVISION
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit _____

August 25, 2008

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician SM Date Processed 8/25/08

1 1. Q. Would you please state your name and business address?

2 A. My name is Stephen E. Puican. My business address is 180 East Broad
3 Street, Columbus, Ohio.

4

5 2. Q. What is your present employment?

6 A. I am currently employed as Co-Chief of the Rates & Tariffs / Energy &
7 Water Division in the Utilities Department of the Public Utilities
8 Commission of Ohio ("PUCO").

9

10 3. Q. Are you the same Stephen E. Puican who has previously filed testimony in
11 this proceeding?

12 A. Yes, I am.

13

14 4. Q. What is the purpose of your testimony?

15 A. I am supporting the Stipulation and Recommendation (Stipulation) filed in
16 this proceeding on August 22, 2008.

17

18 6. Q. Was the Staff present at the negotiations that resulted in the Stipulation?

19 A. Yes, the Staff was present at all of the meetings.

1 7. Q. Were all of the parties to this proceeding present at these meetings?
2 A. Settlement meetings were noticed to all parties and all parties were present
3 either in person or by phone or they chose not to be present.
4

5 8. Q. Do you believe the Stipulation filed in this case is the product of serious
6 bargaining among knowledgeable parties?
7 A. Yes. This agreement is the product of an open process in which all parties
8 were represented by able counsel and technical experts. Extensive
9 negotiations occurred. The Stipulation represents a comprehensive
10 compromise of issues raised by parties with diverse interests. All parties
11 have signed the Stipulation and adopted it as a reasonable resolution of all
12 issues except the single rate design issue that has been reserved for
13 litigation. I believe that the Stipulation that the parties are recommending
14 for Commission adoption presents a fair and reasonable result.
15

16 9. Q. In your opinion, does the Settlement benefit ratepayers and promote the
17 public interest?
18 A. Yes.
19 • The stipulation establishes a fair and reasonable revenue requirement
20 with an increase in the base rates of approximately 3.9%.

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- It establishes a Pipeline Infrastructure Program to accelerate the replacement of an aging distribution system and provides for reasonable oversight of the program.
- It establishes a program to address the safety concerns of prone-to-fail risers and a schedule to replace these risers within a reasonable period of time.
- It adopts a proposal for Dominion to assume ownership and repair responsibility of customer service lines.
- It provides for a significant expansion of funding for energy efficiency programs.
- It commits Dominion to provide \$1,200,000 of shareholder-funded assistance to organizations that will help customers in the areas of payment assistance and education regarding the efficient use of natural gas.
- It establishes a formula for sharing revenues generated from commodity exchange and firm receipt point revenues.
- It establishes a five-year program to replace inside meters with automated meter reading devices to eliminate the labor intensive process to gain access and read meters inside a customer's premises.

1 10. Q. Does the Stipulation violate any important regulatory principle?

2 A. No.

3

4 11. Q. Are you recommending its adoption by the Commission?

5 A. Yes. I believe the Stipulation represents a fair and reasonable compromise
6 of diverse interests and provides a fair result for customers.

7

8 12. Q. You have previously filed testimony on the rate design issue that the
9 stipulation has reserved for litigation. Is there any additional information
10 you want to provide on that issue?

11 A. Yes, in order to assist the Commission's evaluation of the rate design issue,
12 I am attaching Exhibits SEP 1A, 1B, 2A, 2B and 3 to this testimony.
13 Exhibit SEP 1A calculates annual bills for residential customers at various
14 levels of consumption and compares those bills at current rates and rates
15 incorporating the new revenue requirement at a \$5.70 fixed charge and a
16 \$12.50 fixed charge. The \$12.50 fixed charge reflects the first year of the
17 Staff and Company proposed two year phase in of rates as shown on Joint
18 Exhibit 1-A to the stipulation. Exhibit SEP 1B shows the second year of
19 the phase in. Exhibits SEP 2A and 2B show the same information for the
20 entire GSS class. Exhibit SEP 3 shows the rates underlying these exhibits.

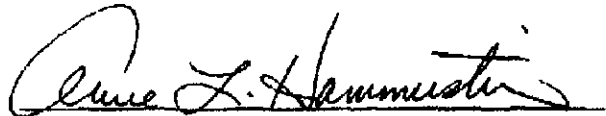
1 13. Q. Does this conclude your testimony?

2 A. Yes, it does.

3

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Second Supplemental Direct Testimony of Stephen E. Puican, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 25th day of August, 2008.



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Assistant Attorney General

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Dominion East Ohio
Distribution of Premises by Usage Level - Residential
Usage Period: June 2007 - May 2008

Exhibit SEP-1A

Total Annual Bill Comparison - Year 1

12 Month Usage	Customers	% of Total	Cumulative %	Current Bill		Proposed Bill		Dollar Increase	% Increase	Proposed Bill @ \$12.50 Fixed Charge	Dollar Increase	% Increase	\$ Increase Over \$5.70 Proposed Bill	% Increase Over \$5.70 Proposed Bill
				@ \$5.70 Fixed Charge	Dollar Increase	% Increase	Dollar Increase								% Increase
0.0	24,835	2.15%	2.15%	\$81.35	\$85.70	\$4.35	5.3%	\$167.25	\$85.90	105.60%	\$81.55	95.16%	\$81.55	95.16%
5.1	11,575	1.00%	3.16%	\$94.30	\$99.87	\$5.57	5.9%	\$177.54	\$93.24	88.30%	\$77.67	77.77%	\$77.67	77.77%
10.1	10,186	0.84%	4.04%	\$107.24	\$114.05	\$6.81	6.4%	\$187.82	\$80.58	75.10%	\$73.77	64.68%	\$73.77	64.68%
15.1	10,610	0.93%	4.96%	\$120.19	\$128.23	\$8.04	6.7%	\$198.11	\$77.92	64.80%	\$69.88	54.50%	\$69.88	54.50%
20.1	12,341	1.07%	6.03%	\$133.14	\$142.40	\$9.26	7.0%	\$208.40	\$75.26	56.90%	\$66.00	46.35%	\$66.00	46.35%
25.1	14,643	1.27%	7.30%	\$146.09	\$156.58	\$10.49	7.2%	\$218.69	\$72.60	49.70%	\$62.11	39.67%	\$62.11	39.67%
30.1	17,292	1.50%	8.81%	\$159.03	\$170.76	\$11.73	7.4%	\$239.98	\$69.95	44.00%	\$58.22	34.09%	\$58.22	34.09%
35.1	20,252	1.76%	10.56%	\$171.98	\$184.93	\$12.95	7.5%	\$259.26	\$67.28	39.10%	\$54.33	29.38%	\$54.33	29.38%
40.1	24,220	2.10%	12.66%	\$184.93	\$199.11	\$14.18	7.7%	\$279.55	\$64.62	34.90%	\$50.44	25.33%	\$50.44	25.33%
45.1	29,021	2.52%	15.18%	\$197.88	\$213.29	\$15.41	7.8%	\$299.84	\$61.90	31.30%	\$46.55	21.82%	\$46.55	21.82%
50.1	34,773	3.01%	18.19%	\$223.77	\$241.64	\$17.87	8.0%	\$320.42	\$56.65	25.30%	\$38.78	16.05%	\$38.78	16.05%
55.1	41,589	3.63%	21.82%	\$249.67	\$269.99	\$20.32	8.1%	\$340.99	\$51.32	20.60%	\$31.00	11.48%	\$31.00	11.48%
60.1	49,729	4.44%	26.26%	\$275.56	\$298.34	\$22.78	8.3%	\$361.57	\$46.01	16.70%	\$23.23	7.79%	\$23.23	7.79%
65.1	59,546	5.27%	31.53%	\$301.46	\$326.70	\$25.24	8.4%	\$382.22	\$40.68	13.50%	\$15.44	4.73%	\$15.44	4.73%
70.1	71,337	6.29%	37.82%	\$327.35	\$355.05	\$27.70	8.5%	\$402.92	\$35.37	10.80%	\$7.67	2.18%	\$7.67	2.18%
75.1	85,479	7.52%	45.34%	\$353.25	\$383.40	\$30.15	8.5%	\$423.61	\$30.05	8.30%	(\$0.10)	-0.03%	(\$0.10)	-0.03%
80.1	101,447	8.46%	53.80%	\$379.14	\$411.76	\$32.62	8.6%	\$444.31	\$24.73	6.50%	(\$7.89)	-1.97%	(\$7.89)	-1.97%
85.1	120,000	10.50%	64.30%	\$405.04	\$440.11	\$35.07	8.7%	\$465.02	\$19.41	4.80%	(\$15.66)	-3.56%	(\$15.66)	-3.56%
90.1	140,938	12.50%	76.80%	\$430.93	\$468.46	\$37.53	8.7%	\$485.72	\$14.09	3.30%	(\$23.44)	-5.00%	(\$23.44)	-5.00%
95.1	164,330	14.66%	91.46%	\$456.83	\$496.62	\$39.79	8.8%	\$506.50	\$8.77	1.90%	(\$31.22)	-6.28%	(\$31.22)	-6.28%
100.1	194,776	17.29%	108.75%	\$482.72	\$525.17	\$42.45	8.8%	\$527.25	\$3.46	0.70%	(\$38.99)	-7.42%	(\$38.99)	-7.42%
105.1	233,413	20.50%	129.25%	\$508.62	\$553.52	\$44.90	8.8%	\$548.15	(\$1.87)	-0.40%	(\$46.77)	-8.45%	(\$46.77)	-8.45%
110.1	280,800	24.59%	153.84%	\$534.51	\$581.87	\$47.36	8.9%	\$568.51	(\$7.18)	-1.30%	(\$54.54)	-9.37%	(\$54.54)	-9.37%
115.1	340,938	30.00%	183.84%	\$560.41	\$610.23	\$49.82	8.9%	\$588.33	(\$12.51)	-2.20%	(\$62.33)	-10.21%	(\$62.33)	-10.21%
120.1	415,890	36.33%	220.17%	\$586.30	\$638.58	\$52.28	8.9%	\$608.61	(\$17.82)	-3.00%	(\$70.10)	-10.98%	(\$70.10)	-10.98%
125.1	501,447	43.77%	263.94%	\$612.19	\$709.46	\$58.42	9.0%	\$629.03	(\$31.12)	-4.80%	(\$89.54)	-12.62%	(\$89.54)	-12.62%
130.1	601,447	52.59%	316.53%	\$638.08	\$780.35	\$64.57	9.0%	\$650.60	(\$44.42)	-6.20%	(\$108.99)	-15.97%	(\$108.99)	-15.97%
135.1	718,337	62.63%	379.16%	\$663.97	\$851.23	\$70.72	9.1%	\$672.32	(\$57.71)	-7.40%	(\$128.43)	-16.04%	(\$128.43)	-16.04%
140.1	854,792	74.03%	453.19%	\$689.86	\$922.11	\$76.86	9.1%	\$694.18	(\$71.01)	-8.40%	(\$147.87)	-16.04%	(\$147.87)	-16.04%
145.1	1,014,792	84.17%	537.36%	\$715.75	\$1,003.88	\$89.15	9.1%	\$716.03	(\$87.61)	-10.00%	(\$186.76)	-17.55%	(\$186.76)	-17.55%
150.1	1,200,000	94.27%	631.63%	\$741.64	\$1,085.64	\$101.44	9.2%	\$717.47	(\$124.70)	-11.20%	(\$225.64)	-18.72%	(\$225.64)	-18.72%
155.1	1,400,000	104.27%	735.90%	\$767.53	\$1,167.41	\$113.73	9.2%	\$718.20	(\$162.02)	-12.20%	(\$264.53)	-19.63%	(\$264.53)	-19.63%
160.1	1,600,000	114.27%	850.17%	\$793.42	\$1,249.17	\$126.02	9.2%	\$719.13	(\$199.37)	-13.00%	(\$303.41)	-20.57%	(\$303.41)	-20.57%
165.1	1,800,000	124.27%	974.44%	\$819.31	\$1,330.82	\$137.47	9.3%	\$720.06	(\$236.60)	-12.10%	(\$341.00)	-19.61%	(\$341.00)	-19.61%
170.1	2,000,000	134.27%	1108.71%	\$845.20	\$1,412.57	\$147.37	9.4%	\$720.99	(\$273.89)	-10.00%	(\$371.02)	-17.68%	(\$371.02)	-17.68%
175.1	2,200,000	144.27%	1252.98%	\$871.09	\$1,494.32	\$157.23	9.4%	\$721.92	(\$311.16)	-6.70%	(\$396.00)	-14.74%	(\$396.00)	-14.74%
180.1	2,400,000	154.27%	1407.25%	\$896.98	\$1,576.07	\$167.09	9.5%	\$722.85	(\$348.00)	-4.70%	(\$421.00)	-12.93%	(\$421.00)	-12.93%
185.1	2,600,000	164.27%	1571.52%	\$922.87	\$1,657.82	\$174.95	9.5%	\$723.78	(\$384.95)	-4.70%	(\$446.00)	-12.93%	(\$446.00)	-12.93%
190.1	2,800,000	174.27%	1745.79%	\$948.76	\$1,739.57	\$180.81	9.5%	\$724.71	(\$421.86)	-4.70%	(\$471.00)	-12.93%	(\$471.00)	-12.93%
195.1	3,000,000	184.27%	1930.06%	\$974.65	\$1,821.32	\$186.67	9.5%	\$725.64	(\$458.77)	-4.70%	(\$496.00)	-12.93%	(\$496.00)	-12.93%
200.1	3,200,000	194.27%	2124.33%	\$1,000.54	\$1,903.07	\$192.53	9.5%	\$726.57	(\$495.68)	-4.70%	(\$521.00)	-12.93%	(\$521.00)	-12.93%
205.1	3,400,000	204.27%	2318.60%	\$1,026.43	\$1,984.82	\$198.39	9.5%	\$727.50	(\$532.59)	-4.70%	(\$546.00)	-12.93%	(\$546.00)	-12.93%
210.1	3,600,000	214.27%	2512.87%	\$1,052.32	\$2,066.57	\$204.25	9.5%	\$728.43	(\$569.50)	-4.70%	(\$571.00)	-12.93%	(\$571.00)	-12.93%
215.1	3,800,000	224.27%	2707.14%	\$1,078.21	\$2,148.32	\$210.11	9.5%	\$729.36	(\$606.41)	-4.70%	(\$586.00)	-12.93%	(\$586.00)	-12.93%
220.1	4,000,000	234.27%	2901.41%	\$1,104.10	\$2,230.07	\$215.97	9.5%	\$730.29	(\$643.32)	-4.70%	(\$601.00)	-12.93%	(\$601.00)	-12.93%
225.1	4,200,000	244.27%	3095.68%	\$1,130.00	\$2,311.82	\$221.82	9.5%	\$731.22	(\$680.23)	-4.70%	(\$616.00)	-12.93%	(\$616.00)	-12.93%
230.1	4,400,000	254.27%	3290.00%	\$1,155.90	\$2,393.57	\$227.67	9.5%	\$732.15	(\$717.14)	-4.70%	(\$631.00)	-12.93%	(\$631.00)	-12.93%
235.1	4,600,000	264.27%	3484.27%	\$1,181.80	\$2,475.32	\$233.52	9.5%	\$733.08	(\$754.05)	-4.70%	(\$646.00)	-12.93%	(\$646.00)	-12.93%
240.1	4,800,000	274.27%	3678.54%	\$1,207.70	\$2,557.07	\$239.37	9.5%	\$734.01	(\$790.96)	-4.70%	(\$661.00)	-12.93%	(\$661.00)	-12.93%
245.1	5,000,000	284.27%	3872.81%	\$1,233.60	\$2,638.82	\$245.22	9.5%	\$734.94	(\$827.87)	-4.70%	(\$676.00)	-12.93%	(\$676.00)	-12.93%
250.1	5,200,000	294.27%	4067.08%	\$1,259.50	\$2,720.57	\$251.07	9.5%	\$735.87	(\$864.78)	-4.70%	(\$691.00)	-12.93%	(\$691.00)	-12.93%
255.1	5,400,000	304.27%	4261.35%	\$1,285.40	\$2,802.32	\$256.92	9.5%	\$736.80	(\$901.69)	-4.70%	(\$706.00)	-12.93%	(\$706.00)	-12.93%
260.1	5,600,000	314.27%	4455.62%	\$1,311.30	\$2,884.07	\$262.77	9.5%	\$737.73	(\$938.60)	-4.70%	(\$721.00)	-12.93%	(\$721.00)	-12.93%
265.1	5,800,000	324.27%	4650.00%	\$1,337.20	\$2,965.82	\$268.62	9.5%	\$738.66	(\$975.51)	-4.70%	(\$736.00)	-12.93%	(\$736.00)	-12.93%
270.1	6,000,000	334.27%	4844.27%	\$1,363.10	\$3,047.57	\$274.47	9.5%	\$739.59	(\$1,012.42)	-4.70%	(\$751.00)	-12.93%	(\$751.00)	-12.93%
275.1	6,200,000	344.27%	5038.54%	\$1,389.00	\$3,129.32	\$280.32	9.5%	\$740.52	(\$1,049.33)	-4.70%	(\$766.00)	-12.93%	(\$766.00)	-12.93%
280.1	6,400,000	354.27%	5232.81%	\$1,414.90	\$3,211.07	\$286.17	9.5%	\$741.45	(\$1,086.24)	-4.70%	(\$781.00)	-12.93%	(\$781.00)	-12.93%
285.1	6,600,000	364.27%	5427.08%	\$1,440.80	\$3,292.82	\$292.02	9.5%	\$742.38	(\$1,123.15)	-4.70%	(\$796.00)	-12.93%	(\$796.00)	-12.93%
290.1	6,800,000	374.27%	5621.35%	\$1,466.70	\$3,374.57	\$297.87	9.5%	\$743.31	(\$1,160.06)	-4.70%	(\$811.00)	-12.93%	(\$811.00)	-12.93%
295.1	7,000,000	384.27%	5815.62%	\$1,492.60	\$3,456.32	\$303.72	9.5%	\$744.24	(\$1,196.97)	-4.70%	(\$826.00)	-12.93%	(\$826.00)	-12.93%
300.1	7,200,000	394.27%	6010.00%	\$1,518.50	\$3,538.07	\$309.57	9.5%	\$745.17	(\$1,233.88)	-4.70%	(\$841.00)	-12.93%	(\$841.00)	-12.93%
305.1	7,400,000	404.27%	6204.27%	\$1,544.40	\$3,619.82	\$315.42	9.5%	\$746.10	(\$1,270.79)	-4.70%	(\$856.00)	-12.93%	(\$856.00)	-12.93%
310.1	7,600,000	414.27%	6398.54%	\$1,570.30	\$3,701.57	\$321.27	9.5%	\$747.03	(\$1,307.70)	-4.70%	(\$871.00)	-12.93%	(\$871.00)	-12.93%
315.1	7,800,000	424.27%	6592.81%	\$1,596.20	\$3,783.32	\$327.12	9.5%	\$747.96	(\$1,344.61)	-4.70%	(\$886.00)	-12.93%	(\$886.00)	-12.93%
320.1	8,000,000	434.27%	6787.08%	\$1,622.10	\$3,865.07	\$332.97	9.5%	\$748.89	(\$1,381.52)	-4.70%	(\$901.00)	-12.93%	(\$901.00)	-12.93%
325.1	8,200,000	444.27%	6981.35%	\$1,648.00	\$3,946.82	\$338.82	9.5%							

Dominion East Ohio
 Distribution of Premises by Usage Level - Residential
 Usage Period: June 2007 - May 2008

EXHIBIT SEP-1B

Total Annual Bill Comparison - Year 2

12 Month Usage	Customers	% of Total	Cumulative %	Current Bill		Proposed Bill @ \$5.70		Proposed Bill @ \$13.40		Dollar Increase	% Increase	Proposed Bill	% Increase	Proposed Bill	% Increase
				Current Bill	Fixed Charge	Fixed Charge	Fixed Charge	Dollar Increase	% Increase						
0.0	2435	2.15%	2.15%	\$81.55	\$85.70	\$4.35	\$20.20	\$120.85	\$116.90	\$116.90	148.60%	\$116.90	135.94%		
3.1	11575	1.00%	3.16%	\$94.30	\$96.87	\$5.57	\$211.07	\$116.77	\$111.20	\$111.20	123.80%	\$111.20	111.24%		
10.1	10186	0.88%	4.04%	\$107.24	\$114.85	\$6.81	\$219.95	\$112.71	\$105.90	\$105.90	105.16%	\$105.90	92.85%		
15.1	10810	0.92%	4.96%	\$120.19	\$128.23	\$8.04	\$228.82	\$108.63	\$100.59	\$100.59	90.40%	\$100.59	78.44%		
20.1	12341	1.07%	6.03%	\$133.14	\$142.40	\$9.26	\$237.70	\$104.56	\$95.30	\$95.30	78.50%	\$95.30	66.92%		
25.1	30.0	1.27%	7.30%	\$146.09	\$156.58	\$10.49	\$246.57	\$100.48	\$89.99	\$89.99	68.80%	\$89.99	57.47%		
30.1	17292	1.50%	8.81%	\$159.03	\$170.76	\$11.73	\$255.45	\$96.42	\$84.69	\$84.69	60.60%	\$84.69	49.60%		
35.1	20252	1.76%	10.56%	\$171.98	\$184.93	\$12.95	\$264.32	\$92.34	\$79.39	\$79.39	53.70%	\$79.39	42.93%		
40.1	24220	2.10%	12.66%	\$184.93	\$199.11	\$14.18	\$273.20	\$88.27	\$74.09	\$74.09	47.70%	\$74.09	37.21%		
45.1	29021	2.52%	15.18%	\$197.88	\$213.29	\$15.41	\$282.08	\$84.20	\$68.79	\$68.79	42.60%	\$68.79	32.25%		
50.1	74773	6.49%	21.67%	\$223.77	\$241.64	\$17.87	\$290.83	\$76.06	\$58.19	\$58.19	34.00%	\$58.19	24.08%		
55.1	97259	8.44%	30.11%	\$249.67	\$269.99	\$20.32	\$317.58	\$67.91	\$47.59	\$47.59	27.20%	\$47.59	17.63%		
60.1	113261	9.83%	39.94%	\$275.56	\$298.34	\$22.78	\$335.33	\$59.77	\$36.99	\$36.99	21.70%	\$36.99	12.40%		
65.1	118337	10.27%	50.20%	\$301.46	\$326.70	\$25.24	\$353.08	\$51.62	\$26.38	\$26.38	17.10%	\$26.38	8.07%		
70.1	12047	9.72%	59.93%	\$327.35	\$355.05	\$27.70	\$370.83	\$43.48	\$15.78	\$15.78	13.30%	\$15.78	4.44%		
75.1	97479	8.46%	68.38%	\$353.25	\$383.40	\$30.15	\$388.58	\$35.33	\$5.18	\$5.18	10.00%	\$5.18	1.35%		
80.1	79746	6.92%	75.30%	\$379.14	\$411.26	\$32.62	\$406.33	\$27.19	(\$5.43)	(\$5.43)	7.20%	(\$5.43)	-1.32%		
85.1	63411	5.50%	80.80%	\$405.04	\$440.11	\$35.07	\$424.08	\$19.04	(\$16.03)	(\$16.03)	4.70%	(\$16.03)	-3.64%		
90.1	48958	4.25%	85.05%	\$430.93	\$468.46	\$37.53	\$441.83	\$10.90	(\$36.63)	(\$36.63)	2.90%	(\$36.63)	-5.68%		
95.1	37032	3.21%	88.26%	\$456.83	\$496.82	\$39.99	\$459.59	\$2.76	(\$37.23)	(\$37.23)	0.60%	(\$37.23)	-7.49%		
100.1	28580	2.46%	90.72%	\$482.72	\$525.17	\$42.45	\$477.34	(\$3.38)	(\$47.83)	(\$47.83)	-1.10%	(\$47.83)	-9.11%		
105.1	21376	1.85%	92.58%	\$508.62	\$553.52	\$44.90	\$493.09	(\$13.53)	(\$58.33)	(\$58.33)	-2.70%	(\$58.33)	-10.56%		
110.1	16543	1.44%	94.02%	\$534.51	\$581.87	\$47.36	\$512.84	(\$21.67)	(\$69.03)	(\$69.03)	-4.10%	(\$69.03)	-11.85%		
115.1	13094	1.14%	95.15%	\$560.41	\$610.23	\$49.82	\$530.59	(\$29.82)	(\$79.64)	(\$79.64)	-5.30%	(\$79.64)	-13.05%		
120.1	10034	0.87%	96.02%	\$586.30	\$638.58	\$52.28	\$548.34	(\$37.96)	(\$90.24)	(\$90.24)	-6.50%	(\$90.24)	-14.13%		
125.1	16580	1.44%	97.46%	\$612.20	\$660.46	\$48.26	\$567.10	(\$58.26)	(\$116.24)	(\$116.24)	-9.00%	(\$116.24)	-16.55%		
130.1	9353	0.81%	98.27%	\$638.10	\$680.35	\$42.25	\$582.72	(\$78.68)	(\$143.25)	(\$143.25)	-11.00%	(\$143.25)	-18.36%		
135.1	5636	0.49%	98.76%	\$664.00	\$700.46	\$36.46	\$592.72	(\$99.04)	(\$169.76)	(\$169.76)	-12.70%	(\$169.76)	-19.94%		
140.1	3455	0.30%	99.06%	\$680.51	\$720.11	\$39.60	\$601.47	(\$119.40)	(\$186.26)	(\$186.26)	-14.10%	(\$186.26)	-21.28%		
145.1	3866	0.34%	99.40%	\$697.25	\$738.23	\$41.00	\$610.61	(\$140.12)	(\$219.77)	(\$219.77)	-16.40%	(\$219.77)	-23.43%		
150.1	1870	0.16%	99.56%	\$714.20	\$755.64	\$41.44	\$620.36	(\$160.84)	(\$240.28)	(\$240.28)	-18.20%	(\$240.28)	-25.07%		
155.1	1064	0.09%	99.65%	\$731.68	\$767.41	\$35.73	\$630.12	(\$181.56)	(\$259.39)	(\$259.39)	-19.60%	(\$259.39)	-26.37%		
160.1	739	0.06%	99.72%	\$749.15	\$789.17	\$40.02	\$640.87	(\$202.28)	(\$279.43)	(\$279.43)	-20.70%	(\$279.43)	-27.42%		
165.1	1668	0.14%	99.86%	\$767.90	\$808.00	\$40.10	\$651.57	(\$223.06)	(\$300.00)	(\$300.00)	-22.20%	(\$300.00)	-28.86%		
170.1	615	0.05%	99.91%	\$787.00	\$829.82	\$42.82	\$663.22	(\$243.88)	(\$320.66)	(\$320.66)	-22.00%	(\$320.66)	-28.71%		
175.1	1,000.0	0.05%	99.91%	\$808.00	\$852.96	\$44.96	\$675.22	(\$264.66)	(\$341.44)	(\$341.44)	-21.70%	(\$341.44)	-28.54%		
180.1	2,000.0	0.07%	99.98%	\$829.82	\$877.42	\$47.60	\$687.82	(\$285.46)	(\$362.22)	(\$362.22)	-21.00%	(\$362.22)	-28.34%		
185.1	5,000.0	0.02%	100.00%	\$852.96	\$924.82	\$71.86	\$701.62	(\$306.28)	(\$383.40)	(\$383.40)	-21.60%	(\$383.40)	-28.34%		
Over	18	0.00%	100.00%	\$13,015.90	\$14,248.02	\$1,232.12	\$10,210.62								
Total				1,152,524											

Note: Weather was 2.2% colder than last year during this period

Dominion East Ohio
 Distribution of Premises by Usage Level - Total GSS/ECTS
 Usage Period: June 2007 - May 2008

Exhibit SEP-2A

12 Month Usage	Total			Total Annual Bill Comparison - Year 1										
	Customers	% of Total	Cumulative %	Current Bill	Proposed Bill @ \$5.70	Fixed Charge	Dollar Increase	% Increase	Proposed Bill @ \$12.50	Fixed Charge	Dollar Increase	% Increase	Proposed Bill Over \$5.70	Proposed Bill Over \$5.70
0.0	5.0	28,506	2.31%	\$81.35	\$85.77	\$4.42	5.4%	\$167.25	\$85.90	105.60%	581.48	95.00%		
5.1	10.0	13,116	1.06%	\$94.30	\$100.01	\$5.71	6.1%	\$177.54	\$83.74	88.30%	\$77.53	77.92%		
10.1	15.0	11,737	0.95%	\$107.24	\$114.26	\$7.02	6.5%	\$187.82	\$80.58	75.10%	\$77.56	64.38%		
15.1	20.0	12,114	0.98%	\$120.19	\$128.50	\$8.31	6.9%	\$198.11	\$77.92	64.80%	\$69.61	\$4.17%		
20.1	25.0	13,955	1.13%	\$133.14	\$142.75	\$9.61	7.2%	\$208.40	\$75.26	56.50%	\$55.65	43.99%		
25.1	30.0	16,260	1.37%	\$146.09	\$156.99	\$10.90	7.5%	\$218.69	\$72.60	49.70%	\$51.70	39.30%		
30.1	35.0	19,003	1.54%	\$159.05	\$171.24	\$12.21	7.7%	\$228.98	\$69.95	44.00%	\$57.74	33.72%		
35.1	40.0	21,978	1.78%	\$171.96	\$185.45	\$13.50	7.8%	\$239.26	\$67.28	39.10%	\$53.78	29.00%		
40.1	45.0	25,947	2.10%	\$184.93	\$199.73	\$14.80	8.0%	\$249.55	\$64.62	34.90%	\$49.82	24.44%		
45.1	50.0	30,756	2.49%	\$197.88	\$213.97	\$16.09	8.1%	\$259.84	\$61.96	31.30%	\$45.87	21.44%		
50.1	60.0	78,094	6.33%	\$223.77	\$242.46	\$18.69	8.4%	\$280.42	\$56.65	25.30%	\$37.96	15.60%		
60.1	70.0	102,404	8.14%	\$249.67	\$270.95	\$21.28	8.5%	\$300.99	\$51.32	20.60%	\$30.04	11.09%		
70.1	80.0	116,242	9.42%	\$275.56	\$299.44	\$23.88	8.7%	\$321.57	\$46.01	16.70%	\$22.13	7.93%		
80.1	90.0	121,066	9.81%	\$301.46	\$327.35	\$25.89	8.6%	\$342.14	\$40.68	13.50%	\$14.21	4.33%		
90.1	100.0	114,576	9.28%	\$327.35	\$356.42	\$29.07	8.9%	\$362.72	\$35.37	10.80%	\$6.30	1.77%		
100.1	110.0	99,888	8.09%	\$353.25	\$384.91	\$31.66	9.0%	\$383.30	\$30.05	8.50%	(\$1.61)	-0.42%		
110.1	120.0	81,879	6.63%	\$379.14	\$413.40	\$34.26	9.0%	\$403.87	\$24.73	6.50%	(\$8.53)	-2.31%		
120.1	130.0	65,402	5.30%	\$405.04	\$441.89	\$36.85	9.1%	\$424.45	\$19.41	4.80%	(\$17.44)	-3.95%		
130.1	140.0	50,728	4.11%	\$430.93	\$470.38	\$39.45	9.2%	\$445.02	\$14.09	3.30%	(\$35.36)	-5.39%		
140.1	150.0	38,724	3.14%	\$456.83	\$498.87	\$42.04	9.2%	\$465.60	\$8.77	1.90%	(\$33.27)	-6.67%		
150.1	160.0	29,871	2.42%	\$482.72	\$527.36	\$44.64	9.2%	\$486.18	\$3.46	0.70%	(\$41.18)	-7.81%		
160.1	170.0	22,795	1.85%	\$508.62	\$555.85	\$47.23	9.3%	\$506.75	(\$1.87)	-0.40%	(\$49.10)	-8.83%		
170.1	180.0	14,279	1.16%	\$534.51	\$584.34	\$49.83	9.3%	\$527.33	(\$7.18)	-1.30%	(\$57.01)	-9.76%		
180.1	190.0	9,000	0.73%	\$560.41	\$612.83	\$52.42	9.4%	\$547.90	(\$12.51)	-2.20%	(\$64.93)	-10.60%		
190.1	200.0	4,172	0.34%	\$586.30	\$641.32	\$55.02	9.4%	\$568.48	(\$17.83)	-3.00%	(\$72.84)	-11.30%		
200.1	223.0	19,131	1.59%	\$651.04	\$712.55	\$61.51	9.4%	\$619.92	(\$31.12)	-4.80%	(\$92.63)	-13.00%		
225.1	250.0	11,457	0.93%	\$715.78	\$783.77	\$67.99	9.5%	\$671.36	(\$54.42)	-6.20%	(\$112.41)	-14.34%		
250.1	275.0	7,522	0.61%	\$780.51	\$855.00	\$74.49	9.5%	\$723.80	(\$57.71)	-7.40%	(\$132.20)	-15.46%		
275.1	300.0	5,157	0.42%	\$845.25	\$926.22	\$80.97	9.6%	\$774.24	(\$51.01)	-6.40%	(\$151.98)	-16.41%		
300.1	350.0	4,763	0.39%	\$974.73	\$1,068.67	\$93.94	9.6%	\$877.12	(\$97.61)	-10.00%	(\$191.53)	-17.92%		
350.1	400.0	4,149	0.34%	\$1,104.20	\$1,211.12	\$106.92	9.7%	\$980.00	(\$124.20)	-11.20%	(\$231.12)	-19.08%		
400.1	450.0	2,877	0.23%	\$1,233.68	\$1,353.57	\$119.89	9.7%	\$1,082.88	(\$150.80)	-12.20%	(\$270.69)	-20.00%		
450.1	500.0	2,389	0.19%	\$1,363.15	\$1,496.02	\$132.87	9.7%	\$1,185.76	(\$177.39)	-13.00%	(\$310.25)	-20.74%		
500.1	750.0	6,944	0.56%	\$2,010.33	\$2,208.77	\$197.74	9.8%	\$1,767.00	(\$245.53)	-12.10%	(\$441.27)	-19.98%		
750.1	1,000.0	3,777	0.31%	\$2,657.90	\$2,927.80	\$269.62	9.9%	\$2,397.80	(\$265.10)	-10.00%	(\$527.72)	-18.07%		
1,000.1	2,000.0	5,556	0.45%	\$5,247.40	\$5,769.52	\$522.12	10.0%	\$4,896.00	(\$351.40)	-6.70%	(\$872.52)	-15.14%		
2,000.1	5,000.0	1,839	0.15%	\$11,013.90	\$14,316.52	\$3,302.62	10.0%	\$12,405.60	(\$3610.30)	-4.70%	(\$1,910.92)	-13.33%		
Over		248	0.02%											
Total		1,234,182	100.00%											

Note: Weather was 2.7% colder than last year during this period.

Dominion East Ohio
 Distribution of Premises by Usage Level - Total GSSECTS
 Usage Period: June 2007 - May 2008

Exhibit SEP-28

12 Month Usage	Customers	% of Total	Cumulative %	Proposed Bill		Proposed Bill Comparison - Year 2		Fixed Charge		Increase		Over \$5.70		Over \$5.70	
				Current Bill	Fixed Charge	Dollar	% Increase	Fixed Charge	Dollar	% Increase	\$ Increase	% Increase	\$ Increase	% Increase	
				@ \$5.70	@ \$15.40										
0.0	5.0	28,506	2.31%	\$81.35	\$85.70	\$4.35	5.3%	\$202.20	\$120.85	148.60%	\$116.50	135.94%			
5.1	10.0	13,116	1.06%	\$96.20	\$99.87	\$3.67	3.9%	\$211.07	\$116.77	123.80%	\$111.20	111.34%			
10.8	15.0	11,787	0.95%	\$107.24	\$114.03	\$6.81	6.4%	\$219.95	\$112.71	105.10%	\$105.90	92.85%			
15.1	20.0	12,114	0.98%	\$120.19	\$128.23	\$8.04	6.7%	\$228.82	\$108.63	90.40%	\$100.59	78.44%			
20.1	25.0	13,955	1.13%	\$133.14	\$142.40	\$9.26	7.0%	\$237.70	\$104.56	78.50%	\$89.90	66.92%			
25.1	30.0	16,260	1.32%	\$146.09	\$156.58	\$10.49	7.2%	\$246.57	\$100.48	68.80%	\$89.99	57.47%			
30.1	35.0	19,003	1.54%	\$159.03	\$170.76	\$11.73	7.4%	\$255.45	\$96.42	60.60%	\$84.69	49.50%			
35.1	40.0	21,978	1.78%	\$171.98	\$184.93	\$12.95	7.5%	\$264.32	\$92.34	53.70%	\$79.39	42.93%			
40.1	45.0	25,947	2.10%	\$184.93	\$199.11	\$14.18	7.7%	\$273.20	\$88.27	47.70%	\$74.09	37.21%			
45.1	50.0	30,756	2.49%	\$197.88	\$213.29	\$15.41	7.8%	\$282.08	\$84.20	42.60%	\$68.79	32.25%			
50.1	60.0	78,094	6.33%	\$223.77	\$241.64	\$17.87	8.0%	\$299.83	\$76.06	34.00%	\$58.19	24.08%			
60.1	70.0	100,404	8.14%	\$273.56	\$298.94	\$25.38	8.3%	\$317.58	\$67.91	27.20%	\$47.59	17.65%			
70.1	80.0	116,242	9.42%	\$301.46	\$326.70	\$25.24	8.4%	\$335.33	\$59.77	21.70%	\$36.99	12.40%			
80.1	90.0	121,066	9.81%	\$327.25	\$336.00	\$8.75	8.5%	\$353.08	\$51.62	17.10%	\$26.38	4.44%			
90.1	100.0	114,576	9.28%	\$333.23	\$355.05	\$21.82	8.5%	\$370.83	\$43.49	13.30%	\$13.78	1.35%			
100.1	110.0	99,888	8.09%	\$333.23	\$363.40	\$30.17	8.9%	\$388.58	\$35.33	10.00%	\$5.18	-1.32%			
110.1	120.0	81,879	6.63%	\$379.14	\$411.76	\$32.62	8.6%	\$406.33	\$27.19	7.20%	(\$5.13)	-1.32%			
120.1	130.0	65,402	5.20%	\$405.04	\$440.11	\$35.07	8.7%	\$424.08	\$19.04	4.70%	(\$26.03)	-5.64%			
130.1	140.0	50,728	4.11%	\$456.43	\$468.46	\$12.03	2.7%	\$459.59	\$2.76	0.60%	(\$37.23)	-7.69%			
140.1	150.0	38,174	3.14%	\$482.72	\$525.17	\$42.45	8.8%	\$477.34	(\$5.28)	-1.10%	(\$47.83)	-9.11%			
150.1	160.0	29,871	2.42%	\$508.62	\$581.87	\$47.36	8.9%	\$495.09	(\$21.67)	-4.30%	(\$79.64)	-11.36%			
160.1	170.0	22,795	1.85%	\$534.51	\$610.23	\$49.82	8.9%	\$512.84	(\$20.82)	-4.10%	(\$89.03)	-13.03%			
170.1	180.0	17,881	1.45%	\$560.41	\$649.82	\$54.90	8.9%	\$548.34	(\$37.96)	-6.50%	(\$90.24)	-14.13%			
180.1	190.0	14,279	1.16%	\$586.30	\$698.58	\$58.28	8.9%	\$592.72	(\$78.68)	-11.00%	(\$169.74)	-18.36%			
190.1	200.0	11,172	0.91%	\$631.04	\$730.35	\$54.57	9.0%	\$637.10	(\$78.68)	-11.00%	(\$169.74)	-18.36%			
200.1	225.0	19,131	1.53%	\$715.78	\$851.23	\$70.72	9.1%	\$775.85	(\$119.40)	-14.10%	(\$190.26)	-21.28%			
225.1	250.0	11,457	0.93%	\$851.23	\$922.11	\$76.86	9.1%	\$814.61	(\$160.12)	-16.40%	(\$249.27)	-23.43%			
250.1	275.0	7,522	0.61%	\$974.73	\$1,063.88	\$89.15	9.1%	\$903.36	(\$200.84)	-18.20%	(\$302.28)	-23.07%			
275.1	300.0	6,763	0.53%	\$1,104.20	\$1,205.64	\$101.44	9.2%	\$992.12	(\$281.56)	-19.60%	(\$355.29)	-26.37%			
300.1	350.0	4,149	0.34%	\$1,347.41	\$1,489.17	\$113.73	9.2%	\$1,080.87	(\$282.28)	-20.70%	(\$404.30)	-27.42%			
350.1	400.0	2,877	0.23%	\$1,653.15	\$1,826.02	\$126.02	9.2%	\$1,163.57	(\$446.96)	-22.20%	(\$463.43)	-28.66%			
400.1	450.0	2,389	0.19%	\$2,010.53	\$2,198.00	\$187.47	9.3%	\$1,272.22	(\$585.68)	-22.00%	(\$516.60)	-28.71%			
450.1	500.0	6,944	0.56%	\$2,557.40	\$2,906.82	\$249.92	9.4%	\$1,406.82	(\$1,140.58)	-21.70%	(\$1,633.30)	-28.48%			
500.1	750.0	3,777	0.31%	\$3,247.40	\$3,744.12	\$494.72	9.4%	\$1,805.28	(\$1,805.28)	-21.60%	(\$4,037.40)	-28.34%			
750.1	1,000.0	5,536	0.45%	\$5,015.90	\$5,244.02	\$112.32	9.5%								
1,000.1	2,000.0	1,839	0.15%												
2,000.1	5,000.0	248	0.02%												
Over	5,000.0	248	0.02%												
Total		1,234,182													

Note: Weather was 2.2% colder than Test Year during this period.

Exhibit SEP-3

	Current	Proposed	Block 1 Proposed Year 1	Block 2 Proposed Year 1	Block 1 Proposed Year 2	Block 2 Proposed Year 2
Service Fee	\$5.7000	\$5.7000	\$12.5000	\$12.5000	\$15.4000	\$15.4000
GRT - Service Charge	\$0.0000	\$0.2600	\$0.5800	\$0.5800	\$0.7100	\$0.7100
Total Service Fee	\$5.7000	\$5.9600	\$13.0800	\$13.0800	\$16.1100	\$16.1100
Gas Cost						
Gas Cost - Avg Rate	\$9.1191	\$9.1191	\$9.1191	\$9.1191	\$9.1191	\$9.1191
GRT - Gas Cost	\$0.4467	\$0.4207	\$0.4207	\$0.4207	\$0.4207	\$0.4207
Surcharge Credit Rider	\$0.0053	\$0.0173	\$0.0173	\$0.0173	\$0.0173	\$0.0173
Total Gas Cost - Avg Ra	\$9.5711	\$9.5571	\$9.5571	\$9.5571	\$9.5571	\$9.5571
Delivery Rate	\$1.2355	\$1.3685	\$0.6250	\$1.0510	\$0.3550	\$0.6030
PIPP Rider	\$0.5653	\$0.5653	\$0.5653	\$0.5653	\$0.5653	\$0.5653
Uncollectible Expense R	\$0.2906	\$0.2906	\$0.2906	\$0.2906	\$0.2906	\$0.2906
Surcharge Credit Rider	(\$0.0053)	(\$0.0173)	(\$0.0173)	(\$0.0173)	(\$0.0173)	(\$0.0173)
Migration Rider B	\$0.3441	\$0.3441	\$0.3441	\$0.3441	\$0.3441	\$0.3441
SB 287	\$0.1593	\$0.1593	\$0.1593	\$0.1593	\$0.1593	\$0.1593
GRT Rider - Non Gas C	\$0.0000	\$0.1248	\$0.0906	\$0.0906	\$0.0781	\$0.0781
Total Unit Rate	\$2.5895	\$2.8353	\$2.0576	\$2.0576	\$1.78	\$1.78

EXHIBIT I

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November 14, 2008

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The)
East Ohio Gas Company d/b/a Dominion) Case No. 07-829-GA-AIR
East Ohio for Authority to Increase Rates)
for its Gas Distribution Service.)

In the Matter of the Application of The)
East Ohio Gas Company d/b/a Dominion) Case No. 07-830-GA-ALT
East Ohio for Approval of an Alternative)
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In the Matter of the Application of The)
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East Ohio for Approval to Change)
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East Ohio for Approval of Tariffs to)
Recover Certain Costs Associated With a) Case No. 08-169-GA-UNC
Pipeline Infrastructure Replacement)
Program Through an Automatic)
Adjustment Clause and for Certain)
Accounting Treatment.)

In the Matter of the Application of The)
East Ohio Gas Company d/b/a Dominion)
East Ohio for Approval of Tariffs to) Case No. 06-1453-GA-UNC
Recover Certain Costs Associated with)
Automated Meter Reading and for Certain)
Accounting Treatment.)

**JOINT APPLICATION FOR REHEARING
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
THE CITY OF CLEVELAND,
OHIO PARTNERS FOR AFFORDABLE ENERGY,
THE NEIGHBORHOOD ENVIRONMENTAL COALITION, THE
EMPOWERMENT CENTER OF GREATER CLEVELAND,
CLEVELAND HOUSING NETWORK, AND THE CONSUMERS
FOR FAIR UTILITY RATES**

The Office of the Ohio Consumers' Counsel ("OCC") the City of Cleveland, the Ohio Partners for Affordable Energy, the Neighborhood Environmental Coalition, the Empowerment Center of Greater Cleveland, the Cleveland Housing Network, and the Consumers for Fair Utility Rates ("Citizens Coalition") (collectively "Joint Consumer Advocates") apply for rehearing of the October 15, 2008 Opinion and Order ("Order") issued by the Public Utilities Commission of Ohio ("Commission" or "PUCO"). Through this Joint Application for Rehearing, the Joint Consumer Advocates seek to protect approximately 1.2 million residential utility customers of The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO" or "Company") from the consequences of the straight fixed variable ("SFV") rate design ordered by the Commission.

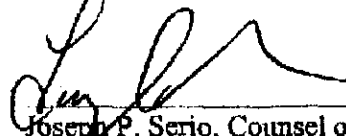
Pursuant to R.C. 4903.10 and Ohio Adm. Code 4901-1-35, the Order was unjust, unreasonable and unlawful and the Commission abused its discretion because:

- A. The Commission erred when it failed to comply with the requirements of R.C. 4903.09, and provide specific findings of fact and written opinions that were supported by record evidence.
- B. The Commission erred by approving a rate design for a two-year transition period without establishing R.C. 4909.18 and R.C. 4909.19 as governing the process for determining the rate design that will be implemented after the two-year transition period.
- C. The Commission erred by approving a rate design that includes an increase to the monthly residential customer charge without providing consumers adequate notice of the SFV rate design pursuant to R.C. 4909.18, R.C. 4909.19 and R.C. 4909.43.
- D. The Commission erred by approving an SFV rate design that discourages customer conservation efforts in violation of R.C. 4929.05 and R.C. 4905.70.
- E. The Commission erred by approving a rate design that unreasonably violates prior Commission precedent and policy.

The reasons for granting this Joint Application for Rehearing are set forth in the attached Memorandum in Support. Consistent with R.C. 4903.10 and the Joint Consumer Advocates' claims of error, the PUCO should reverse its Order.

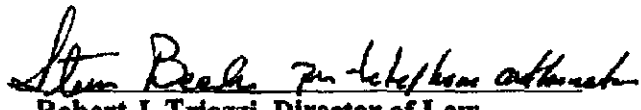
Respectfully submitted,

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**BEFORE
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MEMORANDUM IN SUPPORT

I. INTRODUCTION

In this case, the Commission is placing its desire to ensure that DEO has sufficient revenues to cover its fixed costs over the interests of residential customers¹ and their desire to engage in conservation efforts. The Commission has identified two ways to protect the Company's revenue stream: (1) a straight fixed variable rate design; and (2) a decoupling mechanism. A straight fixed variable rate design provides the utility with greater guaranteed revenues by dramatically increasing the fixed monthly customer charge. In addition to greater guaranteed revenues the utility does not have to account for and refund to its customers any over-recovery, as would be necessitated by a rate design with a decoupling mechanism. Before the Commission makes an ultimate decision it should have all the facts and analysis it requires on the record.

In the Commission's Order there is recognition that indeed all facts and analysis are not available by the fact that the Commission has identified certain issues that must be further analyzed by the Company and/or other interested parties (e.g. the DSM Collaborative) who were ordered to perform studies and provide the Commission with certain information on a prospective basis.² The Commission is attempting to fill gaps in the record evidence it needs to make a decision on the appropriate rate design, by ordering these studies. A better course of action would be to order these studies and evaluate the results before implementing such dramatic changes in the way DEO charges its customers. Thus, a more complete evaluation intended to fully understand the implications of implementing the SFV rate design is imperative. Following such an

¹ This interest was clearly displayed by the hundreds of residential customers who attended the Local Public Hearings, the over 175 residential customers who testified at the Local Public Hearings and the over 275 letters submitted on the record, in opposition to the SFV rate design.

² Order at 23, 25 and 27.

evaluation, the interested parties should be entitled to their due process rights as the Commission undertakes a process to review the impacts of the SFV rate design, and determine the appropriate rate design going forward.

The Commission should reconsider its decision to implement the SFV rate design for a number of legal arguments made by parties opposed to the SFV rate design. DEO did not request the SFV rate design in its rate case application ("Application") and therefore failed to provide the customer notice required under Ohio law. In addition, the SFV rate design sends an improper price signal to the customer and adversely impacts the customers' conservation efforts by extending the payback period for energy efficiency investments. The SFV rate design unreasonably increases the fixed monthly customer charge in violation of the regulatory principle of gradualism.

The Joint Consumer Advocates are particularly concerned about the effects of the SFV rate design on Ohio's working poor. From a social justice standpoint, a public policy that forces a struggling family living just above the poverty line in a small apartment with the thermostat turned low to pay as much as Commercial and Industrial customers whose usage is as high as 3,000 Mcf per year, and homeowners with large homes is unconscionable. The Company and the Commission Staff have failed to demonstrate that such subsidies are not occurring. They have failed to provide evidence to demonstrate that all, or even a majority of low-income customers are using more natural gas than large customers, and they have failed to establish a public policy rationale for charging low- users the same amount as large users. Finally, the low-income pilot program as ordered by the Commission in these cases is a smaller program than the pilot program ordered in the Duke Energy-Ohio ("Duke") rate case, despite the

fact that DEO is three times the size of Duke, and the well documented economic problems in DEO's service territory.

The Commission is strongly and respectfully urged to encourage conservation and protect vulnerable Ohioans by rejecting the straight fixed variable rate design and returning to the current rate design or adopting a decoupling mechanism with appropriate consumer safeguards.

II. PROCEDURAL HISTORY

On July 20, 2007, DEO filed a Pre-Filing Notice of its intent to increase rates for the natural gas distribution service that is provided through its gas pipelines. On August 30, 2007, DEO filed its Application in these cases ("Rate Case"), to increase the rates that customers pay.

Motions to Intervene were filed by the OCC,³ Stand Energy Corporation ("Stand"),⁴ OPAE,⁵ Ohio Energy Group ("OEG"),⁶ Interstate Gas Supply, Inc. ("IGS"),⁷ the City,⁸ the Citizens Coalition,⁹ Integrys Energy Services, Inc. ("Integrys"),¹⁰ Dominion Retail, Inc. ("Dominion Retail"),¹¹ Industrial Energy Users-Ohio ("IEU"),¹² Utility

³ OCC Motion to Intervene (September 12, 2007).

⁴ Stand Motion to Intervene (November 21, 2007).

⁵ OPAE Motion to Intervene (July 26, 2007).

⁶ OEG Motion to Intervene (August 1, 2007).

⁷ IGS Motion to Intervene (August 17, 2007).

⁸ City Motion to Intervene (June 17, 2008).

⁹ The Citizen Coalition's Motion to Intervene (August 10, 2007).

¹⁰ Integrys Motion to Intervene (January 7, 2008).

¹¹ Dominion Retail Motion to Intervene (September 17, 2007).

¹² IEU Motion to Intervene (September 24, 2007). (IEU on June 19, 2008 withdrew from these cases).

Workers Union of America (“Union”),¹³ Ohio Oil and Gas Association (“OOGA”),¹⁴ and Direct Energy Services, LLC (“Direct”).¹⁵

On September 13, 2007, the Company filed the direct testimony of nine Company witnesses and outside experts. On May 23, 2008, the PUCO Staff filed its Staff Report of Investigation (“Staff Report”) and the Report of Conclusions and Recommendations on the Financial Audit by Blue Ridge Consulting Services, Inc. (“Blue Ridge Report”).

On September 20, 2007, DEO filed a first Motion to Consolidate its advanced meter reading (“AMR”) program application with the rate case Application. The AMR Application was initially filed in 2006, and sought recovery for the funds to be used by the Company to pay for the AMR program through a cost recovery charge to customers.¹⁶ The AMR Application projected AMR program costs of approximately \$100-110 million

Then six months into the rate case review process, on February 22, 2008, DEO filed a second Motion to Consolidate.¹⁷ This Motion to Consolidate sought to add yet another revenue requirement to the Rate Case Application – this time a \$2.6 billion (in 2007 dollars)¹⁸ Pipeline Infrastructure Replacement (“PIR”) Application.¹⁹ The PIR Application was initially filed as a “UNC” filing, or an unclassified filing, and assigned

¹³ Union Motion to Intervene (December 28, 2007).

¹⁴ OOGA Motion to Intervene (February 29, 2008).

¹⁵ Direct Motion to Intervene (January 18, 2008).

¹⁶ *AMR Application* at 6.

¹⁷ *In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with A Pipeline Infrastructure Replacement Program Through an Automatic Adjustment Clause, And for Certain Accounting Treatment*, Case No. 08-169-GA-UNC, Motion to Consolidate, (February 22, 2008). (“PIR Case”).

¹⁸ Based on the fact that the Company only calculates the PIR Application costs in terms of “2007 dollars” and the fact that the AMR Application costs have already increased by 10% in less than a year from \$110-\$110 million to \$126.3 million, leads to inevitable conclusion that the PIR Application costs will far and away exceed the \$2.6 billion price tag that the Company has identified in this case.

¹⁹ *PIR Case*, Application (February 22, 2008) at 11.

Case No. 08-169-GA-UNC.

Between June 20 and June 23, 2008, OCC, DEO, OPAE, IGS, Integrys, the City, and the Coalition filed objections to the Staff Report, and Summaries of Major Issues.²⁰

On June 23, 2008, OCC filed testimony of eight witnesses,²¹ and DEO filed the Supplemental Testimony of three witnesses.²²

On August 22, 2008, the parties to the cases entered into a Stipulation and Recommendation ("Stipulation") that settled all issues except for the rate design issue involving the fixed monthly customer charge. The major issues that OCC and the other parties settled include, *inter alia*, a fair and reasonable revenue requirement, agreement to establish a pipeline infrastructure program with reasonable price caps, and establishment of a program to address the safety concerns and replacement of risers in a reasonable time period.²³ Under the Stipulation, all representatives of residential customers -- who will be forced to bear the impact of the SFV rate design -- OCC, OPAE,²⁴ the City, and the Citizens Coalition have reserved their right to litigate the rate design issue. The PUCO Staff, DEO and OOGA support of the SFV rate design which represents a radical departure from decades of PUCO regulation of natural gas Local Distribution Companies

²⁰ OCC, DEO, OPAE, the City, and the Coalition were the only parties who filed objections that specifically addressed the rate design issue that was the subject of litigation in the evidentiary hearing.

²¹ The following witnesses filed Direct Testimony on behalf of the OCC: Wilson Gonzalez, Steven B. Hines, Beth E. Hixon, Frank W. Radigan, Trevor R. Roycroft, Patricia A. Tanner, James D. Williams, J. Randall Woolridge.

²² The following witnesses filed testimony on behalf of DEO: Vicki H. Friscic (Supplemental), Jeffrey A. Murphy (Second Supplemental), and Michael J. Vilbert (Supplemental).

²³ Staff Ex. No. 3B (Puican Second Supplemental Testimony) at 2-3 (August 25, 2008).

²⁴ OPAE is a provider of weatherization and essential infrastructure services to the low income residential consumers within DEO's service territory.

("LDCs") in Ohio. Noteworthy is that no group that purports to represent the interests of consumers supported the SFV.

The Commission held ten local public hearings between and July 28 and August 21, 2008,²⁵ and the evidentiary hearings were conducted between August 1 and 27, 2008. On August 26, 2008, the OCC filed rebuttal testimony,²⁶ and on August 27, 2008, DEO filed surrebuttal testimony.²⁷ The Attorney Examiners ordered an extremely short briefing schedule of only 14 days -- that incorporated the Labor Day Holiday -- for initial briefs, and only 6 days for reply briefs and included an unprecedented fifteen page limitation for the initial and reply briefs. As a result, OCC and other parties were forced to make difficult decisions about what legal arguments could and could not be advanced given the constraints imposed by the Commission. The initial briefs were due on September 10, 2008, and reply briefs due on September 16, 2008. An oral argument was conducted on September 24, 2008.

The Commission issued its Opinion and Order ("Order") on October 15, 2008, in which the Commission approved the SFV rate design, which all but ends the time-honored practice of billing customers per cubic foot of the gas they use, which is the most significant part of the customer distribution cost determined in a base rate proceeding.

III. STANDARD OF REVIEW

Applications for Rehearing are governed by R.C. 4903.10 and Ohio Adm. Code 4901-1-35. This statute provides that, within thirty (30) days after issuance of an order

²⁵ Order at 5.

²⁶ OCC Ex. No. 22 (Colton Rebuttal Testimony).

²⁷ DEO Ex. No. 1.5 (Murphy Surrebuttal Testimony).

from the Commission, "any party who has entered an appearance in person or by counsel in the proceeding may apply for rehearing in respect to any matters determined in the proceeding." Furthermore, the application for rehearing must be "in writing and shall set forth specifically the ground or grounds on which the applicant considers the order to be unreasonable or unlawful."²⁸

In considering an application for rehearing, Ohio law provides that the Commission "may grant and hold such rehearing on the matter specified in such application, if in its judgment sufficient reason therefore is made to appear."²⁹ Furthermore, if the Commission grants a rehearing and determines that "the original order or any part thereof is in any respect unjust or unwarranted, or should be changed, the Commission may abrogate or modify the same * * *."³⁰

The Joint Consumer Advocates meet the statutory conditions applicable to an applicant for rehearing pursuant to R.C. 4903.10. Accordingly, the Joint Consumer Advocates respectfully request that the Commission grant rehearing on the matters specified below.

IV. ARGUMENT

The Commission's Entry was unjust, unreasonable and unlawful in the following particulars:

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

A. The Commission Erred When It Failed To Comply With The Requirements Of R.C. 4903.09, And Provide Specific Findings Of Fact And Written Opinions That Were Supported By Record Evidence.³¹

The Commission approved the SFV rate design for DEO's General Sales Service ("GSS") and Energy Choice Transportation Service ("ECTS") classes despite acknowledging that there was insufficient record evidence to support its decision, as is evidenced by its ordering future studies intended to establish findings on a prospective basis to validate its current decision. The areas of inquiry that the Commission has ordered be reviewed are as follows: 1) DEO is to perform a review of the cost allocation methodologies for the GSS/ECTS classes;³² 2) following the end of the first year of the low-income pilot program, the Commission will "evaluate the program for its effectiveness in addressing our concerns relative to the impact on low-use, low-income customers;"³³ and 3) the DSM collaborative was ordered, as part of its review, "to develop energy efficiency program design alternatives and should consider those alternatives in a manner that strikes a balance between cost savings and any negative ratepayer impacts."³⁴ Thus, the Commission seems to recognize that its decision will cause harm to some customers and it attempted to mitigate that harm through a series of band-aides and studies. The clear and present fact remains that customers simply would be better off without the SFV and approval of the rate design as originally proposed by DEO.

R.C. 4903.09 requires the Commission to provide specific findings of fact and written opinions supported by record evidence. R.C. 4903.09 states:

³¹ *Tongren v. Pub. Util. Comm.* (1999), 85 Ohio St. 3d 87.

³² Order at 25.

³³ *Id.* at 27.

³⁴ *Id.* at 23.

In all contested cases heard by the public utilities commission, a complete record of all of the proceedings shall be made, including a transcript of all testimony and of all exhibits, and the commission shall file, with the records of such cases, findings of fact and written opinions setting forth the reasons prompting the decisions arrived at, based upon said findings of fact.

In these cases, the Commission absent current and complete record evidence is attempting to create validation and support for its order to implement an SFV rate design through these prospective studies that could provide sufficient evidence to warrant the PUCO's reversal of its current position on the SFV rate design.

The Commission in its Order stated it was approving "[the SFV rate design for] the first two years of this transition period."³⁵ The Commission's Order for selected studies is inappropriate and a more comprehensive study is necessary to determine if the SFV rate design is just and reasonable and should be continued beyond the first two years of this transition period for the reasons discussed below. Moreover, there is no explanation or understanding of what may occur at the end of this two-year period.

1. The Commission Erred By Approving the SFV Rate Design and Ordering the Company to Study the GSS Class Cost of Service Study Prospectively.

The PUCO has failed to explain why as a policy matter it is just and reasonable to have low-volume residential users subsidize high-volume Commercial and Industrial, customers and high-use residential customers. Especially considering that in the GSS/ECTS classes the highest use customers are Commercial and Industrial customers,

³⁵ Order at 25.

who use up to 30 times the natural gas that the average residential customer uses.³⁶ The goal of rate design should be to eliminate inter and intra-class subsidies to the maximum extent possible, not create them. But, if a subsidy is unavoidable, as a policy matter the rate design should be structured such that the high users subsidize the low-users since they generally contribute to system costs and are most likely making the least effort to conserve our nonrenewable resources.

The Commission recognized that the Company's established GSS/ECTS rate classes pose a potential inter-class allocation problem. The Commission Order stated:

Therefore, the Commission is approving the first two years of this transition, however, prior to approval of rates for rates of the third year and beyond the Commission believes that a review of the cost allocation methodologies for the GSS/ECTS classes is appropriate. Therefore, DEO is directed to complete the cost allocation study required in the stipulation within 90 days of this order. Upon completion, DEO should submit a report and recommendation regarding whether the GSS/ECTS classes are appropriately comprised of both residential and nonresidential customers or whether the classes should be split. DEO shall also provide, if the recommendation is to split the classes, a recommended cost allocation per class. Upon review of the cost allocation study, the Commission will be establishing a process that will be followed to determine the appropriate rates in year three and beyond, as soon as practicable.³⁷

It is unclear why the PUCO has ordered the Company to perform a study within 90 days, of its Order, but absent knowing what the results of the study are, the PUCO has demonstrated a willingness to wait for two years before addressing the study's results. It is unrefuted that DEO's GSS class is comprised of non-homogeneous residential and

³⁶ Based on average residential usage of 99.1 Mcf per year (Tr. Vol. IV (Murphy) at 17-18 (Aug. 25, 2008), and proposed maximum GSS class customer usage of 3,000 per year.

³⁷ Order at 25-26.

non-residential consumers with widely varying usage. The average residential customer in DEO's service territory uses 99.1 Mcf per year.³⁸ The average non-residential GSS customer uses 390 Mcf per year, or almost four times greater usage.³⁹ However, the largest consumption in the GSS class currently is in excess of 5,000 Mcf per year.⁴⁰ The Company's justification for combining residential with Commercial and Industrial customers in the GSS class was that such customers who use 1, 2, or 3 times the amount of gas as the average residential consumer exhibit similar load characteristics.⁴¹ This argument ignores that while the load profile may be similar at these lower usage levels, there are other factors that demonstrate that the cost to serve these larger entities is greater.⁴² This includes the amount of distribution pipe that is required because some of these establishments may not be clustered in more dense urban settings.⁴³ Nonetheless, this does not explain the inclusion of Commercial and Industrial customers who use more than 300 Mcf per year and use up to 3,000 Mcf per year, and therefore the GSS class cannot be considered homogeneous relative to the residential consumers' usage.

Reliance on DEO's cost of service study to support the radical change to the SFV rate design is equally inappropriate. The argument in favor of the SFV rate design is that it aligns the customers' cost share with the burden that the user places on the system.⁴⁴ Under the SFV rate design, no user should pay more than its appropriately allocated share

³⁸ Tr. Vol. IV (Murphy) at 17-18 (August 25, 2008).

³⁹ *Id.* at 18-19.

⁴⁰ Staff Ex. No. 3B (Puican Second Supplemental) at SEP 1A, 1B, 2A, and 2B (August 25, 2008).

⁴¹ Tr. Vol. IV (Murphy) at 32 (August 25, 2008).

⁴² OCC Ex. No. 21 (Radigan Direct Testimony) at 6-8 (June 23, 2008).

⁴³ OCC Ex. No. 22 (Colton Surrebuttal Testimony) at 30-35 (August 26, 2008).

⁴⁴ http://nrii.org/pubs/electricity/rate_dec_energy_eff_SFV_REEF_jul-08.pdf *A Rate Design to Encourage Energy Efficiency and Reduce Revenue Requirements*, at 8 (David Magnus Boonin) (July 2008).

of fixed costs. However, the record does not establish that all customers in the GSS class place the same burden on the system.⁴⁵ Without any more detail in the cost of service study, it is un-determined and un-determinable for this case who is actually responsible for the fixed costs that are recovered through the SFV rate design. Therefore, the same fixed charge should not be levied on residential customers and non-residential large usage (in excess of 300 Mcf per year) customers in the GSS class.

Absent actual homogeneous membership in the GSS customer class, there inevitably will be misallocations among customers within the GSS class. This is an issue that is addressed prospectively in the Stipulation.⁴⁶ However, a future remedy for the obvious current shortcomings of the class cost of service study relied upon in these cases to support the SFV rate design does little to assist the low-use residential consumers who will be most harmed by the SFV rate design during years 1 and 2. Moreover, it does nothing to establish a legal record that supports the Commission's decision.

2. The Commission Erred By Approving a Low-Income Pilot Program Without an Adequate Record to Support the Order.

The fact that there is an adverse affect on low-use customers as a result of implementation of the SFV rate design in these cases is without question. The Commission in its Order stated:

We recognize that, with this change to rate design, as with any change, there will be some customers who will be

⁴⁵ OCC Ex. No. 21 (Radigan Direct) at 24 (June 23, 2008) (“* * * future class cost of service studies should not assume, as DEO has done here, that the cost of service laterals and meters and regulators is independent of the size of the customers. Rather, these costs should have been allocated based on either the actual costs of service laterals and meters and regulators serving each class, or a sampling of the equipment that serves customers in each class combined with estimates of the average costs for each type of equipment. The existing cost of service study does not provide the detail needed to establish an average customer cost, or the customer costs that represent the costs of serving the lowest use customers in the class.”).

⁴⁶ Joint Ex. No. 1 (Stipulation) at 11, (August 22, 2008).

better off and some customers who will be worse off, as compared with the existing rate design. The levelized rate design will impact low-usage customers more, since they have not been paying the entirety of their fixed costs under the existing rate design. Higher use customers who have been overpaying their fixed costs will actually experience a rate reduction.⁴⁷

The Commission's Order makes the statement that low-usage customers have not been paying the entirety of their fixed costs. This statement is made without citation, and without any prior Commission precedent that found that high-usage customers were overpaying fixed costs under the previous rate design. In fact, prior to the current proceeding and the recent Duke rate case, the PUCO has never made such a finding of fact. Instead customers are being forced to accept the financial fallout from this unsubstantiated claim being transformed into fact. While the record is clear as to the impact that the SFV rate design has on low-use customers; however, the actual impact that an SFV rate design will have upon DEO's low-income customers, especially non-PIPP low-use and low-income customers, is unknown and debatable.

The record in these cases does not answer the question of how the SFV rate design impacts the low-income customer. It would seem axiomatic that such a fundamental question would be fully explored and analyzed **prior to approving such a dramatic change in policy, and not after-the-fact.** The Commission has approved the SFV rate design without a full and complete understanding of the harm that it may cause. Using another governmental regulation analogy, this would be the equivalent to requiring

⁴⁷ Order at 26.

the FDA to grant approval unless it could prove the drug was harmful.^{48 49 50} It is the responsibility of the manufacturer to demonstrate that the product is **not** dangerous.⁵¹ Similarly it should not be the PUCO or the intervening parties' responsibility to prove that the SFV rate design is not just and reasonable, but instead it is the Company's burden to prove that it is just and reasonable.⁵²

The SFV rate design approved by the Commission is bad public policy for DEO's low usage and low-income residential customers who will now be forced to subsidize DEO's larger use commercial, industrial and residential customers. The SFV rate design has the effect of making the distribution cost per Mcf that a customer faces higher at lower consumption levels than at higher consumption levels.⁵³ Such a rate design is inherently unfair to low-usage low-income customers, who because of their limited means, likely live in smaller dwellings, such as apartments, and use less natural gas than homeowners with larger homes. The SFV rate design is not only unfair to these customers with small incomes, it is extremely insensitive in its timing; coming on the heels of several years of belt-tightening by America's working poor, amidst a nationwide

⁴⁸ *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan, Case No. 08-935-EL-SSO, Prefiled Testimony of Richard Cahaan at 17-18 (October 6, 2008).*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² In a rate case, there is no dispute that the Company has the burden of proving that its Application is just and reasonable. R.C. 4909.18 states that, "[A]t such hearing, the burden of proof to show that the proposals in the application are just and reasonable shall be upon the public utility." (Emphasis added). R.C. 4909.19 also states, "[A]t any hearing involving rates or charges sought to be increased, the burden of proof to show that the increased rates or charges are just and reasonable shall be on the public utility." (Emphasis added).

⁵³ Staff Ex. No. 3B Puican Second Supplemental Testimony at Exhibit SEP-1A (August 25, 2008) (By way of example as usage increases the cost per Mcf decreases: 12 month usage of 5 Mcf Proposed Bill \$167.25 Cost per Mcf = \$33.45; 12 month usage of 100 Mcf Proposed Bill \$362.72 Cost per Mcf = \$3.6272; and 12 month usage of 5000 Mcf Proposed Bill \$12,405.60 Cost per Mcf = \$2.4811).

mortgage foreclosure crisis and with the country facing a looming recession, a fact initially raised by Company witness Murphy, and uncontested in the record.⁵⁴

The Commission states a concern with the impact that the change in rate structure will have on some DEO customers, and recognizes that some relief is warranted for these customers; however, even without a study the Commission's Order is suspect.

In the Duke case, we approved a pilot program available to a specified number of eligible customers, in order to provide incentives for low-income customers to conserve and to avoid penalizing low-income customers who wish to stay off of programs such as PIPP. We emphasized in the Duke case that the implementation of the pilot program was important to our decision to adopt a levelized rate design in that case. Therefore, the Commission finds that DEO should likewise implement a one-year low-income pilot program aimed at helping low-income, low-use customers pay their bills.

As in the Duke case, the customers in the low-income pilot program shall be non-PIPP low-usage customers, verified at or below 175 percent of the poverty level. DEO's program should provide a four-dollar, monthly discount to cushion much of the impact on qualifying customers. This pilot program should be made available one year to the first 5,000 eligible customers.⁵⁵

To the extent that the Commission has ordered this small offering to help low-use low-income customers who will be penalized through the implementation of SFV, it is entirely unclear why this benefit evaporates after one year when the SFV will be in place for a longer period of time. Moreover, the Commission failed to explain how DEO -- a company with almost 1.2 million residential customers or almost three times the number

⁵⁴ DEO Ex. No.1.1 (Murphy Direct Testimony) at 21-22 (September 13, 2007).

⁵⁵ Order at 26.

of residential customers that Duke has (approximately 378,000),⁵⁶ and with the well documented economic challenges in its service territory⁵⁷ -- should have such an important program that is one-half the size of Duke's. If the low-income pilot is to have any significance and benefit for non-PIPP low-income customers, then it must be available to a comparable number of customers -- which for DEO is 40,000 customers -- to take into account the larger number of DEO customers and the severe economic conditions in the DEO service territory.

The Commission's Order establishes a rationale for the low-income pilot program, but the Commission has no analysis to support how the approved pilot program will be sufficient to achieve the stated purpose. The Order stated:

In the Duke case, we approved a pilot program available to a specified number of eligible customers, in order to provide incentives for low-income customers to conserve and to avoid penalizing low-income customers who wish to stay off of programs such as PIPP.⁵⁸

The pilot program is approved by the Commission without the benefit of sufficient understanding of the extent of the need that the Commission alleges to address. As OCC witness Colton stated:

We found that exactly half (50%) of Ohio's low-income natural gas customers had natural gas burdens of below the minimum necessary for those households to gain benefits from participation in the Ohio PIPP.⁵⁹

⁵⁶

<http://www.puco.ohio.gov/emplibrary/files/util/utilitiesdeptreports/natlgascustchoiceenrollmentdec07.pdf> (as of December 31, 2007 DEO had 1,129,559 residential customers and Duke had 378,281).

⁵⁷ DEO Ex. No. 1.1 (Murphy Direct Testimony) at 21-22 (September 13, 2007).

⁵⁸ Order at 26.

⁵⁹ OCC Ex. No. 22 (Colton Rebuttal Testimony) at 23-24 (August 26, 2008).

A point that was convincingly made during the oral argument,⁶⁰ and with no record evidence to contradict Mr. Colton's projections, is that there could be as many as 54,000 low-income customers in DEO's service territory who are low-use customers.⁶¹ In such a case, the Commission's pilot program for 5,000 customers for only one year constitutes the proverbial drop in the bucket and will not come close to meeting the need or achieving the goals.

Despite lacking a full and complete understanding and appreciation of the impact that the change in rate design will have on low-use/low-income DEO residential customers, the Commission has approved the SFV rate design with a pilot program supposedly important to its decision. However, the analysis of the impact of the pilot program will not take place for a year after the SFV rates are implemented. The Order states:

Following the end of the pilot program, the Commission will evaluate the program for its effectiveness in addressing our concerns relative to the impact on low-use, low-income customers.⁶²

Such a study, after the implementation of the SFV rate design, will only serve to demonstrate the adequacy or -- more likely -- the inadequacy of the pilot program. There

⁶⁰ Tr. Oral Argument at 59-60 (Serio) (September 24, 2008) ("Well, I guess the problem with that assumption is Mr. Murphy's testimony identified articles that called Cleveland the poorest city in the United States, yet under the Company's 24-hour study only 15 percent of their customers are at the poverty level. Those two things seem to contradict each other. How can you have the poorest city in the country but only 15 percent of your customers are at the poverty level? Obviously, a large number of low-income customers fell through the cracks of the Company's study and are not accounted for, and we should know how those customers are impacted before a permanent change is implemented.")

⁶¹ DEO Ex. No. 1.5 (Murphy Surrebuttal Testimony) at JAM 1.8 (August 27, 2008) (JAM 1.8 states PIPP customers at 108,167, 50% would be approximately 54,000).

⁶² Order at 27.

is nothing in the Order that will assure a remedy to the harm the SFV rate design causes. That is why a more expansive study with a process at the conclusion of the study is what should have been ordered by the Commission.

3. The Commission Erred By Ordering an Evaluation of the DEO DSM Energy Efficiency Programs Without Looking at the Impacts the SFV Rate Design Has On These Programs.

The Commission ordered the demand side management ("DSM") collaborative to perform a review of DEO's energy efficiency programs. The Commission stated;

Furthermore, we encourage the collaborative to address additional opportunities to achieve energy efficiency improvements and to consider programs which are not limited to low-income residential consumers. As part of its review, the collaborative should develop energy efficiency program design alternatives and should consider those alternatives in a manner that strikes a balance between cost savings and any negative ratepayer impacts. The energy efficiency programs should also consider how best to achieve net total resource cost and societal benefits; how to minimize unnecessary and undue ratepayer impacts; how process and impact evaluation will be conducted to ensure that programs are implemented efficiently; how to capture what otherwise become lost opportunities to achieve efficiency improvements in new buildings; how to minimize "free ridership" and the perceived inequity resulting from the payment of incentives to those who might adopt efficiency measures without such incentives; and how to integrate gas DSM programs with other initiatives. Noting that the stipulation establishes a collaborative and a threshold related to reasonable and prudent DSM spending above the current \$4,000,000 commitment, the Commission directs that the collaborative shall file a report within nine months of this order, identifying the economic and achievable potential for energy efficiency improvements and program designs to implement further reasonable and prudent improvements in energy efficiency.⁶³

⁶³ Order at 23.

While the Commission ordering a study is appropriate and needed, the Commission's directives for the study are incomplete and fail to also include a review of the SFV rate design and the impact that it has on conservation and energy efficiency efforts (e.g. extending the payback period).

The Commission's requirements for the DSM evaluation, as with the low-income pilot and the cost allocation studies, are not comprehensive in nature and will not address the impacts that the SFV rate design has on DEO's residential customers, a topic which needs to also be studied. These studies only nibble around the edges of the problems that OCC has identified with the SFV rate design, and therefore, the Commission should consider a more expansive study that will, in addition to the areas ordered by the Commission to be studied, also study the SFV rate design and its impact on DEO's GSS/ECTS customers.

The Commission in its Order discusses a number of issues that require analysis, but does not provide citation to the record to support its determination that the SFV rate design is in the public interest. The Commission stated:

Our analysis does not end there, however. Before strictly applying cost causation, we must consider and balance other important public policy outcomes of rate design. Would strict application of cost causation discourage conservation? Would it disproportionately impact economically vulnerable consumers, including both low-income customers and those on a fixed income? Will customers understand the rate design? Does it generate accurate price signals? Can it be implemented without rate shock - that is, with sensitivity to gradualism? On balance, what style of rate design will result in the best package of possible public policy outcomes?⁶⁴

⁶⁴ Order at 25.

The Commission raises legitimate issues for consideration, and in order to properly analyze each issue, the Commission should order an independent comprehensive DSM conservation program evaluation. OCC also posits that these are questions that should be answered *before* implementing SFV, not after. Such an evaluation would be comparable to the independent study that the signatory parties in the Columbia Gas of Ohio, Inc. rate case agreed upon.⁶⁵ The scope of the independent study should be cooperatively developed by DEO, Staff, OCC, OPAE and other interested parties, and should include, but not be limited to, the effects of the SFV rate design on: consumption decisions, conservation efforts and uncollectible account balances at all levels of income and usage levels; low- use/low- income customers consumption patterns; PIPP enrollments and arrearages; and, consumers energy efficiency investment decisions.

B. The Commission Erred By Approving A Rate Design For A Two-Year Transition Period Without Establishing R.C. 4909.18 and R.C. 4909.19 As Governing The Process For Determining The Rate Design That Will Be Implemented After The Two-Year Transition Period.

The Commission unreasonably implemented the SFV rate design for a two-year transition period without establishing the process that will govern the determination of the rate design for subsequent periods. The Commission Order stated:

Therefore, the Commission is approving the first two years of this transition, however, **prior to approval of rates for rates of the third year** and beyond the Commission believes that a review of the cost allocation methodologies for the GSS/ECTS classes is appropriate. Therefore, DEO is directed to complete the cost allocation study required in

⁶⁵ *In the Matter of the Application of the Columbia Gas of Ohio, Inc. for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Distribution Service*, Case No. 08-72-GA-AIR, et al., Joint Stipulation at 19 (October 24, 2008).

the stipulation within 90 days of this order. Upon completion, DEO should submit a report and recommendation regarding whether the GSS/ECTS classes are appropriately comprised of both residential and nonresidential customers or whether the classes should be split. DEO shall also provide, if the recommendation is to split the classes, a recommended cost allocation per class. **Upon review of the cost allocation study, the Commission will be establishing a process that will be followed to determine the appropriate rates in year three and beyond, as soon as practicable.**⁶⁶

The Commission failed to discuss, let alone establish in its Order what process will be used to determine appropriate rates beginning in year three, merely noting that it will be establishing a process. Because the Commission's Order is silent on the details of the process, there are more questions than answers. It is unclear if the process will be limited to the Company and the PUCO. There is no determination as to whether there will be an opportunity to challenge the study, DEO recommendations, or the Commission's decision on the rate design in years three and beyond.

The extent of the uncertainty surrounding the studies it has ordered in these cases and the process that the Commission ultimately relies upon for establishing rates in year three and beyond are problematic. Consumer faith in the regulatory process necessitates the Commission not compromise due process by rubber-stamping a Company study. Therefore argument for an extensive independent study that thoroughly analyzes the impacts of SFV rate design on DEO's customers, as well as conservation efforts from all perspectives is an important consideration for the PUCO as earlier argued. However, the importance of an independent study is lost unless the Commission approves a process that is transparent and inclusive with appropriate due process protections.

⁶⁶ Order at 25-26 (emphasis added).

Therefore, the Commission should on rehearing order a comprehensive independent study of the SFV rate design, have the study docketed for all interested parties, and establish the process in accordance with R.C. 4909.18 and R.C. 4909.19 so that all interested parties will have the benefit of notice, full discovery rights and an opportunity to be heard on the determination of DEO's rate design for years 3 and beyond.

C. The Commission Erred By Approving A Rate Design That Includes An Increase To The Monthly Residential Customer Charge Without Providing Consumers Adequate Notice Of The SFV Rate Design Pursuant To R.C. 4909.18, R.C. 4909.19 And R.C. 4909.43.

The notice requirements contained in R.C. 4909.18, R.C. 4909.19, and R.C. 4909.43 are statutory and cannot be waived. The Commission in its Order unreasonably relies on arguments from DEO and Staff by stating:

DEO and staff point out that the SFV rate design was not proposed in the application, but was recommended by the staff in the staff report that was issued eight months after the application was filed. Therefore, DEO and staff maintain that the statute did not require that the notice of the application reference the SFV and that the authority relied on by OCC is inapplicable.⁶⁷

Under this interpretation, the explicit intent of consumer protection afforded by the statute could be completely negated by Staff proposing changes desired by a utility. Moreover, a decision by the Company to change its rate design position from its Application to align with the rate design position in the Staff Report does not relieve the Company of its statutory requirement to provide its customers with notice of the substance of its application and at the time such notice is required – with its application -

⁶⁷ Order at 27.

- not after the staff report is issued. Whether initially proposed by the Company, or adopted from a Staff proposal, does not change the fact that the notice requirements are statutory.

In as much as DEO did not file for the SFV rate design, both of its notices to consumers could not and did not mention the proposed rate design, and its impact and implications for customers, and are thus deficient and fatally inadequate. The Ohio Supreme Court has discussed the proper content of a public notice required by R.C. 4909.18(E) ⁶⁸and R.C. 4909.19 in *Committee Against MRT*,⁶⁹ stating:

While generally the published notice required under R.C. 4909.19 need not contain every specific detail affecting rates contained in the application (indeed, such a requirement would be highly impractical and unnecessarily expensive), the court notes that the statute does require that the “substance” of the application be disclosed; i.e., that the essential nature or quality of the proposal be disclosed to those affected by the rate increases. Although there is no specific test or formula this court can apply in reviewing challenges made by subscribers with respect to the sufficiency of the notice provided by a utility, it is clear, given the purposes of the publication required by R.C. 4909.19, that a highly innovative and material change in the method of charging customers should be included in the notice.⁷⁰

There can be no dispute that the move to the SFV rate design methodology – a rate design that will almost triple the fixed portion of the customer charge for DEO residential customer from \$4.38 or \$5.70 per month to up to \$12.50 or \$15.40 per month -- is a highly “innovative and material change” that required disclosure to customers.

⁶⁸ R.C. 4909.18(E): A proposed notice for newspaper publication fully disclosing the substance of the application. ***.

⁶⁹ *Committee Against MRT et al. v. Pub. Util. Comm.* (1977), 52 Ohio St.2d 231, 371 N.E.2d 547.

⁷⁰ *Id.* at HN2. (Emphasis added).

In *Committee Against MRT*, the Court concluded that the notice must set forth the fact that the utility was seeking approval of a measured rate service proposal. In reaching its conclusion, the Court noted:

From reading the notice published in their local newspapers, subscribers opposed to usage rates would not have known of the innovative plan being introduced by the utility, would not have had any reason to view the exhibits on file with the PUCO, nor would they have had any interest in participating in the hearings held before the commission. **Thus, because of the insufficient notice, appellants were not only denied an opportunity to present evidence at the hearings before the commission opposing the selection of the experimental area for measured rate service, but also were denied the opportunity to challenge the new rate service itself.**⁷¹

The Ohio Supreme Court required the public notice to include reasonable substance of the proposal so that consumers could determine whether to inquire further as to the proposal or intervene in the rate case.⁷² The Court also established two components that a company must meet to establish that the newspaper notice complies with R.C. 4909.18(E) and R.C. 4909.19. First, the company must demonstrate that the notice “fully discloses the essential nature or quality” of the application.⁷³ Second, the notice must be understandable and the proposal must be in a format “that consumers can determine whether to inquire further as to the proposal or intervene in the rate case.”⁷⁴ Meeting both prongs is essential to providing an opportunity for every person to understand the full context of the proposal and be able to file an objection.

⁷¹ *Id.* at 234. (Emphasis added).

⁷² *Id.* at 176.

⁷³ *Ohio Assoc. of Realtors v. Pub. Util. Comm.* (1979), 60 Ohio St. 2d 172, 176, 175.

⁷⁴ *Id.* at 176.

DEO's notices failed to meet either of the components established by the Ohio Supreme Court. First, on cross-examination, Mr. Murphy admitted that DEO's two public notices⁷⁵ did not fully disclose the essential nature or quality of the straight fixed variable rate design or the significant increase to the existing customer charge.

Q. And if I look at OCC Exhibit No. 19, can you tell me where in the notice it indicates that the company was requesting a straight fixed variable rate design that would include a customer charge in excess of \$5.70?

A. I don't see any specific reference to a straight fixed variable rate design.⁷⁶

Mr. Murphy also acknowledged that OCC Ex. No. 20 Legal Notice (May 30, 2008) dealt predominantly with the pipeline replacement program and not the SFV rate design.⁷⁷ In addition, the public notice contained in the Commission's June 27, 2008 Entry⁷⁸ was for the purpose of advising consumers of the local public hearings. The June 27 Entry mentioned the SFV rate design only in general terms⁷⁹ and it failed to disclose the potential level of rates under the SFV rate design.⁸⁰ DEO's notices failed to disclose both the substance of the change in the SFV rate design currently proposed by the Company and Staff, and the potential magnitude of the increase in the customer charge (from \$4.38 or \$5.70 to \$12.50 or \$15.40)⁸¹ -- the hallmark of the move to an SFV rate design.

Second, DEO's notices could not be deemed understandable because the notices

⁷⁵ OCC Ex. No. 19 (Application Proposed Notice for Newspaper Publication) and OCC Ex. No. 20 Legal Notice (Notice of Application to PUCO for Approval of Pipeline Replacement Cost Recovery Charge) (May 30, 2008).

⁷⁶ Tr. Vol. IV (Murphy) at 41-45 (August 25, 2008). (Emphasis added).

⁷⁷ *Id.*

⁷⁸ Entry at 4-6 (June 27, 2008).

⁷⁹ Tr. Vol. IV (Murphy) at 85 (August 25, 2008).

⁸⁰ *Id.* at 89.

⁸¹ Notices also did not alert customers to the Staff proposed \$17.50 monthly fixed rate charge contained in the Staff Report.

completely excluded the substance of the change that consumers need to understand, and would not cause interested consumers to inquire further. Finally, DEO would be unable to cure these deficient notices in a timely manner under R.C. 4909.43(B).

These notices were required to alert customers to the dramatic change to the rate design that they would face because DEO's customers have never faced a similar increase or modification to their fixed customer charge.⁸² Because the proposed SFV rate design is such a dramatic change from the current DEO rate design, absent sufficient notices, consumers would have no reason to inquire further about the details of the Company's Application. Therefore, DEO's notices in these cases were insufficient to support a move to the SFV rate design as proposed by the Company and Staff, and the PUCO should therefore approve a rate design that includes a \$5.70 monthly customer charge and the Rider SRR consistent with the notices that the Company provided its customers.

The Commission's Order unreasonably and unlawfully approved the SFV rate design despite the fact that the impact on customers' bills resulting from such rate design had not been sufficiently noticed pursuant to Ohio law. The notice requirements for an application for a traditional rate case and for an alternative regulation case can be found under R.C. 4909.18, 4909.19 and 4909.43. In this case, the Company failed to provide consumers notice with sufficient detail of the residential rate design as approved by the Commission.

R.C. 4909.18 provides that, unless otherwise ordered by the commission, the public utility must file, along with its application to the commission, "[a] proposed notice

⁸² OCC Ex. No. 21 (Radigan Direct Testimony) at Attachment FWR-2 (June 23, 2008).

for newspaper publication fully disclosing the substance of the application.” And, irrespective of whether the utility is required to file such notice with the commission, R.C. 4909.19 provides that the utility must publish once a week for three consecutive weeks in newspapers of general circulation throughout the affected areas **the substance and prayer of its application.**⁸³ DEO provided the following notice to the mayors and legislative authorities of each municipality pursuant to R.C. 4909.43:

As customer usage declines, base rates would be adjusted automatically to **keep our base rate revenues per customer the same. Customers would still gain all of the benefits of reduced gas costs, which comprise over three-fourths of a typical customer’s bill.**⁸⁴

This notice describes a rate design that features a decoupling mechanism with annual true-ups which is substantially different than the residential SFV rate design that the Commission approved in its Order.⁸⁵

Furthermore, the notice does not describe the impact that a change to the rate design would have on the customer charge. In its Application, the Company proposed to increase the monthly customer charge from \$4.38 to \$5.70 in the West Ohio Division, and proposed no increase to the existing \$5.70 monthly customer charge for the East Ohio Division⁸⁶. The Commission approved a rate design that that features a fixed monthly customer charge of \$12.50 in year one,⁸⁷ and \$15.40 in year two.⁸⁸ These dramatic increases to the monthly fixed charge are not explained to consumers anywhere

⁸³ R.C. 4909.19 (emphasis added).

⁸⁴ PFN at Tab 5 (July 20, 2007).

⁸⁵ Order at 25.

⁸⁶ PFN at Tab 5, Summary of Proposed Rates (July 20, 2007).

⁸⁷ Order at 14.

⁸⁸ *Id.*

in the notices the Company provided. Therefore, the substance of the notice did not sufficiently explain to consumers DEO's rate design that the Commission approved.

This is analogous to the *Committee Against MRT, et. al. v. Public Util. Comm.* Case in which Cincinnati Bell Telephone through an R.C. 4909.18 rate proceeding sought to change the existing rate design for its residential and business customers. In an accompanying exhibit filed with the Commission, Cincinnati Bell described the nature and effect of this new method of charging customers, whereby rates would be based on a minimum fee plus a usage charge.⁸⁹ However, except for a general reference to the exhibits which did contain information on the proposed new service, no mention of the service was made in the notices themselves.⁹⁰ The Court stated:

From reading the notice published in their local newspapers, subscribers opposed to usage rates would not have known of the innovative plan being introduced by the utility, would not have had any reason to view the exhibits on file with the commission, nor would they have had any interest in participating in the hearings held before the commission. Thus, because of the insufficient notice, appellants were not only denied an opportunity to present evidence at the hearings before the commission opposing the selection of the experimental area for measured rate service, but also were denied the opportunity to challenge the new rate service itself.

We therefore conclude that Cincinnati Bell, in order to insure an opportunity for its subscribers to be heard, was required under R.C. 4909.19 to specifically mention its proposed measured rate service in its published notice regarding rate increases.

⁸⁹ *Committee Against MRT, et.al. v. Public Util. Comm.* (1977), 52 Ohio St. 2d 231. (In this Case, Duke's residential rate design is changing from a low customer charge with high volumetric charge to a high customer charge with a low volumetric charge; whereas, in *Committee Against MRT*, Cincinnati Bell was changing its rate design from a high or flat fixed charge and no volumetric charge to a low fixed charge and a volumetric charge.

⁹⁰ *Id.*

DEO's notice in this case was likewise insufficient, and the Commission should reverse its Order.

The Commission stated in its Order:

At those hearings, public testimony was heard from 57 customers in Youngstown, 15 customers in Lima, 10 customers in Canton, 31 customers in Akron, 17 customers in Cleveland, 15 customers in Geneva, 9 customers in Marietta, and 32 customers in Garfield Heights. At each public hearing, customers were permitted to testify about issues in these cases.⁹¹

It must be noted that even all of this opposition and outcry was based on the original Company proposed customer charge increase from \$4.38 to \$5.70 in the West Ohio Division, and no increase to the existing monthly customer charge for the East Ohio Division.⁹² The Commission did not provide the public, as required under R.C. 4903.083, with public notice regarding the fact that the Commission might approve future customer charges of \$12.50 and \$15.40 per customer per month.⁹³

The Ohio Supreme Court has stated that the purpose of R.C. 4909.18(E) is "to provide any person, firm, corporation, or association, an opportunity to file an

⁹¹ Order at 5. It is noteworthy that the Commission is quick cite to the number of customers who testified at the Local Public hearings, yet the Order fails to demonstrate that the Commission actually heard the customers' concerns.

⁹² DEO Prefiling Notice at Tab 5 ("I want to inform you that Dominion East Ohio intends to file a request for a base rate increase for gas delivery service and other tariff changes with Public Utilities Commission of Ohio (PUCO) in about 30 days. * * * would increase the monthly bill of a typical East Ohio residential customer by less than \$4.50. West Ohio customers would see a monthly increase of less than \$6, or 5 percent, which includes an increase in their monthly service charge. * * * the company is proposing that rates be the same for both East Ohio and West Ohio. As a result, the impact on West Ohio customers will be slightly different than the impact on East Ohio customers.

⁹³ Order at 14.

objection to the increase under R.C. 4909.19.⁹⁴ Without notice of the specific nature and dramatic increases to the customer charge incorporated in DEO's residential rate design, the public does not have the statutory opportunity to participate in the proceedings.

Finally, the Commission's ruling in this case seems to contradict the Commission's more recent November 5, 2008 Finding and Order in Pike/Eastern that:

In particular, the Commission is concerned that the applicants are requesting waivers of its public notice requirements, **especially in light of the impact these applications would have on individual ratepayers.** Furthermore, we believe that it is essential that the applications contain sufficient information such that will [sic] be able to consider the merits of the request. **Without the necessary notice to customers and the requisite information, the Commission is unable to appropriately review these applications.**⁹⁵

In the Pike/Eastern cases, the Commission rejected the waiver request because of the need for sufficient customer notice of the proposed changes. Yet in the DEO case, the Commission has approved the change in rate design **despite the fact that customers never received the necessary statutorily-required customer notice.** This begs the question, don't DEO's 1.2 million customers deserve the same level of notice as Pike/Eastern customers?

Therefore, the Commission should grant rehearing on the basis that the Company failed to provide its customers adequate notice of the SFV rate design as required by Ohio law.

⁹⁴ *Committee Against MRT, et. al. v. Public Util. Comm.* (1977), 52 Ohio St. 2d 231, 234. (Emphasis added).

⁹⁵ *In the Matter of the Application of Eastern Natural Gas Company for Approval of an Alternative Rate Plan Proposing a Revenue Decoupling Mechanism*, Case No. 08-940-GA-ALT, and *In the Matter of the Application of Pike Natural Gas Company for Approval of an Alternative Rate Plan Proposing a Revenue Decoupling Mechanism*, Case No. 08-941-GA-ALT, Finding and Order (November 5, 2008) at 3-4. (Emphasis added).

D. The Commission Erred By Approving An SFV Rate Design That Discourages Customer Conservation Efforts In Violation Of R.C. 4929.05 And R.C. 4905.70.

The Commission's approval of an SFV rate design is contrary to Ohio policy. The SFV rate design does not promote customer efforts to engage in conservation of natural gas, and instead would encourage increased usage of natural gas. Such a rate design is contrary to the State policy:

(A) It is the policy of this state to, throughout this state:

* * *

(4) Encourage innovation and market access for cost-effective supply-and demand-side natural gas services and goods;⁹⁶

For a number of reasons, approval of an SFV rate design by the Commission impedes the development of DSM innovation in Ohio. For example, the SFV rate design sends consumers the wrong price signal; will harm consumers who have invested in energy efficiency by extending the payback period; and will take away control that consumers have over their utility bills.

The Commission has a statutory duty to initiate programs that promote conservation. R.C. 4905.70 states:

The public utilities 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.

The SFV rate design serves the Company's limited cost recovery interests, but fails to promote conservation for the reasons discussed below. State policy and statutory

⁹⁶ R.C. 4929.02.

mandates direct the Commission to act such that the rate design influence has a positive effect on energy conservation.

The Commission has the responsibility to approve rates that are just and reasonable.⁹⁷ An SFV rate design does not meet the State policy of promoting energy efficiency⁹⁸ and violates the legislative mandate to the Commission to initiate programs to promote and encourage conservation.⁹⁹ It is important as part of the regulatory compact to make energy efficiency a success, that the Commission consider not only company incentives and revenues but also customer incentives to participate in programs. If customers invest in energy efficiency only to see their payback periods extended, this may have a chilling effect on continued investments in energy efficiency. Such an outcome is anathema to the intent of the law. Therefore, the SFV rate design results in the implementation of rates that are unjust and unreasonable, and the Commission should reverse its Order.

I. The SFV rate design sends the wrong price signal to consumers.

The Commission's Order improperly states that a "levelized rate design sends better price signals to customers."¹⁰⁰ It was widely argued that high natural gas commodity prices generally send a signal to consumers that encourages conservation.¹⁰¹ The SFV rate design contradicts that basic message because it decreases the volumetric rate while significantly increasing the fixed portion. At a time when DEO's marginal

⁹⁷ R.C. 4909.18 and R.C. 4909.19.

⁹⁸ R.C. 4929.02(A)(4).

⁹⁹ R.C. 4905.70.

¹⁰⁰ Order at 24.

¹⁰¹ Tr. Vol. IV at 65 (Murphy); see also Staff Ex. No. 3 (Puican Prefiled Testimony) at 3-4 (July 31, 2008).

costs for natural gas and energy prices generally are increasing, the SFV rate design sends the wrong price signal to customers,¹⁰² because as consumers use more natural gas the per unit price decreases under the SFV design.¹⁰³ In fact, in the second year of DEO's proposed phase in of the SFV rate design, the highest usage customers (the top 33.26 percent),¹⁰⁴ will see a 1.32 percent to 28.34 percent decrease in their total bills from their current bills.¹⁰⁵ This is absolutely the wrong price signal to send consumers making decisions on the consumption of a precious natural resource.

The SFV rate design fails to send the proper price signal to encourage conservation. The reasons for the Company's concern with the present rate design (consisting of a lower customer charge and a higher volumetric rate) has to do with collecting a fixed amount of revenue, no matter what the weather conditions and not the desire for the customers to conserve. It must be noted that rates are set by the Commission in order to permit the Company an "opportunity" to collect a fair rate of return -- rates are not designed to "guarantee" the utility anything.¹⁰⁶ The opportunity to develop a more stable revenue stream can be addressed by the implementation of decoupling mechanism with appropriate safeguards.

¹⁰² OCC Ex. No. 21 (Radigan Direct Testimony) at 10.

¹⁰³ Staff Ex. No. 3B Puican Second Supplemental Testimony at Exhibit SEP-1A (August 25, 2008) (By way of example as usage increases the cost per Mcf decreases: 12 month usage of 5 Mcf Proposed Bill \$167.25 Cost per Mcf = \$33.45; 12 month usage of 100 Mcf Proposed Bill \$362.72 Cost per Mcf = \$3.6272; and 12 month usage of 5000 Mcf Proposed Bill \$12,405.60 Cost per Mcf = \$2.4811).

¹⁰⁴ Puican Supplemental Testimony at Exhibit SEP-2B (At the 100.1 to 110 Mcf usage level the percent increase is positive for all usage levels above that the increase is negative which will apply to 33.26 percent of DEO's GSS customers (100 percent - 66.74 percent).

¹⁰⁵ *Id.*

¹⁰⁶ *Bluefield Water Works & Improvement Company v. Pub. Serv. Comm. of West Virginia*, 43S, Ct. 675, 692 (June 11, 1923) ("A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public * * *; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures.").

The only conclusion that the Commission should have reached in these cases is that the price signal from the SFV rate design is improper. Therefore, the Commission should reverse its Order approving the SFV rate design on rehearing because the resulting rates are unjust and unreasonable.

2. **SFV rate design removes the customers' incentive to invest in energy efficiency because the SFV rate design extends the pay back period for energy efficiency investments made by consumers.**

The Commission in its approval of the residential rate design improperly looked at the conservation issue solely from the Company's perspective by stating "that a rate design that prevents a company from embracing energy conservation efforts is not in the public interest."¹⁰⁷ The PUCO failed to acknowledge that in order for DSM programs to work, the Company needs consumers to participate. That means that customers need incentives too. However, the PUCO has taken a giant step backwards by acknowledging, in its Order, that with the SFV rate design "there will be a modest increase in the payback period for customer-initiated energy conservation measures."¹⁰⁸

It is uncontroverted in the record, that those customers who have invested in additional home insulation and purchased more efficient furnaces and water heaters as a rational response to increasing gas costs (and in response to State of Ohio policy) will see their investment returns diminished and payback periods lengthened as a result of an SFV rate design.¹⁰⁹ The SFV rate design discourages customer conservation. The SFV rate design approved by the Commission is sufficiently different to materially alter customer economics when contemplating an energy efficiency investment.

¹⁰⁷ Order at 22.

¹⁰⁸ *Id.* at 24.

¹⁰⁹ OCC Ex. No. 21 (Radigan Direct Testimony) at 14.

As argued by OCC, “[t]he SFV rate design does not maintain the customer incentive to conserve and to control their utility bills.”¹¹⁰ Therefore, a decoupling mechanism provides more of a “proper balance” between the Company and the consumer, rather than an SFV rate design which only addresses the Company’s need for revenue stabilization. The decoupling mechanism addresses the Company’s need for revenue stabilization and removes the Company’s disincentive to promote energy efficiency and also rewards consumers who invest in energy efficiency. If the Commission believes that DEO is under-earning and has a disincentive to promote energy efficiency, then the PUCO should approve a rate design which incorporates an appropriate decoupling mechanism. That approach would benefit both customers and the Company. It was unreasonable for the PUCO to adopt the more extreme SFV rate design, which only benefits the Company.

The Commission should reverse its Order approving the SFV rate design on rehearing because the resulting rates are unjust and unreasonable.

E. The Commission Erred By Approving A Rate Design That Unreasonably Violates Prior Commission Precedent And Policy.

The PUCO has identified gradualism as one of the regulatory principles that it has incorporated as part of its decision-making process.¹¹¹ However, for gradualism to have any legitimacy as a regulatory principle, it must be applied with a certain level of consistency and transparency and not haphazardly. Gradualism had been relied upon in prior cases in such a manner that customer charge increases were limited to \$1.00 to

¹¹⁰ *Id.*

¹¹¹ OCC Ex. No. 21 (Radigan Direct Testimony) at Attachment FWR-2 (June 23, 2008).

\$2.00.¹¹² However, in these cases, the PUCO Staff claims that almost tripling the customer charge -- increases of \$8.12 to \$11.02 -- reflects gradualism.¹¹³ The PUCO appears to unreasonably rely on the Company and Staff argument that the principle of gradualism has not been ignored by the implementation of the SFV rate design:

DEO and staff advocate that the SFV proposal contains measures that satisfy the principle of gradualism. DEO submits that the two-year phase-in of the SFV rates will give the affected customers an opportunity to adjust to the elimination of past subsidies.¹¹⁴

Accepting increases with a magnitude of \$8.12 and \$11.02 per customer per month over a two- year period is done without any resemblance to the principle of gradualism, and demonstrates the PUCO's failure to be guided by its own regulatory principles in these cases. Such disregard for the principle of gradualism harms DEO's residential consumers and the regulatory process.

In addition to thirty-three years of prior precedent, the PUCO should be guided by the consumer outcry in these cases. The PUCO should not ignore the consumer opposition voiced against the proposed SFV rate design. At the ten local public hearings in these cases nearly 700 consumers attended with 175 providing testimony of which 63 testified against the SFV rate design. In addition, the docket contains over 270 handwritten and non-form letters filed by customers, many of whom are low- income customers or elderly customers on fixed incomes. The compelling arguments made by DEO's customers whose negative reaction and opposition to the rate shock that would be caused by the SFV rate design should not be disregarded by the PUCO when deliberating

¹¹² *Id.*

¹¹³ Tr. Vol. IV (Puican) at 113-114 (August 25, 2008).

¹¹⁴ Order at 21.

the rate design issue in these cases. The PUCO should heed its own words that were generally spoken at each of the local public hearings:

The PUCO is not bound by staff's recommendations and we may permit some of it and we might reject others. So at this point no decision has been made. We're here to hear what you have to say before we make that decision.¹¹⁵

The PUCO should accord significant weight to the public testimony -- from those who will have to pay -- and reject the SFV rate design.

The Commission's Order approved a rate design for DEO's residential customers that features a fixed monthly customer charge of \$12.50 in year one,¹¹⁶ and \$15.40 in year two.¹¹⁷ Thus, after one-year, customers will see their customer charge nearly triple. Given that the current customer charge is \$5.70 (DEO's East Ohio Division) and \$4.38 (DEO's West Ohio Division) per month, these increases are not gradual increases. Rather these increases to the fixed portion of the customer charge represent enormous increases in the customer charge and they violate the principle of gradualism. The Commission has consistently identified gradualism as one of the regulatory principles that it has incorporated as part of its decision-making process. Yet in these cases, the Commission ignored over thirty-years of precedent regarding the application of gradualism to the customer charge. The Commission's failure to be guided by its own regulatory principles in these cases is a reasonable basis for granting rehearing.

In a Columbia Gas, Case No. 88-716-GA-AIR, the Commission noted that the Staff recommended a Customer Charge of \$6.00, which was lower than the calculated

¹¹⁵ Tr. Local Public Hearing Summit County (Commissioner Fergus) at 7 (August 21, 2008) (Emphasis added).

¹¹⁶ Order at 14.

¹¹⁷ *Id.*

charge of \$7.79, based on principles of gradualism and stability.¹¹⁸ As part of its decision, the Commission concluded:

While it is true that the customer charge proposed by the staff might not recover all customer-related costs, it is important to note that costs, while very important, are not the only factor to consider in establishing the charge. The Commission must also consider the customers' expectations, acceptance, and understanding in setting rates and balance these factors accordingly with the determined costs.¹¹⁹

In accepting the Staff position in the Columbia Gas case, the Commission noted that "[t]he Staff's application of the accepted ratemaking principles of gradualism and stability is reasonable."¹²⁰

Both the Staff Report and the Opinion and Order in another Columbia Gas, Case No. 89-616-GA-AIR¹²¹ echoed the same belief in and reliance on gradualism. The Commission noted that:

Staff contends that its proposed customer charge of \$6.25 is reasonable, since the customer charge is meant to provide a utility only with a partial recovery of its fixed costs and since the charge it proposes is in keeping with the accepted ratemaking principles of gradualism and stability.¹²²

The Commission further elaborated on these principles, when it ruled that:

¹¹⁸ *In the Matter of the Applications of Columbia Gas of Ohio, Inc., to Establish a Uniform Rate for Natural Gas Service Within the Company's Lake Erie Region, Northwest Region, Central Region, Eastern Region, and Southeastern Region*, Case No. 88-716-GA-AIR et. al. ("1988 Columbia Gas"), Opinion and Order at 87 (October 17, 1989).

¹¹⁹ *Id.* at 89. Emphasis added.

¹²⁰ *Id.*

¹²¹ *In the Matter of the Applications of Columbia Gas of Ohio, Inc., to Establish a Uniform Rate for Natural Gas Service Within the Company's Northwestern Region, Lake Erie Region, Central Region, Eastern Region, and Southeastern Region*, Case No. 89-616-GA-AIR et. al. ("1989 Columbia Gas"), Opinion and Order at 80-82 (April 5, 1990).

¹²² *1989 Columbia Gas* at 80.

We heard a great deal of testimony at the local hearings regarding the detrimental impact that an increase in the customer charge would have on low-income customers (See, Cincinnati Tr. 29-30, 54, 61, 93). **We believe that it is appropriate in this case to keep the customer charge at its current level in order to minimize rate shock that would otherwise be experienced by residential customers.**¹²³

The Staff view of gradualism, as noted throughout the many Staff Reports, has been in the context of Company-proposed customer charge increases of only \$2.00 to \$4.00.¹²⁴ In most cases, the Staff Report notes that in making its recommendation, the Staff recognized and prescribed to ratemaking principles of gradualism within the revenue distributions.¹²⁵ This same language also appeared in Northeast Ohio, Case No. 03-2170-GA-AIR where the Staff Report stated, “[i]n recommending customer charges, Staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distribution.”¹²⁶

The same or similar statement appears in the Cincinnati Gas & Electric, Case No. 01-1228-GA-AIR, Staff Report,¹²⁷ in the Cincinnati Gas & Electric, Case No. 92-1463-GA-AIR Staff Report,¹²⁸ Columbia Gas of Ohio, Case No. 91-195-GA-AIR Staff

¹²³ *In the Matter of the Application of the Cincinnati Gas & Electric Company for an Increase in its Rates for Gas Service to All Jurisdictional Customers*, Case No. 95-656-GA-AIR, Opinion and Order at 46 (December 12, 1996). (Emphasis added.)

¹²⁴ OCC Ex. No. 21 (Radigan Direct Testimony) at Attachment FWR-2.

¹²⁵ *In the Matter of the Complaint and Appeal of Oxford Natural Gas Company from Ordinance No. 2896, Passed by the Council of the City of Oxford on February 7, 2006*, Case No. 06-350-GA-CMR, Staff Report at 26 (September 19, 2007).

¹²⁶ *In the Matter of the Application of Northeast Ohio Natural Gas Corp. for an Increase in its Rates and Charges for Natural Gas Service*, Case No. 03-2170-GA-AIR, Staff Report at 44 (August 29, 2004).

¹²⁷ *In the Matter of the Application of the Cincinnati Gas & Electric Company for an Increase in its Gas Rates in its Service Territory*, Case No. 01-1228-GA-AIR, Staff Report at 57 (January 1, 2002).

¹²⁸ *In the Matter of the Application of the Cincinnati Gas & Electric Company to File an Application for an Increase in Gas Rates in its Service Area*, Case No. 92-1463-GA-AIR, Staff Report at 29 (March 17, 1993).

Report,¹²⁹ Dayton Power & Light Company, Case No. 91-415-GA-AIR Staff Report,¹³⁰ and the River Gas Company, Case No. 90-395-GA-AIR Staff Report.¹³¹

The Commission in its Order contemplated the potential harmful effects of rate shock from the SFV rate design, but never acted upon its query:

Before strictly applying cost causation we must consider and balance other important public policy outcomes of rate design. * * * Can it be implemented without rate shock - that is, with sensitivity to gradualism?¹³²

Historically, the principle of gradualism has been accepted in the form of mitigating a customer charge increase from \$6.77 to \$6.00¹³³ or from \$5.23 to \$5.00¹³⁴ or even keeping it at \$5.70.¹³⁵ During that period when the gradualism principle was adhered to the commodity prices were generally more stable. However, there is no evidence to support an argument for adherence to the principle of gradualism only at a time when commodity prices are at a lower level. The Commission should adhere to the principle of gradualism when considering a \$5.70 or \$4.38 customer charges may increase to \$12.50, or \$15.40,

¹²⁹ *In the Matter of the Application of Columbia Gas of Ohio, Inc., to Increase Gas Sales and Certain Transportation Rates Within its Service Area*, Case No. 91-195-GA-AIR, Staff Report at 58 (August 25, 1991).

¹³⁰ *In the Matter of the Application of the Dayton Power and Light Company for Authority to Amend its Filed Tariffs to Increase the Rates and precedents Charges for Gas Service*, Case No. 91-415-GA-AIR, Staff Report at 45 (November 13, 1991).

¹³¹ *In the Matter of the River Gas Company for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Service*, Case No. 90-395-GA-AIR, Staff Report at 31 (October 29, 1990).

¹³² Order at 25.

¹³³ *In the Matter of the Application of the Cincinnati Gas & Electric Company to File an Application for an Increase in Gas Rates in its Service Area*, Case No. 92-1463-GA-AIR, Staff Report at 29 (March 17, 1993).

¹³⁴ *In the Matter of the Application of the Dayton Power and Light Company for Authority to Amend its Filed Tariffs to Increase the Rates and precedents Charges for Gas Service*, Case No. 91-415-GA-AIR, Staff Report at 45 (November 13, 1991).

¹³⁵ *In the Matter of the Application of the Cincinnati Gas & Electric Company for an Increase in its Rates for Gas Service to All Jurisdictional Customers*, Case No. 95-656-GA-AIR, Opinion and Order at 45-46 (December 12, 1996).

especially when the commodity prices are over \$8.00/Mcf.¹³⁶ The need for gradualism grows as consumers face greater costs; the need does not decline.

The problem with the Commission's Order is that it is not a long-term move to the SFV rate design. Should such a shift occur, it should be gradual with small incremental increases in the fixed customer charge and with the opportunity to evaluate its impact on customer conservation and affordability.

V. CONCLUSION

As demonstrated above, the Commission erred by approving a Straight Fixed Variable rate design for several reasons. First, the Commission erred when, in violation of R.C. 4903.09, it failed to provide findings of fact and written opinions supported by the evidence in the record. Second, the Commission's Order erred by unreasonably and unlawfully authorizing a residential rate design with customer charge increases that exceed the notice provided consumers pursuant to R.C. 4903.083, R.C. 4909.18, R.C. 4909.19 and R.C. 4909.43. Third, the Commission erred by approving an SFV rate design that discourages conservation in violation of R.C. 4929.02 and R.C. 4905.70. SFV sends the wrong price signals to DEO's consumers, extends the pay back period of consumer investments in energy efficiency, and thereby, does not remove customer disincentives to invest in energy efficiency. Fourth, the extraordinarily large increase in the customer monthly charge produced by the SFV rate design unreasonably violates the Commission's prior precedent and policy of gradualism. For these reasons, the Commission should grant OCC's Application for Rehearing.

¹³⁶ Staff Ex. No. 3 (Puican Prefiled Testimony) at 4 (July 31, 2008) (SSO Price has ranged from \$8.612 in January 2008 to \$14.525 in July 2008).


Respectfully submitted,

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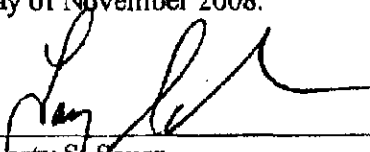
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing *Joint Application for Rehearing by the Office of the Ohio Consumers' Counsel, the City of Cleveland, the Ohio Partners for Affordable Energy, the Neighborhood Environmental Coalition, the Empowerment Center of Greater Cleveland, the Cleveland Housing Network, and the Consumers for Fair Utility Rates* has been served upon the below-named counsel via Electronic Mail this 14th day of November 2008.



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EXHIBIT J

27

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FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service.

Case No. 07-829-GA-AIR

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of an Alternative Rate Plan for its Gas Distribution Service

Case No. 07-830-GA-ALT

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval to Change Accounting Methods

Case No. 07-831-GA-AAM

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with a Pipeline Infrastructure Replacement Program Through an Automatic Adjustment Clause, And for Certain Accounting Treatment

Case No. 08-169-GA-ALT

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automated Meter Reading Deployment Through an Automatic Adjustment Clause, and for Certain Accounting Treatment

Case No. 06-1453-GA-UNC

REPORT AND RECOMMENDATION
OF THE EAST OHIO GAS COMPANY
D/B/A DOMINION EAST OHIO

In accordance with the Stipulation and Recommendation filed in the above-captioned cases on August 22, 2008 ("Stipulation"), and the October 15, 2008 Opinion and Order ("Order"), the East Ohio Gas Company d/b/a Dominion East Ohio ("DEO") submits the

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following report and recommendation, as well as the attached updated cost-of-service study, consisting of the following documents:

- Updated Class Cost of Service Study (Year 2 Rates)
- Attachment 1: Rate of Return Comparison
- Attachment 2: Cost of Service Summary (Year 1 Rates)
- Attachment 3: Cost of Service Summary (Year 3 Rates)
- Attachment 4: Peak Day & Storage Utilization Details

BACKGROUND

In the Stipulation, DEO agreed to “evaluate the feasibility of separating the residential and non-residential GSS/ECTS classes for purposes of rate design and [to] share with the Signatory Parties the results of the feasibility study before including in its next base rate application a class cost of service study that separately assesses those classes.” (Stip., ¶ 3.R.)

In the Order, the Commission approved the Stipulation and required DEO to submit an updated cost-of-service study. DEO is to “submit a report and recommendation regarding whether the GSS/ECTS classes are appropriately comprised of both residential and non-residential customers or whether the classes should be split.” Order, p. 25. “[I]f the recommendation is to split the classes,” DEO is to provide “a recommended cost allocation per class.” *Id.* The purpose of the study is to aid the Commission in “establishing a process . . . to determine . . . appropriate rates in year three and beyond.” *Id.*

APPROACH TO COST ALLOCATION

In accordance with the Stipulation and Order, DEO has updated its class cost of service study as follows. First, the figures have been adjusted to match those in the Staff Report, as revised by Staff following the issuance of the December 19, 2008 Entry on Rehearing in this

case. These figures were adopted with two exceptions: (1) DEO used a different formula than Staff for estimating Gross Receipts Tax; and (2) the revenue increase generated by applying approved year 2 rates to the test-year volumes and customer counts resulted in \$40,470,809, which is \$29,191 less than that approved.

Additionally, as requested, the GSS/ECTS class of customers has been broken into residential and non-residential segments. By analyzing the E-4 schedules and supporting work papers, DEO determined volumetric, peak-day (consumption and storage utilization), and customer-count information for both residential and non-residential customers within the GSS/ECTS classes. In developing these files for the rate case, baseload and heating degree day factors were developed for each rate class, and then for residential and non-residential. Updating the study's allocation factors provided insight into the cost to serve both the residential and non-residential segments of the GSS/ECTS class of customers.

RESULTS OF THE UPDATED COST OF SERVICE STUDY

The original cost of service study performed in this case (updated by the inclusion of a residential/non-residential split of the GSS/ECTS rate class) indicates that, within the GSS/ECTS classes, non-residential customers were subsidizing residential customers as indicated by the relative rates of return on rate base for each class (*i.e.*, 5.16% for GSS residential and 6.79% for GSS non-residential). This cross-subsidization of residential GSS customers would have continued had the Commission approved a continuation of traditional, volumetric rate design.

The rate design approved in this case, consisting of a GSS class that contains both residential and non-residential customers, appears to eliminate this subsidization by non-residential customers within the GSS/ECTS classes. As the mixed GSS class transitions to year 3 rates, the reverse may begin to take place, as it appears residential customers will generate an

increasingly higher return on rate base, while it appears non-residential customers will generate an increasingly lower return on rate base. (See Attachment 1.) This information suggests that a more equitable assignment of costs within the GSS class may result from splitting the class into residential and non-residential customers.

RECOMMENDED COST ALLOCATION PER CLASS

As noted, the Order directed DEO to recommend a cost allocation per class if it recommended that the GSS class be split into residential and non-residential segments. The attached class cost of service schedules contain the recommended cost allocation under Year 2 rates. Because some costs such as customer service and information, sales, and PUCO and OCC maintenance expenses are allocated to customer classes on the basis of revenue, the final cost allocation will be a function of the rate design authorized by the Commission. DEO recommends that the methodology employed in its average excess allocation model be utilized once the Commission determines the appropriate rate design for DEO's GSS class.

Respectfully submitted,



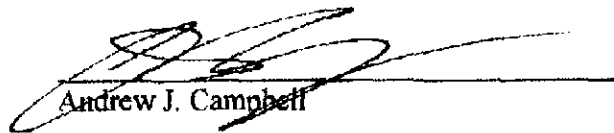
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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Report and Recommendation of The East Ohio Gas Company d/b/a Dominion East Ohio was delivered to the following persons by electronic mail this 13th day of January, 2009.



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THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
CASE NO. 07-0829-GA-AIR
COST OF SERVICE STUDY

Data: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference Nos.: WPE-3.2a-h

Schedule E-3.2
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Witness: C. Andrews

ALLOCATION FACTORS

#	Allocator	Basis	GSS/ECTS Details (% of GSS/ECTS)		RATE SCHEDULE				SYSTEM TOTAL	
			Residential	Non-residential	GSS/ECTS	LVGSS/LVECTS	GTS/WSS	DTS/Out-System		Storage
INPUT ALLOCATORS										
1	Total Throughput	Mcf	111,741,482 77.97%	31,567,328 22.03%	143,308,810 56.3%	8,994,640 3.5%	51,952,159 20.4%	50,368,814 19.8%	0 0.0%	254,624,423 100.0%
2	Winter Throughput	Mcf	81,820,382 78.02%	23,058,596 21.98%	104,878,988 64.3%	6,337,343 3.9%	27,989,383 17.2%	23,982,134 14.7%	0 0.0%	163,185,848 100.0%
3	October-April Throughput	Mcf	96,615,325 78.10%	27,097,856 21.90%	123,713,181 62.0%	7,578,938 3.8%	36,181,255 18.1%	31,952,258 16.0%	0 0.0%	199,426,633 100.0%
4	On-system Sales	Mcf	38,037,742 77.40%	11,103,859 22.60%	49,141,601.0 96.4%	1,821,342 3.6%	0 0.0%	0 0.0%	0 0.0%	50,962,943 100.0%
5	Peak Day Requirements	Mcf	1,350,279 77.77%	385,911 22.23%	1,738,191 72.1%	101,756 4.2%	337,307 14.0%	231,768 9.6%	0 0.0%	2,407,024 100.0%
6	Excess Peak Day Requirement	Mcf	1,044,138 77.71%	296,426 22.29%	1,343,564.08 78.6%	77,115 4.5%	194,972 11.4%	93,771 5.5%	- 0.0%	1,705,422 100%
7	Winter Storage Requirement	Mcf	28,616,766 77.81%	7,992,608 22.19%	34,208,375.6 83.4%	2,014,273 3.7%	1,018,477 1.9%	- 0.0%	16,757,874 31.0%	54,000,000 100.0%
8	Excess Peak Storage Requirement	Mcf	353,039 77.78%	100,995 22.24%	454,034 82.9%	26,550 3.7%	10,458 1.4%	- 0.0%	231,343 32.0%	722,384 100.0%
9	Gathering Throughput	Mcf	8,763,078 77.97%	2,475,588 22.03%	11,238,676 28.5%	705,385 1.8%	21,508,109 54.1%	6,155,946 15.6%	0 0.0%	39,409,116 100.0%
10	Number of Customers	# of Customers	1,127,327 93.34%	80,474 6.66%	1,207,801 99.6%	2,248 0.2%	2,910 0.2%	78 0.0%	0 0.0%	1,213,037 100.0%
11	Transportation Customers	# of Customers	737,478 93.17%	54,077 6.83%	791,547 99.4%	1,789 0.2%	2,910 0.4%	78 0.0%	0 0.0%	796,304 100.0%
12	Industrial Customers	# of Customers	- 0.00%	633 100.00%	633 39.5%	148 9.2%	757 47.2%	65 4.1%	0 0.0%	1,603 100.0%
13	Customers, Low Pressure	# of Customers	787,520 83.83%	50,930 6.07%	838,450 99.7%	1,882 0.2%	817 0.1%	0 0.0%	0 0.0%	840,949 100.0%
14	Customers, Regulated Pressure	# of Customers	339,807 82.00%	29,544 8.00%	369,351 99.3%	566 0.2%	2,093 0.6%	78 0.0%	0 0.0%	372,088 100.0%
15	Revenue @ Test Year Rates (excludes EC gas cost/sales tax)	Whole Dollars	\$702,165,050 79.19%	\$184,507,367 20.81%	\$886,672,417 86.9%	\$37,534,174 3.7%	\$69,811,215 6.8%	\$19,865,536 1.9%	\$10,816,391 1.1%	\$1,024,982,133 100.0%

THE EAST OHIO GAS COMPANY dba DOMINION EAST OHIO
CASE NO. 07-0829-GA-AIR
COST OF SERVICE STUDY

Date: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference No: WPE-3.2a-h

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Witness: C. Andrews

ALLOCATION FACTORS

#	Allocator	Basis	GSS/ECTS Details (% of GSS/ECTS)		RATE SCHEDULE				SYSTEM TOTAL	
			Residential	Non-residential	GSS/ECTS	LVGSS/LVECTS	GTS/TSS	DT&I/Off-System		Storage
INPUT ALLOCATORS										
16	Base Rate Revenue (Test Year)	Whole Dollars	\$213,288,368 82.88%	\$44,053,287 17.12%	\$257,319,653 77.0%	\$9,896,536 3.0%	\$41,895,124 12.5%	\$15,081,838 4.5%	\$10,291,548 3.1%	\$354,274,899 100.0%
17	Non-Tax Rider Revenue (Test Year)	Whole Dollars	\$118,714,554 77.98%	\$33,516,405 22.02%	\$152,230,959 86.2%	\$9,824,007 5.4%	\$14,337,592 8.1%	\$431,149 0.2%	\$0 0.0%	\$178,623,705 100.0%
18	Tax-related Rider Revenue (Test Year)	Whole Dollars	\$33,723,600 79.07%	\$8,928,480 20.93%	\$42,652,080 84.3%	\$1,875,137 3.5%	\$2,786,310 5.6%	\$1,173,805 2.4%	\$0 0.0%	\$46,287,331 100.0%
19	Other Revenue (Test Year)	Whole Dollars	\$8,879,496 76.84%	\$2,382,762 21.16%	\$11,262,258 42.6%	\$663,096 2.5%	\$10,792,189 40.8%	\$3,179,146 12.0%	\$686,843 2.2%	\$26,483,533 100.0%
20	Purchased Gas Cost/Revenue (SSO) (Per Staff report)	Whole Dollars	\$327,581,034 77.40%	\$85,626,434 22.60%	\$423,207,468 96.4%	\$15,585,397 3.6%	\$0 0.0%	\$0 0.0%	\$0 0.0%	\$438,892,865 100.0%
21	Non-Gas Cost Revenue (Test Year)	Whole Dollars	\$374,584,016 80.82%	\$88,880,933 19.18%	\$463,464,949 79.1%	\$21,848,777 3.7%	\$69,611,215 11.9%	\$19,865,936 3.4%	\$10,878,391 1.9%	\$585,089,268 100.0%
22	Uncollectible Expense (Test Year) (PIPP + UER)	Whole Dollars	\$95,639,942 77.97%	\$27,018,261 22.03%	\$122,657,303 87.2%	\$7,688,483 5.5%	\$10,297,164 7.3%	\$0 0.0%	\$0 0.0%	\$140,652,949 100.0%
23	PIPP Rider Revenue (Test Year)	Whole Dollars	\$63,167,460 77.97%	\$17,845,011 22.03%	\$81,012,470 87.2%	\$5,084,870 5.5%	\$6,801,012 7.3%	\$0 0.0%	\$0 0.0%	\$92,898,153 100.0%
24	Gas Cost Riders (Test Year)	Whole Dollars	\$23,075,812 76.03%	\$6,498,144 21.97%	\$29,573,956 82.2%	\$1,825,524 5.4%	\$4,040,428 11.2%	\$431,148 1.2%	\$0 0.0%	\$35,970,756 100.0%
25	Revenue @ New Rates (Year 2)	Whole Dollars	\$753,056,582 81.32%	\$172,947,707 18.68%	\$926,004,289 86.9%	\$38,630,627 3.6%	\$89,498,969 8.5%	\$19,504,094 1.8%	\$11,393,972 1.1%	\$1,065,932,942 100.0%
27	Base Rate Revenue @ Year 2 Rates	Whole Dollars	\$260,022,449 89.18%	\$30,395,524 10.84%	\$290,417,973 79.10%	\$10,291,320 2.90%	\$39,467,045 11.13%	\$13,583,247 3.95%	\$10,331,429 2.91%	\$354,501,014 100.0%
28	Gas Cost Rider Revenue (Yr 2 rates)	Whole Dollars	\$21,998,530 78.03%	\$6,194,862 21.97%	\$28,193,392 82.4%	\$1,805,856 5.4%	\$3,736,268 10.9%	\$431,148 1.3%	\$0 0.0%	\$34,196,464 100.0%
29	Non-Tax Related Rider Rev (Year 2)	Whole Dollars	\$64,123,924 77.97%	\$18,060,300 22.03%	\$120,714,224 87.2%	\$7,578,515 6.5%	\$10,133,991 7.3%	\$0 0.0%	\$0 0.0%	\$138,424,730 100.0%
30	Tax Related Rider Revenue (Year 2)	Whole Dollars	\$50,842,001 81.08%	\$11,882,707 18.92%	\$62,704,708 85.1%	\$2,807,831 3.3%	\$5,845,508 7.8%	\$2,040,490 2.8%	\$501,532 0.7%	\$73,700,070 100.0%

THE EAST OHIO GAS COMPANY (d/b/a DOMINION EAST OHIO)
CASE NO. 07-0829-GA-AIR
COST OF SERVICE STUDY

Data: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference Nos.: WPE-3.2a-n

Schedule E-3.2
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Witness: C. Andrews

ALLOCATION FACTORS

#	Allocator	Basis	GSS/ECTS Details (% of GSS/ECTS)		RATE SCHEDULE				SYSTEM TOTAL	
			Residential	Non-residential	GSS/ECTS	LVGSS/VECTS	GTS/TSS	DTS/Off-System		Storage
INTERNALLY GENERATED ALLOCATORS										
31	OBM @ Current Rates	Whole Dollars	\$99,494,668 84.66%	\$18,026,844 15.34%	\$117,521,512 80.7%	\$3,808,153 2.6%	\$13,035,784 8.9%	\$7,525,603 5.2%	\$3,782,358 2.6%	\$145,674,408 100.0%
32	Gross Plant	Whole Dollars	\$1,213,736,249 83.12%	\$246,424,884 16.88%	\$1,460,163,133 76.2%	\$56,576,516 3.0%	\$226,572,082 11.8%	\$134,457,811 7.0%	\$38,361,438 2.0%	\$1,916,133,980 100.0%
33	Other General Plant	Whole Dollars	\$34,046,009 82.80%	\$7,172,397 17.40%	\$41,218,406 75.3%	\$1,075,230 3.1%	\$6,719,117 12.3%	\$3,990,308 7.3%	\$1,138,482 2.1%	\$54,741,994 100.0%
34	Net Plant	Whole Dollars	\$668,940,152 82.75%	\$139,410,514 17.25%	\$808,350,666 75.8%	\$32,376,432 3.0%	\$130,182,051 12.2%	\$78,212,620 7.3%	\$17,984,466 1.7%	\$1,086,786,235 100.0%
35	Rate Base	Whole Dollars	\$897,648,090 82.65%	\$188,478,735 17.35%	\$1,086,126,825 77.3%	\$44,729,750 3.2%	\$161,215,282 11.5%	\$91,240,873 6.5%	\$21,421,790 1.5%	\$1,404,734,309 100.0%

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
CASE NO. 07-8826-GA-AIR
COST OF SERVICE STUDY

Data: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference Nos.:

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Witness: C. Andrews

OPERATING INCOME SUMMARY

AT TEST YEAR RATES

	GSS/ECTS Details			Rate Schedule/Class				
	System Total	Residential	Non-residential	GSS/ECTS	LVGSS/LVECTS	GTS/TSS	DTS/Off-System	Storage
OPERATING REVENUE (\$):								
Base Rate Revenues	\$334,274,699	\$213,296,366	\$44,053,287	\$257,319,653	\$9,886,536	\$41,695,124	\$15,081,838	\$10,291,548
Gas Cost Revenues	\$438,892,865	\$327,581,034	\$96,626,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0
Gas Cost Rider Revenue	\$35,970,756	\$23,075,512	\$6,498,144	\$29,573,656	\$1,925,524	\$4,040,428	\$431,148	\$0
Non-Tax Related Rider Revenue	\$140,652,949	\$95,639,042	\$27,018,261	\$122,657,303	\$7,698,483	\$10,297,164	\$0	\$0
Tax Related Rider Revenue	\$48,287,331	\$33,723,600	\$8,928,480	\$42,652,080	\$1,675,137	\$2,786,310	\$1,173,805	\$0
Other Revenue	<u>\$26,483,533</u>	<u>\$8,879,496</u>	<u>\$2,382,762</u>	<u>\$11,282,258</u>	<u>\$663,096</u>	<u>\$10,792,189</u>	<u>\$3,179,146</u>	<u>\$586,843</u>
TOTAL OPERATING REVENUE	\$1,024,562,133	\$702,165,050	\$184,507,367	\$888,872,417	\$37,534,174	\$69,611,216	\$19,865,936	\$10,878,391
OPERATING EXPENSES (\$)								
Gas Cost	\$438,892,865	\$327,581,034	\$86,626,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0
Gas Cost Related Riders	\$35,970,756	\$23,075,512	\$6,498,144	\$29,573,656	\$1,925,524	\$4,040,428	\$431,148	\$0
Non-Tax Related Rider Expense	\$140,652,949	\$95,639,042	\$27,018,261	\$122,657,303	\$7,698,483	\$10,297,164	\$0	\$0
Other Operation and Maintenance Expense	\$145,674,408	\$98,494,668	\$18,026,844	\$117,521,512	\$3,809,153	\$13,035,784	\$7,525,603	\$3,782,358
Depreciation Expense	\$48,908,074	\$38,432,720	\$5,222,306	\$41,655,026	\$948,000	\$3,906,448	\$2,303,403	\$95,196
Tax-Related Rider Expense	\$48,287,331	\$33,723,600	\$8,928,480	\$42,652,080	\$1,675,137	\$2,786,310	\$1,173,805	\$0
Other Taxes	\$47,861,485	\$30,539,231	\$6,673,593	\$37,212,824	\$1,564,922	\$5,416,605	\$2,438,782	\$926,351
Federal Income Taxes	<u>\$25,428,810</u>	<u>\$9,298,254</u>	<u>\$1,710,890</u>	<u>\$13,009,144</u>	<u>\$1,004,853</u>	<u>\$8,642,166</u>	<u>\$968,826</u>	<u>\$1,804,021</u>
TOTAL OPERATING EXPENSES	\$931,376,668	\$655,784,061	\$171,704,951	\$827,489,011	\$34,311,270	\$48,126,905	\$14,841,575	\$6,607,926
NET OPERATING INCOME	\$93,185,445	\$46,380,989	\$12,802,416	\$69,183,405	\$3,222,904	\$21,484,310	\$5,024,361	\$4,270,465
RATE BASE	\$1,404,734,309	\$897,648,090	\$188,478,735	\$1,085,126,825	\$44,729,750	\$161,215,282	\$91,240,673	\$21,421,780
RATE OF RETURN - AT CURRENT RATES	6.63%	6.17%	6.79%	5.45%	7.21%	13.33%	5.51%	19.94%
RECOMMENDED RATE OF RETURN	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%	8.72%
REVENUE CONVERSION FACTOR	1.61518	1.61518	1.61518	1.61518	1.61518	1.61518	1.61518	1.61518
REVENUE DEFICIENCY	\$47,336,793	\$51,514,524	\$5,867,846	\$57,382,370	\$1,094,334	(\$11,994,893)	\$4,735,435	(\$3,880,454)

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
CASE NO. 07-0828-GA-AIR
COST OF SERVICE STUDY

Data: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference Nos.:

Schedule E-3.2
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OPERATING INCOME SUMMARY

AT NEW RATES (YEAR 2)

System Total	GSS/ECTS Details		Rate Schedule/Class					
	Residential	Non-residential	GSS/ECTS	LVGSS/LVECTS	GTS/TSS	DTS/Off-System	Storage	
OPERATING REVENUE (\$)								
Base Rate Revenues (Year 2 Rates)	\$354,501,014	\$250,022,449	\$30,395,524	\$280,417,973	\$10,291,320	\$39,467,045	\$13,993,247	\$10,331,429
Gas Cost Revenues (per Staff Report)	\$438,892,865	\$327,581,034	\$95,626,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0
Gas Cost Rider Revenue	\$34,196,464	\$21,998,530	\$6,194,862	\$28,193,392	\$1,835,656	\$3,736,268	\$431,148	\$0
Non-Tax Related Rider Revenue	\$138,424,730	\$94,123,924	\$26,590,300	\$120,714,224	\$7,576,515	\$10,133,991	\$0	\$0
Tax Related Rider Revenue	\$73,700,070	\$50,842,001	\$11,862,707	\$62,704,708	\$2,607,831	\$5,845,508	\$2,040,490	\$501,532
Other Revenue	\$25,317,800	\$8,488,645	\$2,277,879	\$10,788,524	\$633,909	\$10,317,147	\$3,039,209	\$561,012
TOTAL OPERATING REVENUE	\$1,065,032,942	\$753,056,582	\$172,947,707	\$928,004,289	\$38,630,627	\$69,499,969	\$19,504,094	\$11,393,972
OPERATING EXPENSES (\$)								
Gas Cost	\$438,892,865	\$327,581,034	\$95,626,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0
Gas Cost Related Riders	\$34,196,464	\$21,998,530	\$6,194,862	\$28,193,392	\$1,835,656	\$3,736,268	\$431,148	\$0
Non-Tax Related Rider Expense	\$138,424,730	\$94,123,924	\$26,590,300	\$120,714,224	\$7,576,515	\$10,133,991	\$0	\$0
Other Operation and Maintenance Expense	\$145,674,408	\$99,761,342	\$17,808,761	\$117,571,123	\$3,804,705	\$13,002,835	\$7,512,398	\$3,783,347
Depreciation Expense	\$48,908,074	\$36,432,720	\$5,222,306	\$41,655,028	\$948,000	\$3,906,449	\$2,303,403	\$95,196
Tax-Related Rider Expense	\$73,700,070	\$50,842,001	\$11,862,707	\$62,704,708	\$2,607,831	\$5,845,508	\$2,040,490	\$501,532
Other Taxes (Excludes GRT)	\$26,726,677	\$17,267,261	\$3,488,063	\$20,735,324	\$788,771	\$2,935,605	\$1,729,419	\$539,558
Federal Income Taxes	\$39,392,200	\$28,577,939	\$91,872	\$26,689,810	\$1,410,021	\$8,576,556	\$791,743	\$1,943,970
TOTAL OPERATING EXPENSES	\$945,915,486	\$674,584,750	\$166,866,325	\$841,451,075	\$34,654,897	\$48,137,311	\$14,806,601	\$6,863,603
NET OPERATING INCOME	\$119,117,456	\$78,471,832	\$6,081,382	\$84,553,214	\$3,975,731	\$21,362,648	\$4,695,493	\$4,530,370
RATE BASE	\$1,404,734,309	\$897,648,090	\$188,478,735	\$1,086,126,825	\$44,729,750	\$161,215,262	\$91,240,673	\$21,421,780
RATE OF RETURN - AT PROPOSED RATES	8.48%	8.74%	3.23%	7.785%	8.89%	13.25%	5.15%	21.15%
GROSS RECEIPTS TAX RIDER RATE	4.6044%							

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
CASE NO 07-0829-GA-AIR
COST OF SERVICE STUDY

Data: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference Nos:

Schedule E-3.2
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Witness: C. Andrews

OPERATING INCOME SUMMARY

Item	GSS/ECTS Details			Rate Schedule/Class				
	System Total	Residential	Non-residential	GSS/ECTS	LVGSS/LVECTS	GTS/TSS	DTS/Off-System	Storage
YEAR 2 RATES vs. TEST YEAR RATES								
OPERATING REVENUE (\$)								
Base Rate Revenues	\$20,226,315	\$36,756,083	(\$13,857,783)	\$23,048,320	\$404,783	(\$2,228,078)	(\$1,084,591)	\$38,861
Gas Cost Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gas Cost Rider Revenue	(\$1,774,282)	(\$1,076,982)	(\$303,282)	(\$1,380,264)	(\$89,868)	(\$304,160)	\$0	\$0
Non-Tax Related Rider Revenue	(\$2,228,220)	(\$1,515,118)	(\$427,961)	(\$1,943,079)	(\$121,968)	(\$163,173)	\$0	\$0
Tax Related Rider Revenue	\$25,412,739	\$17,118,401	\$2,934,227	\$20,052,629	\$932,694	\$3,059,198	\$866,686	\$501,532
Other Revenue	(\$1,165,733)	(\$380,851)	(\$104,883)	(\$495,734)	(\$29,188)	(\$475,043)	(\$139,937)	(\$25,831)
TOTAL OPERATING REVENUE	\$40,470,809	\$50,891,533	(\$11,559,660)	\$39,331,872	\$1,096,453	(\$111,256)	(\$361,842)	\$515,581
% CHANGE FROM TEST YEAR RATES	4.0%	7.2%	-5.3%	4.4%	2.8%	-0.2%	-1.8%	4.7%
OPERATING EXPENSES (\$)								
Gas Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gas Cost Related Riders	(\$1,774,282)	(\$1,076,982)	(\$303,282)	(\$1,380,264)	(\$89,868)	(\$304,160)	\$0	\$0
Non-Tax Related Rider Expense	(\$2,228,220)	(\$1,515,118)	(\$427,961)	(\$1,943,079)	(\$121,968)	(\$163,173)	\$0	\$0
Other Operation and Maintenance Expense	(\$0)	\$256,674	(\$217,063)	\$49,611	(\$4,447)	(\$32,948)	(\$13,204)	\$889
Depreciation Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax-Related Rider Expense	\$25,412,739	\$17,118,401	\$2,934,227	\$20,052,629	\$932,694	\$3,059,198	\$866,686	\$501,532
Other Taxes (Excludes GRT)	(\$20,634,818)	(\$13,271,970)	(\$3,206,530)	(\$16,477,200)	(\$778,151)	(\$2,483,001)	(\$708,373)	(\$396,793)
Federal Income Taxes	\$13,983,390	\$17,279,685	(\$3,619,018)	\$13,880,656	\$405,368	(\$65,510)	(\$177,053)	\$139,949
TOTAL OPERATING EXPENSES	\$14,538,798	\$18,800,669	(\$4,838,626)	\$13,962,063	\$343,627	\$10,406	(\$32,975)	\$255,676
NET OPERATING INCOME	\$25,932,010	\$32,090,863	(\$6,721,034)	\$25,369,809	\$752,826	(\$121,862)	(\$328,866)	\$259,905
Revenue Sharing Impact (Allocated on PIPP Rider Revenue)	(\$11,021,795)	(\$7,494,431)	(\$2,117,201)	(\$9,611,632)	(\$800,265)	(\$806,898)	\$0	\$0
Migration Rider & Credit Impact (Allocated on SSO/Choice Volumes)	(\$1,071,485)	(\$788,131)	(\$222,084)	(\$1,008,216)	(\$63,280)	\$0.00	\$0.00	\$0.00
Net Change in Total Operating Revenue	\$28,377,519	\$42,610,971	(\$13,898,946)	\$28,712,036	\$429,909	(\$918,154)	(\$361,842)	\$515,581
% CHANGE FROM CURRENT RATES	2.8%	6.1%	-7.5%	3.2%	1.1%	-1.3%	-1.8%	4.7%
Impact per Customer Per Month		\$9.15	(\$14.39)	\$1.98	\$15.64	(\$26.29)	(\$386.58)	
Impact per MCF		\$0.38	(\$0.12)	\$0.20	\$0.05	(\$0.02)	(\$0.01)	

THE EAST OHIO GAS COMPANY (R) & DOMINION EAST OHIO
CASE NO. 07-0829-GA-AIR
COST OF SERVICE STUDY

Date: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference Nos.:

Schedule E-3.2
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Witness: C. Andrews

SUMMARY OF OTHER O&M EXPENSES

Account Item	GSS/ECTS Details			RATE SCHEDULES				
	SYSTEM TOTAL	Residential	Non-residential	GSS/ECTS	LVGSS/LVECTS	GTS/TSS/FRTS	DTS/Off-System	Storage
AT TEST YEAR RATES								
750-760 Production & Gathering	\$3,346,288	\$744,086	\$210,207	\$654,293	\$59,885	\$1,809,389	\$522,711	\$0
814-837 Storage	\$8,303,903	\$3,855,554	\$1,101,822	\$4,957,476	\$280,567	\$125,305	\$0	\$2,930,565
850-867 Transmission	\$7,699,707	\$4,263,689	\$1,217,908	\$5,481,597	\$322,341	\$1,108,113	\$787,656	\$0
870-894 Distribution	\$82,854,562	\$41,117,993	\$8,554,581	\$49,672,574	\$1,997,231	\$6,645,877	\$4,538,879	\$0
901-905 Customer Accounts	\$25,441,735	\$23,517,181	\$1,678,769	\$25,195,950	\$40,972	\$157,338	\$31,185	\$16,298
907-910 Customer Service & Information	\$9,414,016	\$6,451,725	\$1,895,315	\$8,147,040	\$344,876	\$698,611	\$182,535	\$99,954
911-916 Sales	\$482,939	\$330,973	\$86,870	\$417,943	\$17,692	\$32,812	\$9,364	\$5,128
920-935 Administrative & General	\$28,131,258	\$18,219,466	\$3,481,173	\$22,694,638	\$735,567	\$2,517,347	\$1,455,273	\$730,413
TOTAL O & M @ CURRENT RATES:	\$146,674,408	\$99,494,668	\$18,026,844	\$117,521,512	\$3,609,153	\$13,035,784	\$7,525,803	\$3,782,356
AT NEW RATES (YEAR 2 RATES)								
760-768 Production	\$3,346,288	\$744,086	\$210,207	\$654,293	\$59,885	\$1,809,389	\$522,711	\$0
813 Other Gas Supply Expense	\$2,845,787	0	0	0	0	0	0	\$2,845,787
814-837 Storage	\$8,303,903	\$3,855,554	\$1,101,822	\$4,957,476	\$280,567	\$125,305	\$0	\$2,930,565
850-867 Transmission	\$7,699,707	\$4,263,689	\$1,217,908	\$5,481,597	\$322,341	\$1,108,113	\$787,656	\$0
870-894 Distribution	\$82,854,562	\$41,117,993	\$8,554,581	\$49,672,574	\$1,997,231	\$6,645,877	\$4,538,879	\$0
901-905 Customer Accounts	\$25,441,735	\$23,517,181	\$1,678,769	\$25,195,950	\$40,972	\$157,338	\$31,185	\$16,298
907-910 Customer Service & Information	\$9,414,016	\$6,656,401	\$1,528,716	\$8,185,117	\$541,463	\$614,323	\$172,400	\$100,713
911-916 Sales	\$482,939	\$341,473	\$78,423	\$419,896	\$17,517	\$31,515	\$8,844	\$5,167
920-935 Administrative & General	\$28,131,258	\$19,254,963	\$3,439,256	\$22,704,218	\$734,729	\$2,510,984	\$1,450,723	\$730,604
TOTAL O & M @ PROPOSED RATES:	\$148,520,195	\$99,761,342	\$17,809,761	\$117,571,123	\$3,804,706	\$13,002,635	\$7,512,398	\$6,629,134
DIFFERENCE	\$2,845,787	\$266,674	-\$217,063	\$49,611	-\$4,447	-\$32,948	-\$13,204	\$2,846,776

THE EAST OHIO GAS COMPANY aka DOMINION EAST OHIO
CASE NO. 67428-CALAR
COST OF SERVICE STUDY

Worksheet E-3.2
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Worksheet C - Expenses

Date: 3 Months Actual & 9 Months Estimated
Type of Policy: Renewal
Work Paper Reference File:

OTHER O&M EXPENSE DETAILS

Account Item	GSSJECTS Debit		RATE SCHEDULES		DISTRIBUTION SYSTEM		Storage
	Residential	Non-residential	LVSSS/VECTS	OT/TS/SPRFS	OT/TS/SPRFS	Storage	

AT NEW YEAR 2 RATES

750-786 Production & Gathering	\$3,346,288	\$216,207	\$58,893	\$1,869,389	\$522,711	\$0	\$0	9 Gathering Throughput	80	Applicable only to Storage Costs
813 Other Gas Supply Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	7 Winter Storage Requirements	80	Applicable only to Storage Costs
814-837 Storage	\$437,045	\$0	\$0	\$0	\$0	\$0	\$0	8 Except Peak Storage Requirements	80	Applicable only to Storage Costs
Other Gas Supply Expenses	\$2,604,820	\$365,262	\$1,650,235	\$40,191	\$0	\$0	\$0	1 Total Throughput	80	Customer Related
Commodity Related (33.113%)	\$5,291,896	\$735,860	\$3,907,241	\$76,175	\$0	\$0	\$0	6 Except Peak Day Recoverments	80	Customer Related
Capacity Related (66.887%)	\$3,393,903	\$1,071,822	\$4,867,476	\$125,365	\$0	\$0	\$0	12 Firm Btu's, 66.3 - Number of Customers	80	Customer Related
Total Storage	\$3,393,903	\$1,071,822	\$4,867,476	\$125,365	\$0	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
850-867 Transmission	\$2,565,148	\$316,777	\$1,436,099	\$421,338	\$605,469	\$0	\$0	12 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Commodity Related (33.165%)	\$2,194,959	\$261,131	\$943,456	\$282,207	\$292,207	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Capacity Related (66.835%)	\$7,689,707	\$1,211,908	\$6,481,687	\$1,066,133	\$277,665	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
870-884 Distribution	\$18,720,961	\$1,109,284	\$16,646,785	\$20,987	\$1,075	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Customer Related	\$391,726	\$136,892	\$136,892	\$32,474	\$14,262	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Customer Related-Transmission	\$409,785	\$0	\$0	\$0	\$0	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Commodity Related (33.183%)	\$13,828,792	\$6,756,974	\$8,627,846	\$64,488	\$3,032,264	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Capacity Related (66.817%)	\$30,862,958	\$5,606,013	\$24,257,451	\$1,392,362	\$1,692,969	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Total Distribution	\$32,264,588	\$4,544,881	\$40,672,574	\$1,967,231	\$4,546,878	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
901-905 Customer Accounts	\$22,105,646	\$1,466,721	\$22,013,414	\$40,872	\$1,422	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
902-903 Meter Reading/ Customer Records	\$150,356	\$0	\$0	\$0	\$0	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
904 Unavailable Accounts - Non Tracker	\$0	\$0	\$0	\$0	\$0	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
AMR Dependent Expenses	\$3,182,538	\$212,048	\$3,162,630	\$0	\$0	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
DSM programs, Deposits	\$25,451,735	\$1,674,769	\$25,186,890	\$40,872	\$31,186	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Total Customer Accounts	\$49,414,016	\$4,656,461	\$48,185,117	\$341,463	\$172,400	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
907-910 Customer Service & Information	\$462,938	\$76,423	\$419,836	\$17,517	\$8,644	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
911-916 Sales	\$800,857	\$50,508	\$226,340	\$16,335	\$125,096	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
920-935 Administrative & Control	\$1,887,246	\$282,720	\$1,196,458	\$68,538	\$125,096	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Storage Related	\$1,842,748	\$209,475	\$1,151,895	\$77,145	\$125,096	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Transmission Related	\$23,300,303	\$17,145,728	\$19,877,477	\$573,711	\$1,137,117	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Distribution Related	\$28,151,258	\$18,394,963	\$25,194,218	\$754,729	\$1,450,723	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
Total Administrative & General	\$145,674,408	\$98,781,342	\$117,571,133	\$3,894,795	\$7,542,396	\$0	\$0	10 Firm Btu's, 86.3 - Number of Customers	80	Customer Related
TOTAL OTHER O & M EXPENSES (AT PROPOSED RATES)										

Subschedules

80

9

7

6

1

6

Customer Related

10

15

10

26

26

Collection @

Production Share of O&M

Storage Share of O&M

Transmission Share of O&M

Dist. + Customer Info/ Sales Share of O&M

THE EAST OHIO GAS COMPANY AND DOMINION EAST OHIO
CASE NO. 07-8029-GA-AIR
COST OF SERVICE STUDY

Schedule E-3.2
Page 10 of 18
Witness: C. Andrews

Days: 3 Months Actual & 9 Months Estimated
Type of Plant: Renewed
Plant Paper Reference No.:

DEPRECIATION EXPENSE

ITEM	GSSJECTS Details		RATE SCHEDULES		Storage
	Residential	Non-Residential	LYGSS/LVJECTS	GT15TSS/PRTS	
SYSTEM TOTAL					
PRODUCTION	\$1,142,307	\$7,757	\$265,753	\$617,583	\$0
Capacity Related	\$1,142,307	\$7,757	\$265,753	\$617,583	\$0
TOTAL PRODUCTION DEPRECIATION					
STORAGE	\$615	\$86	\$23	\$72	\$0
Commodity Related (33.112%)	\$1,243	\$174	\$48	\$18	\$0
Capacity Related (66.887%)	\$1,858	\$428	\$117	\$30	\$0
TOTAL STORAGE DEPRECIATION					
TRANSMISSION	\$66,560	\$12,280	\$65,523	\$20,128	\$0
Commodity Related (33.189%)	\$188,623	\$34,701	\$156,113	\$22,654	\$0
Capacity Related (66.810%)	\$297,273	\$47,021	\$211,435	\$42,762	\$0
TOTAL TRANSMISSION DEPRECIATION					
DISTRIBUTION	\$549,382	\$36,446	\$585,828	\$1,238	\$0
Customer: Services, All Pressures	\$7,088,344	\$465,563	\$7,888,494	\$7,470	\$35
Customer: Services, Low Pressure	\$6,120,308	\$485,076	\$6,075,564	\$34,428	\$0
Customer: Services, Regulation Pres.	\$4,000,806	\$268,428	\$3,953,358	\$9,587	\$0
Customer: Meters & Regulators	\$386,733	\$73,343	\$273,343	\$87,711	\$0
Customer Related, Industrial	\$4,907,857	\$608,422	\$5,273,364	\$87,711	\$0
Commodity Related (33.189%)	\$8,851,124	\$1,783,189	\$7,765,322	\$1,127,014	\$0
Capacity Related (66.810%)	\$13,374,463	\$3,868,085	\$13,874,282	\$2,248,870	\$0
TOTAL DISTRIBUTION DEPRECIATION					
SUBTOTAL DEPRECIATION	\$34,772,316	\$3,784,617	\$38,419,509	\$2,924,285	\$-389
GENERAL PLANT	\$4,777,079	\$316,816	\$4,795,469	\$11,460	\$0
Customer Related, General Plant	\$196,159	\$9,008	\$205,167	\$84,227	\$0
Production Related	\$0	\$0	\$0	\$0	\$0
Storage Related	\$40,634	\$6,427	\$47,061	\$3,848	\$0
Transmission Related	\$4,530,286	\$243,381	\$4,773,667	\$310,128	\$0
Depreciation Related	\$753,164	\$51,344	\$804,508	\$400,401	\$0
Sub-Total Other General Plant	\$8,957,242	\$354,260	\$9,311,502	\$411,481	\$0
TOTAL GENERAL PLANT DEPRECIATION					
INTANGIBLE PLANT DEPR.	\$4,665,594	\$5,487,848	\$146,943	\$385,388	\$365,785
TOTAL DEPRECIATION EXPENSE	\$48,908,074	\$4,222,308	\$53,655,028	\$3,906,449	\$95,195

Allocation Basis

9 Gaming Throughout

7 Water Storage Reservoirs

8 Excess Peak Storage Requirements

1 Total Throughput

4 Excess Peak Day Requirements

10 % of Customers

13 % of Customers, Low Pressure

14 % of Customers, Regulated Pressure

10 % of Customers

12 Industrial Customers

1 Total Throughput

6 Excess Peak Day Requirements

10 % of Customers

Production Share of Plant

Set to zero

Transmission Share of Plant

Dist. Customer/Industrial Share of Plant

Sub Total

33 Other General Plant

THE EAST OHIO GAS COMPANY GUBB DOMINION EAST OHIO
CASE NO. 07-42260-001
COURT OF SERVICE STUDY

Schedule E-3.2
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Witness: C. Andrews

Date: 3 Months Actual & 9 Months Estimated
Type of Filing: Renewal
Work Paper Reference No.:

RATE BASE SUMMARY

ITEM	DSREJECTS Details		GSSREJECTS	LVGSSREJECTS	RATE SCHEDULES		DTSCOR-System	Storage	# ALLEGATIONS/ISSUES
	Residential	Nonresidential			GT/ST/SS/RTS	GT/ST/SS/RTS			
TOTAL GAS PLANT IN SERVICE	\$1,916,133,980	\$1,213,736,249	\$1,463,163,133	\$36,575,516	\$246,572,682	\$1,644,875,711	\$38,381,439	See page 13	
TOTAL DEPRECIATION RESERVE	-\$449,347,745	-\$441,758,097	-\$851,812,467	-\$24,203,083	-\$98,410,031	-\$58,245,191	-\$50,676,973	See page 14	
TOTAL NET CHUP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A	
TOTAL WORKING CAPITAL	\$131,648,175	\$96,183,254	\$126,751,091	\$9,286,790	\$6,687,805	-\$1,431,480	-\$386,052	See page 16	
LESS: RATE BASE DEDUCTIONS	\$205,059,859	\$130,524,683	\$157,025,058	\$6,084,527	\$24,365,428	\$14,456,512	\$4,125,366	See Gross Plant	
TOTAL RATE BASE	\$1,401,734,300	\$637,448,099	\$1,065,125,825	\$44,728,760	\$161,215,282	\$91,240,673	\$21,421,789		

THE EAST OHIO GAS COMPANY AND COMMONWEALTH OF OHIO
CASE NO. 07-20-0000-A-JWK
COST OF SERVICE STUDY

Schedule E-3.2
Page 13 of 18
Witness: C. Arpines

Date: 3 Months Actuals @ 9 Months Estimated
Typical Plant: Replaced
When Paper Replaces No.:

ITEM	GSS SUBJECTS Details		RATE SCHEDULES		DTEK/OT-System	Storage	Allocation Status
	Residential	Non-Residential	LYGSS SUBJECTS	ST-SS SUBJECTS			
GAS PLANT IN SERVICE							
PRODUCION PLANT							
STORAGE							
Commodity Retained (33.113%)	\$18,685,446	\$4,330,153	\$14,414,067	\$7,4390	\$0	\$11,784,339	7 Winter Storage Requirements
Capacity Retained (68.887%)	\$37,424,892	\$10,705,291	\$48,126,783	\$1,108,355	\$0	\$45,524,471	8 Excess Peak Storage Requirements
TOTAL STORAGE PLANT	\$56,110,338	\$15,035,444	\$72,145,401	\$5,228,435	\$0	\$57,308,810	
GAS STORED UNDERGROUND							
Commodity Retained (33.113%)	\$40,455,686	\$9,498,178	\$30,957,508	\$0	\$0	\$0	7 Winter Storage Requirements
Capacity Retained (68.887%)	\$82,232,270	\$24,469,048	\$106,701,369	\$0	\$0	\$0	8 Excess Peak Storage Requirements
TOTAL GAS STORED UNDERGROUND	\$122,687,956	\$33,967,226	\$156,658,877	\$0	\$0	\$0	
TRANSMISSION							
Commodity Retained (33.113%)	\$48,363,666	\$12,455,686	\$35,907,980	\$14,190,516	\$13,719,251	\$0	1 Total Throughput
Capacity Retained (68.887%)	\$139,877,117	\$44,469,048	\$184,346,165	\$15,926,628	\$7,659,948	\$0	6 Excess Peak Day Requirements
TOTAL TRANSMISSION PLANT	\$188,240,783	\$57,924,734	\$246,165,515	\$29,117,144	\$21,379,199	\$0	
DISTRIBUTION							
Customer Services, All Pressures	\$13,734,241	\$31,162	\$13,875,257	\$32,449	\$983	\$0	10 of Customers
Customer Services, Low Pressure	\$134,429,086	\$6,141,299	\$140,570,385	\$268,874	\$0	\$0	13 of Customers, Low Pressure
Customer Services, Regulated Pres.	\$153,014,852	\$12,149,386	\$165,164,238	\$232,758	\$32,076	\$0	14 of Customers, Regulated Pressure
Customer: Heaters & Pigeons	\$7,208,172	\$0	\$7,208,172	\$0	\$0	\$0	10 of Customers
Customer: Heaters, Insulation	\$298,147,572	\$12,963,843	\$311,111,415	\$60,441	\$3,343	\$0	12 Industrial Customers
Commodity Retained (33.113%)	\$388,286,387	\$25,127,104	\$413,413,491	\$10,491,451	\$36,382,782	\$0	1 Total Throughput
Capacity Retained (68.887%)	\$1,330,545,150	\$353,142,786	\$1,683,688,162	\$32,792,919	\$42,708,422	\$0	6 Excess Peak Day Requirements
TOTAL DISTRIBUTION PLANT	\$1,718,831,537	\$379,269,859	\$2,098,101,396	\$43,284,370	\$79,124,603	\$0	
TOTAL P, S, T & O PLANT	\$3,174,983,421	\$1,065,167,554	\$4,240,150,975	\$13,313,777,513	\$127,165,357	\$58,237,811	
GENERAL PLANT							
Customer Related General Plant	\$71,620,349	\$4,739,362	\$76,359,711	\$17,373	\$4,865	\$0	10 of Customers
Other General Plant	\$2,946,947	\$433,346	\$3,380,293	\$30,953	\$449,031	\$0	Allocation % of General Plant
Storage Related	\$3,591,854	\$178,828	\$3,770,682	\$57,212	\$0	\$1,136,462	Storage Share of Plant
Storage Gas Related	\$0	\$0	\$0	\$0	\$0	\$0	Storage Gas Share of Plant
Transmission Related	\$4,256,265	\$1,027,138	\$5,283,403	\$774,687	\$270,147	\$0	Transmission Share of Plant
Distribution Related	\$41,744,473	\$4,482,218	\$46,226,691	\$1,277,089	\$2,374,630	\$0	Dist. Customer Related Share of Plant
Sub-Total Other General Plant	\$54,141,294	\$7,172,397	\$61,313,691	\$1,827,557	\$2,644,813	\$1,136,462	
TOTAL GENERAL PLANT	\$126,365,923	\$11,662,179	\$138,028,102	\$5,518,951	\$3,277,961	\$2,272,922	
CUSTOMER SOFTWARE/IT/PLANT							
Customer Software/IT/Plant	\$4,383,636	\$27,864,723	\$5,648,359	\$1,746,009	\$3,277,961	\$28,161,426	
TOTAL PLANT	\$1,916,133,999	\$1,273,758,248	\$3,189,892,247	\$28,572,482	\$174,487,811	\$58,504,733	

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
CASE NO. 07-025-GA-MR
COST OF SERVICE STUDY

Date: 9 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference No.:

Schedule E 3.1
Page 15 of 16
Witness: C. Andrews

NET PLANT IN SERVICE

Account Item	SYSTEM TOTAL	GSSJECTS Details		RATE SCHEDULES				
		Residential	Non-residential	GSSJECTS	LVGSS/LVECTS	GTS/TSS/FRYS	OTS/OFF-System	Storage
325-339 PRODUCTION								
NET PRODUCTION PLANT	\$54,501,516	\$12,119,050	\$3,423,671	\$16,542,721	\$975,524	\$29,469,799	\$8,513,472	\$0
350-358 STORAGE								
Commodity Related (33.113%)	\$19,328,703	\$9,527,177	\$2,717,691	\$12,244,868	\$720,987	\$364,553	\$0	\$5,998,296
Capacity Related (66.887%)	\$39,043,981	\$19,081,327	\$5,456,654	\$24,539,982	\$1,434,970	\$565,222	\$0	\$12,503,808
TOTAL STORAGE PLANT	\$58,372,684	\$28,608,506	\$8,176,345	\$36,784,850	\$2,155,957	\$929,774	\$0	\$18,502,103
117 GAS STORED UNDERGROUND								
Commodity Related (33.113%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Related (66.887%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL GAS STORED UNDERGROUND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
365-372 TRANSMISSION								
Commodity Related (33.185%)	\$35,588,505	\$15,617,953	\$4,412,122	\$20,030,075	\$1,267,168	\$7,261,282	\$7,039,680	\$0
Capacity Related (66.815%)	\$71,654,239	\$43,767,384	\$12,551,090	\$56,318,485	\$3,232,447	\$9,172,687	\$3,930,621	\$0
TOTAL TRANSMISSION PLANT	\$107,242,744	\$59,385,347	\$16,963,212	\$76,348,559	\$4,499,616	\$16,433,969	\$10,970,301	\$0
374-388 DISTRIBUTION								
Customer Services, All Pressures	\$2,848,011	\$2,848,544	\$189,066	\$2,837,610	\$5,281	\$8,837	\$183	\$0
Customer Services, Low Pressure	\$52,056,547	\$48,751,041	\$3,182,807	\$51,803,848	\$104,123	\$50,576	\$0	\$0
Customer Services, Regulated Pres.	\$82,815,817	\$84,783,493	\$7,389,591	\$92,133,084	\$141,186	\$522,090	\$19,457	\$0
Customer Meters & Regulators	\$104,445,322	\$97,065,490	\$5,629,000	\$103,994,490	\$193,558	\$250,558	\$6,716	\$0
Customer Related, Industrial	\$3,683,986	\$0	\$1,454,749	\$1,454,748	\$340,131	\$1,739,724	\$149,382	\$0
Commodity Related (33.185%)	\$197,204,882	\$96,542,928	\$24,448,656	\$110,991,585	\$6,966,280	\$40,238,563	\$38,010,284	\$0
Capacity Related (66.815%)	\$397,053,814	\$242,525,926	\$59,548,688	\$312,074,614	\$17,911,788	\$45,286,873	\$21,780,536	\$0
TOTAL DISTRIBUTION PLANT	\$594,112,079	\$562,297,423	\$113,082,556	\$675,389,979	\$25,662,349	\$88,093,210	\$60,966,641	\$0
NET P, S, T & D PLANT	\$1,070,229,023	\$662,410,325	\$141,655,784	\$804,088,109	\$33,283,446	\$133,826,752	\$80,450,613	\$18,502,103
389-399 GENERAL PLANT								
Customer Related General Plant	\$28,626,259	\$26,803,803	\$1,899,083	\$28,502,896	\$68,050	\$68,673	\$1,841	\$0
Other General Plant:								
Production Related	\$1,392,719	\$308,687	\$87,488	\$397,175	\$24,828	\$753,084	\$217,551	\$0
Storage Related	\$1,340,849	\$657,151	\$187,815	\$844,989	\$49,523	\$21,357	\$0	\$425,002
Storage Gas Related	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transmission Related	\$2,475,154	\$1,370,609	\$391,510	\$1,762,118	\$103,820	\$366,215	\$253,201	\$0
Distribution Related	\$22,471,459	\$14,749,282	\$3,017,343	\$17,766,605	\$90,349	\$2,368,762	\$1,844,750	\$0
Sub-Total Other General Plant	\$27,880,181	\$17,086,710	\$3,684,154	\$20,770,864	\$688,414	\$3,500,398	\$2,115,502	\$425,002
TOTAL GENERAL PLANT	\$56,506,440	\$43,890,313	\$5,583,247	\$49,273,660	\$621,465	\$3,569,071	\$2,117,342	\$425,002
303 NET INTANGIBLE PLANT	\$16,883,167	\$10,487,892	\$2,205,481	\$12,897,363	\$616,056	\$2,069,828	\$1,229,217	\$300,713
108 OTHER RESERVES	-\$78,812,394	-\$47,648,378	-\$10,037,978	-\$57,686,366	-\$2,344,533	-\$9,403,599	-\$5,584,552	-\$1,593,353
NET PLANT	\$1,066,786,235	\$688,940,152	\$139,410,514	\$806,350,666	\$32,376,432	\$130,162,051	\$78,212,820	\$17,684,466

THE EAST OHIO GAS COMPANY cdba DOMINION EAST OHIO
CASE NO. 07-9403-44-AMR
COST OF SERVICE STUDY

Schedule E-3.2
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Witness: C. Andrews

Date: 3 Months Actual & 5 Months Estimated
Type of Filing: Revised
Work Paper Reference No.:

WORKING CAPITAL ALLOWANCE

Item	Residential	Nonresidential	GSSPECTS	LVGSSALVECTS	GTSPECTS	DISOR System	Storage
CASH COMPONENTS							
Operating Reserves	\$22,854,792	\$24,346,828	\$117,001,620	\$4,982,854	\$6,184,608	\$2,827,427	\$1,435,467
Prepaid Gas Costs Expense	(624,620,048)	(810,401,012)	(448,035,058)	(51,706,056)	(50)	50	50
Uncollectible Expense	(54,708,158)	(51,258,500)	(56,003,655)	(377,822)	(504,690)	50	50
Other O&M Expense	(11,821,643)	(53,251,380)	(271,136,611)	(687,032)	(22,251,102)	(51,357,345)	(\$602,200)
Federal Income Taxes	(51,821,643)	(52,007,043)	(22,128,098)	(514,346)	(514,821,724)	(51,564,483)	(\$265,100)
Other Taxes	(54,859,022)	(54,328,447)	(27,308,269)	(51,157,571)	(51,354,229)	(5813,618)	(\$688,220)
Capital Structure Items	(54,859,022)	(51,430,238)	(58,408,997)	(509,801)	50	50	50
Supplier Allowance	(311,097,481)	(31,681,223)	(7,632,395)	\$479,040	(3448,461)	(51,511,593)	(\$411,029)
TOTAL CASH COMPONENT	\$11,830,460	\$4,082,423	\$13,267,337	\$1,001,258	\$1,161,553	\$2,827,427	\$1,435,467
AVERAGE MONTHLY BALANCES							
Materials & Supplies	\$785,966	\$147,365	\$874,561	\$33,898	\$135,705	\$80,533	\$22,976
Gas Stored Underground	\$23,183,286	50	\$23,183,286	50	50	50	50
PiPP Working Capital Component	\$63,083,386	\$18,967,818	\$63,385,914	\$5,233,628	\$7,000,653	\$60,538	\$22,976
TOTAL AVERAGE MONTHLY BALANCES:	\$119,990,795	\$18,915,114	\$107,443,794	\$5,267,524	\$7,186,887	\$60,538	\$22,976
TOTAL WORKING CAPITAL	\$131,881,175	\$22,967,637	\$120,751,091	\$6,284,790	\$8,667,005	\$61,451,460	(\$388,052)

SYSTEM TOTAL	Residential	Nonresidential	GSSPECTS	LVGSSALVECTS	GTSPECTS	DISOR System	Storage
\$15,196,975	\$22,854,792	\$24,346,828	\$117,001,620	\$4,982,854	\$6,184,608	\$2,827,427	\$1,435,467
(\$47,731,174)	(624,620,048)	(810,401,012)	(448,035,058)	(51,706,056)	(50)	50	50
(\$28,274,571)	(54,708,158)	(51,258,500)	(271,136,611)	(687,032)	(22,251,102)	(51,357,345)	(\$602,200)
(\$4,308,766)	(11,821,643)	(53,251,380)	(22,128,098)	(514,346)	(514,821,724)	(51,564,483)	(\$265,100)
(\$33,181,164)	(51,821,643)	(54,328,447)	(27,308,269)	(51,157,571)	(51,354,229)	(5813,618)	(\$688,220)
(\$311,097,481)	(54,859,022)	(51,430,238)	(58,408,997)	(509,801)	50	50	50
\$8,111,436	(311,097,481)	(31,681,223)	(7,632,395)	\$479,040	(3448,461)	(51,511,593)	(\$411,029)
\$11,830,460	\$4,082,423	\$13,267,337	\$1,001,258	\$1,161,553	\$1,511,593	\$2,827,427	\$1,435,467
\$1,147,683	\$785,966	\$147,365	\$874,561	\$33,898	\$135,705	\$80,533	\$22,976
\$23,183,286	\$23,183,286	50	\$23,183,286	50	50	50	50
\$98,819,693	\$63,083,386	\$18,967,818	\$63,385,914	\$5,233,628	\$7,000,653	\$60,538	\$22,976
\$119,990,795	\$119,990,795	\$18,915,114	\$107,443,794	\$5,267,524	\$7,186,887	\$60,538	\$22,976
\$131,881,175	\$131,881,175	\$22,967,637	\$120,751,091	\$6,284,790	\$8,667,005	\$61,451,460	(\$388,052)

19 Revenue @ Current Rates
20 PCC Expense
21 Uncollectible Expense
22 Total O&M
Total P.P. @ 1: (line 41)
Total Other Taxes, P. 1: (line 17)
24 Net Plant
GSSPECTS, LVGSSALVECTS
27 Jones Plant
Risk, Customer Reserve
23 PiPP Risk Reserve

ATTACHMENT 1: SUMMARY OF UPDATED COST OF SERVICE STUDY RESULTS

Table 1 Return on Rate Base Comparison	Test Year	Post Rate Case		
		Year 1 Rates	Year 2 Rates	Year 3 Rates*
DEO: System Total	6.63%	8.48%	8.48%	8.48%
GSS: Residential	5.16%	8.13%	8.74%	9.60%
GSS: Non-Residential	6.79%	6.13%	3.23%	-0.84%
GSS: Combined	5.45%	7.785%	7.785%	7.785%
LVGSS	7.21%	8.89%	8.89%	8.89%
GTS	13.32%	13.25%	13.25%	13.25%
DTS	5.51%	5.15%	5.15%	5.15%

* Proposed Year 3 rates with common 100% SFV rate for all Test Year GSS/ECTS customers (@ \$19.46/customer/month)

ATTACHMENT 2: Cost of Service Summary using Year 1 Rates

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
CASE NO. 07-0826-GA-ARR
COST OF SERVICE STUDY

Data: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference Nos.:

Schedule E-3.2
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Witness: C. Andrews

OPERATING INCOME SUMMARY

AT NEW RATES (YEAR 1)

	GSS/ECTS Details		Rate Schedule/Class					
	System Total	Residential	Non-residential	GSS/ECTS	LVGSS/LECTS	GTS/TSS	DTS/Off-System	Storage
OPERATING REVENUE (\$)								
Base Rate Revenues (Year 2 Rates)	\$354,504,498	\$241,482,927	\$38,938,531	\$280,421,457	\$10,291,320	\$39,467,045	\$13,993,247	\$10,331,429
Gas Cost Revenues (per Staff Report)	\$438,892,885	\$327,581,034	\$95,626,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0
Gas Cost Rider Revenue	\$34,196,464	\$21,998,530	\$6,194,862	\$28,193,392	\$1,835,656	\$3,736,268	\$431,148	\$0
Non-Tax Related Rider Revenue	\$138,424,730	\$94,123,924	\$26,590,300	\$120,714,224	\$7,576,515	\$10,133,991	\$0	\$0
Tax Related Rider Revenue	\$73,700,230	\$50,448,807	\$12,256,061	\$62,704,869	\$2,607,831	\$5,845,508	\$2,040,490	\$501,532
Other Revenue	<u>\$25,317,800</u>	<u>\$5,488,645</u>	<u>\$2,277,879</u>	<u>\$10,766,524</u>	<u>\$633,909</u>	<u>\$10,317,147</u>	<u>\$3,039,209</u>	<u>\$561,012</u>
TOTAL OPERATING REVENUE	\$1,065,036,587	\$744,123,867	\$181,884,067	\$926,007,834	\$38,630,627	\$59,499,959	\$19,504,094	\$11,393,972
OPERATING EXPENSES (\$)								
Gas Cost	\$438,892,885	\$327,581,034	\$95,626,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0
Gas Cost Related Riders	\$34,196,464	\$21,998,530	\$6,194,862	\$28,193,392	\$1,835,656	\$3,736,268	\$431,148	\$0
Non-Tax Related Rider Expense	\$138,424,730	\$94,123,924	\$26,590,300	\$120,714,224	\$7,576,515	\$10,133,991	\$0	\$0
Other Operation and Maintenance Expense	\$145,674,408	\$98,658,438	\$17,912,690	\$117,571,128	\$3,804,704	\$13,002,833	\$7,512,397	\$3,783,346
Depreciation Expense	\$48,808,074	\$36,432,720	\$5,222,306	\$41,655,026	\$948,000	\$3,906,449	\$2,303,403	\$95,196
Tax-Related Rider Expense	\$73,700,230	\$50,448,807	\$12,256,061	\$62,704,869	\$2,607,831	\$5,845,508	\$2,040,490	\$501,532
Other Taxes (Excludes GRT)	\$26,726,677	\$17,246,569	\$3,488,756	\$20,735,325	\$786,771	\$2,835,604	\$1,729,419	\$539,568
Federal Income Taxes	<u>\$39,393,419</u>	<u>\$23,632,364</u>	<u>\$3,038,683</u>	<u>\$26,671,027</u>	<u>\$1,410,022</u>	<u>\$8,576,657</u>	<u>\$791,743</u>	<u>\$1,943,970</u>
TOTAL OPERATING EXPENSES	\$645,916,866	\$571,122,386	\$170,330,073	\$414,452,459	\$34,654,896	\$48,137,309	\$14,808,600	\$6,863,602
NET OPERATING INCOME	\$119,119,720	\$73,001,480	\$11,553,995	\$84,555,475	\$3,975,732	\$21,362,650	\$4,695,494	\$4,530,370
RATE BASE	\$1,404,734,309	\$897,648,090	\$188,478,736	\$1,086,126,825	\$44,729,750	\$181,215,282	\$91,240,673	\$21,421,780
RATE OF RETURN - AT PROPOSED RATES	8.48%	8.13%	6.13%	7.785%	8.89%	13.25%	5.15%	21.15%
GROSS RECEIPTS TAX RIDER RATE	4.6044%							

ATTACHMENT 3: Cost of Service Summary using Proposed Year 3 Rates (Common 100% SFV Rate for all GSS/ECTS customers)

THE EAST OHIO GAS COMPANY db/a DOMINION EAST OHIO
CASE NO. 07-0829-GA-AIR
COST OF SERVICE STUDY

Data: 3 Months Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference Nos.:

Schedule E-3 2
Page 5 of 16
Witness: C Andrews

OPERATING INCOME SUMMARY

AT PROPOSED RATES (YEAR 3)

	GSS/ECTS Details		Rate Schedule/Class					
	System Total	Residential	Non-residential	GSS/ECTS	LVGSS/LVECTS	GTS/TSS	DTS/Off-System	Storage
OPERATING REVENUE (\$)								
Base Rate Revenues (Year 2 Rates)	\$354,499,891	\$261,978,365	\$18,438,485	\$280,416,850	\$10,291,320	\$39,467,045	\$13,993,247	\$10,331,429
Gas Cost Revenues (per Staff Report)	\$438,892,885	\$327,581,034	\$95,626,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0
Gas Cost Rider Revenue	\$34,196,464	\$21,998,530	\$6,194,862	\$28,193,392	\$1,835,658	\$3,736,268	\$431,148	\$0
Non-Tax Related Rider Revenue	\$138,424,730	\$94,123,924	\$26,590,300	\$120,714,224	\$7,576,515	\$10,133,991	\$0	\$0
Tax Related Rider Revenue	\$73,700,018	\$51,392,499	\$11,312,157	\$62,704,657	\$2,607,831	\$5,845,508	\$2,040,490	\$501,532
Other Revenue	\$25,317,800	\$8,488,645	\$2,277,879	\$10,766,524	\$833,909	\$10,317,147	\$3,039,209	\$561,012
TOTAL OPERATING REVENUE	\$1,065,031,767	\$765,562,997	\$160,440,117	\$826,003,114	\$38,630,627	\$69,499,959	\$19,504,094	\$11,393,972
OPERATING EXPENSES (\$)								
Gas Cost	\$438,892,885	\$327,581,034	\$95,626,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0
Gas Cost Related Riders	\$34,196,464	\$21,998,530	\$6,194,862	\$28,193,392	\$1,835,658	\$3,736,268	\$431,148	\$0
Non-Tax Related Rider Expense	\$138,424,730	\$94,123,924	\$26,590,300	\$120,714,224	\$7,576,515	\$10,133,991	\$0	\$0
Other Operation and Maintenance Expense	\$145,674,408	\$99,905,383	\$17,665,738	\$117,571,121	\$3,804,706	\$13,002,836	\$7,512,398	\$3,783,347
Depreciation Expense	\$48,908,074	\$38,432,720	\$5,222,308	\$41,655,026	\$948,000	\$3,906,449	\$2,303,403	\$96,186
Tax-Related Rider Expense	\$73,700,018	\$51,392,499	\$11,312,157	\$62,704,657	\$2,607,831	\$5,845,508	\$2,040,490	\$501,532
Other Taxes (Excludes GRT)	\$26,726,877	\$17,298,224	\$3,439,100	\$20,735,324	\$786,772	\$2,935,605	\$1,729,419	\$539,558
Federal Income Taxes	\$38,391,607	\$30,701,958	(\$4,032,540)	\$26,669,418	\$1,410,021	\$8,576,655	\$791,743	\$1,943,970
TOTAL OPERATING EXPENSES	\$945,915,042	\$679,432,272	\$162,018,357	\$841,450,628	\$34,654,897	\$48,137,312	\$14,808,601	\$6,863,603
NET OPERATING INCOME	\$119,116,725	\$86,130,725	(\$1,578,240)	\$84,552,486	\$3,975,730	\$21,362,647	\$4,695,493	\$4,530,370
RATE BASE	\$1,404,734,309	\$897,648,090	\$188,476,735	\$1,086,126,825	\$44,729,750	\$161,215,282	\$61,240,673	\$21,421,780
RATE OF RETURN - AT PROPOSED RATES	8.48%	9.60%	-0.84%	7.785%	8.89%	13.25%	5.15%	21.15%
GROSS RECEIPTS TAX RIDER RATE	4.804%							

ATTACHMENT 4: Peak Day and Storage Utilization Information

The East Ohio Gas Company d/b/a Dominion East Ohio
Case No. 07-0829-GA-AIR

PEAK DAY AND STORAGE UTILIZATION INFORMATION FOR COST OF SERVICE STUDY WITH GSS/ECTS SPLIT: RESIDENTIAL/NON-RESIDENTIAL

GSS: Residential/Non-residential Split

1. EC/SSO STORAGE

	1	2	3	4	5
	Peak Day Throughput	Peak Day Storage Factor	Max Storage Deliverability	Storage Capacity multiplier	Storage Capacity
A GSS	1,736,191	34.10%	562,041	51.9	30,726,935
B LVGSS	101,758	34.10%	34,688	51.9	1,800,903

	Peak Day Throughput	Peak Day Storage Factor	Max Storage Deliverability	Storage Capacity multiplier	Storage Capacity
Residential	1,350,279	34.10%	460,445	51.9	25,897,112
Non-Residential	385,912	34.10%	131,596	51.9	6,829,823
Total GSS	1,736,191		562,041		30,726,935
% Residential	77.7725%				

2. FSS/EFSS-IN-OUT

	6	7	8	
	EFSS	In/Out	Total	
C Storage Capacity	12,487,000	4,270,874	16,757,874	From DMG
D Deliverability	240,587	101,725	342,322	EFSS: 6C/51.9, In/Out per contract
	6C / 51.9 Per Contract			

Rate Class	Total Year Throughput	Avg. Daily Usage	Excess Peak Day
GSS/ECTS Res.	111,741,482	306,141	1,044,138
GSS/ECTS NR	31,567,328	86,486	289,428
TOTAL GSS	143,308,810	392,627	1,343,564

3. OPERATIONAL BALANCING

	9	
E Storage Capacity	4,714,288	54 Bcf less items 5A, 5B, and 8C above
F Deliverability	110,937	1.08 Bcf less items 3A, 3B, and 8D above

4. ALLOCATION OF OPERATIONAL BALANCING

Non-base Period Volumes (MMcf)	%	Share of OB: Capacity	Peak Day Requirements	%	Share of OB: Deliverability
GSS	123,713	73.9%	3,482,441	1,736,191	79.8%
LVGSS	7,580	4.5%	213,370	101,758	4.7%
GTS	36,181	21.6%	1,018,477	337,307	15.5%
TOTAL*	167,474	100.0%	4,714,288	2,175,258	100%

Non-base Period Volumes (MMcf)	%	Share of OB: Capacity	Peak Day Requirements	%	Share of OB: Deliverability
GSS-Res	96,615	57.7%	2,719,655	1,350,279	62.1%
GSS-Non Res	27,098	16.2%	762,786	385,912	17.7%
Total GSS	123,713	73.9%	3,482,441	1,736,191	79.8%

5. STORAGE ALLOCATION BY CLASS

Class	COS Allocator 7 Water usage requirement			COS Allocator 8 Excess Peak Day Calculation			
	A	B		Avg	Excess	Excess %	
GSS	890,586	63.0%	34,209,376	63.4%	226,552	484,834	62.8%
LVGSS	39,889	3.7%	2,014,273	3.7%	13,340	26,668	3.7%
GTS	17,203	1.6%	1,018,477	1.9%	6,745	16,488	1.4%
DTS	-	0.0%	-	0.0%	-	-	0.0%
FSS/EFSS	342,322	31.7%	16,757,874	31.0%	110,979	231,343	32.0%
TOTAL	1,080,000	100.0%	64,000,000	100%	367,616	723,384	100.0%

* Based on Non-base period volumes (October-April) 5B/151 5A - Avg

Class- GSS	COS Allocator 7 Water usage requirement			COS Allocator 8 Excess Peak Day Calculation			
	C	D		Avg	Excess	Excess %	
Residential	529,309	49.01%	26,616,766	49.29%	176,270	363,039	48.9%
Non-Resid.	151,277	14.01%	7,592,609	14.06%	50,262	100,996	14.0%
Total GSS	680,586	63.0%	34,209,376	63.35%	226,552	464,034	62.9%
% Residential	77.7725%			77.805%	50/151	77.756%	

6. CAPACITY vs. COMMODITY BREAKDOWN

Average	357,615,894	33.113%	Commodity	Average daily storage = 54 Bcf/161 days
Excess	722,384,108	68.877%	Capacity	Total Peak Day storage less average daily storage
Peak	1,080,000	100.0%	Total	(1,080,000 Mcf - 357,616 Mcf = 722,384 Mcf)

EXHIBIT K

FILE

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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

- In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-829-GA-ALT
Ohio for Authority to Increase Rates for its)
Gas Distribution Service.)

- In the Matter of the Application of the East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-830-GA-ALT
Ohio for Approval of an Alternative Rate)
Plan for its Gas Distribution Service.)

- In the Matter of the Application of the East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-831-GA-AAM
Ohio for Approval to Change Accounting)
Methods.)

- In the Matter of the Application of the East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Recover)
Certain Costs Associated with a Pipeline)
Infrastructure Replacement Program Through) Case No. 08-169-GA-ALT
an Automatic Adjustment Clause, And for)
Certain Accounting Treatment.)

- In the Matter of the Application of the East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Recover)
Certain Costs Associated with a Automated)
Meter Reading Deployment through an)
Automatic Adjustment Clause, And for) Case No. 06-1453-UNC
Certain Accounting Treatment.)

**JOINT MOTION TO REOPEN THE RECORD, JOINT MOTION FOR WAIVER
OF CERTAIN REQUIREMENTS OF OHIO ADM. CODE 4901-1-34(B),
AND JOINT MOTION FOR A PROCEDURAL SCHEDULE**

BY

**THE OFFICE OF THE OHIO CONSUMERS' COUNSEL
THE CITY OF CLEVELAND,
OHIO PARTNERS FOR AFFORDABLE ENERGY,
THE NEIGHBORHOOD ENVIRONMENTAL COALITION, THE
EMPOWERMENT CENTER OF GREATER CLEVELAND,
CLEVELAND HOUSING NETWORK, AND THE CONSUMERS
FOR FAIR UTILITY RATES**


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The Office of the Ohio Consumers' Counsel ("OCC"), the City of Cleveland, the Ohio Partners for Affordable Energy, and a citizens coalition comprised of the Neighborhood Environmental Coalition, the Empowerment Center of Greater Cleveland, the Cleveland Housing Network, and the Consumers for Fair Utility Rates ("Citizens Coalition") (collectively "Joint Advocates"), pursuant to Ohio Adm. Code 4901-1-12 and 4901-1-34(B), on behalf of the 1.1 million residential consumers in the East Ohio Gas Company d/b/a Dominion East Ohio ("DEO" or "Company") service territory, moves the Public Utilities Commission of Ohio ("PUCO" or "Commission") to reopen this proceeding in which the PUCO considered a distribution rate increase for DEO. The Commission should reopen the record for the limited purpose of taking additional evidence in the form of the updated cost-of-service study ("COSS") that DEO filed with the PUCO on January 13, 2009. The revised COSS includes an analysis of the implication of straight fixed variable ("SFV") rate design on the residential and non-residential customers of the general sales service ("GSS") customer class, respectively.

In addition, pursuant to Ohio Adm. Code 4901-1-12 and 4901-1-38(B), the Commission should waive the requirement of Ohio Adm. Code 4901-1-34(B) that Joint Advocates' Motion to Reopen the Record be filed prior to the issuance of a final order. Finally, pursuant to Ohio Adm. Code 4901-1-12 the Joint Advocates move the Commission to establish a procedural schedule to hear evidence and arguments, and then rule, on how to deal with the verifiable and quantifiable harm that residential customers are experiencing under the SFV rate design as demonstrated in the revised COSS. The reasons supporting Joint Advocates' Motions are set forth in the attached Memorandum in Support.

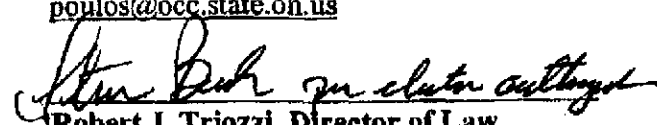
Respectfully submitted,

JANICE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL



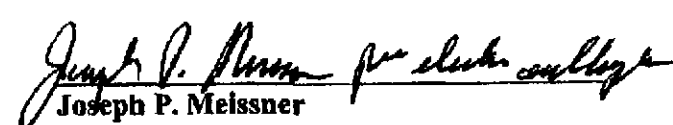
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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service.))))	Case No. 07-829-GA-AIR
In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of an Alternative Rate Plan for its Gas Distribution Service.	) ) ) )	Case No. 07-830-GA-ALT
In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval to Change Accounting Methods.	) ) ) )	Case No. 07-831-GA-AAM
In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with a Pipeline Infrastructure Replacement Program Through an Automatic Adjustment Clause, And for Certain Accounting Treatment.	) ) ) ) ) ) ) )	Case No. 08-169-GA-ALT
In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with a Automated Meter Reading Deployment through an Automatic Adjustment Clause, And for Certain Accounting Treatment.	) ) ) ) ) ) ) )	Case No. 06-1453-UNC

MEMORANDUM IN SUPPORT

I. BACKGROUND

On July 20, 2007, DEO filed a Pre-Filing Notice of its intent to, among other things, increase rates for the natural gas distribution service that is provided through its gas pipelines.

On August 30, 2007, DEO filed its Application ("Application") in these cases ("Rate Case"), to increase the rates that customers pay.

Motions to Intervene were filed by the OCC, Stand Energy Corporation ("Stand"), OP&E, Ohio Energy Group ("OEG"), Interstate Gas Supply, Inc. ("IGS"), the City, the Citizens Coalition, Integrys Energy Services, Inc. ("Integrys"), Dominion Retail, Inc. ("Dominion Retail"), Industrial Energy Users-Ohio ("IEU"), Utility Workers Union of America ("Union"), Ohio Oil and Gas Association ("OOGA"), and Direct Energy Services, LLC. ("Direct").

On September 13, 2007, the Company filed the direct testimony of nine Company witnesses and outside experts. On May 23, 2008, the PUCO Staff filed its Staff Report of Investigation ("Staff Report") and the Report of Conclusions and Recommendations on the Financial Audit by Blue Ridge Consulting Services, Inc. ("Blue Ridge Report").

On August 22, 2008, the parties to the cases entered into a Stipulation and Recommendation ("Stipulation") that settled all issues except for the rate design issue involving the fixed monthly customer charge. One issue of particular concern for the Joint Advocates was the Commission's desire to impose the SFV rate design for the GSS customer class which was comprised of both residential and non-residential customers.¹ One provision in the Stipulation intended to address Joint Advocates' concern stated:

DEO shall evaluate the feasibility of separating the residential and nonresidential GSS/ECTS classes for purposes of rate design and will share with the Signatory Parties the results of the feasibility study before including in its next base rate application a class cost of service study that separately assesses those classes.²

¹ Joint Application for Rehearing at 10-11 (November 14, 2008).

² Stipulation at 11 (August 22, 2008).

In addition to this provision of the Stipulation, the Commission acknowledged concern with implementation of the SFV rate design when it included in its Opinion and Order ("Order") approval of the above referenced Stipulation provision by stating:

DEO shall evaluate the feasibility of separating the residential and non-residential GSS/ECTS classes for purposes of rate design and will share with the signatory parties the results of the feasibility study before including in its next base rate application a class cost of service study that separately assesses those classes.³

A Joint Application for Rehearing by the Joint Advocates was filed. On December 19, 2008, the Commission issued its Entry on Rehearing further clarifying its position on the COSS study to be filed by stating:

With regard to the rate design, the Commission adopted the first two years of the modified straight fixed variable (SFV) levelized rate design to decouple DEO's revenue recovery from the amount of gas actually consumed, which was proposed by Staff and DEO. Prior to approval of rates for year three and beyond, the Commission directed DEO to complete the cost allocation study required in the stipulation and to provide it to the Commission for consideration.⁴

On January 13, 2009, DEO filed its updated cost-of-service study.

II. THE APPLICABLE LAW

The Commission has authority to reopen proceedings under certain circumstances. Ohio Adm. Code 4901-1-34 states:

(A) The commission, the legal director, the deputy legal director, or an attorney examiner may, upon their own motion or upon

³ Order at 10 (October 15, 2008).

⁴ Entry on Rehearing at 2 (December 19, 2008). Although the PUCO made this distinction, the O&O did not provide for a process as to how the Cost of Service Study might be addressed.

motion of any person for good cause shown, reopen a proceeding at any time prior to the issuance of a final order.

(B) A motion to reopen a proceeding shall specifically set forth the purpose of the requested reopening. If the purpose is to permit the presentation of additional evidence, the motion shall specifically describe the nature and purpose of such evidence, and shall set forth facts showing why such evidence could not, with reasonable diligence, have been presented earlier in the proceeding.

While the Commission has already issued an Opinion and Order and an Entry on Rehearing in these cases, Joint Advocates' Motion must be considered in conjunction with its Motion to Waive certain requirements of Ohio Adm. Code 4901-1-34(B).

Pursuant to Ohio Adm. Code 4901-1-38(B), the Commission has the authority to waive certain requirements. Ohio Adm. Code 4901-1-38(B) states:

The commission may, upon its own motion or for good cause shown, waive any requirement, standard, or rule set forth in this chapter or prescribe different practices or procedures to be followed in a case.

In this case the Commission should grant the Joint Advocates' Motion to waive the requirement of Ohio Adm. Code 4901-1-34(B) that the Motion to Reopen the Proceedings be filed prior to the issuance of a final order.

Both Motions should be granted by the Commission because good cause exists for the Commission to waive the regulation that requires a proceeding be reopened "prior to the issuance of a final order" and good cause exists for reopening the record for the limited purpose of admitting the updated COSS into evidence in these cases.

Furthermore, the Commission should establish a procedural schedule to hear evidence and arguments, and then rule, on the inter-class subsidy issues illuminated by DEO's updated COSS filing in order to mitigate the verifiable harm that DEO's residential

customers will be experiencing under the rate design as approved for the GSS class which is presently comprised of residential and non-residential customers.

III. ARGUMENT

A. Good Cause for Granting Motions.

During the proceedings, Joint Advocates argued that DEO's cost-of-service study did not support charging GSS class customers (residential and non-residential) uniform rates under the SFV rate design.⁵ Joint Advocates explained that the GSS class is comprised of non-homogenous residential and non-residential (Commercial and Industrial) consumers with widely varying usage. OCC pointed out that the average residential customer uses 99.1 Mcf per year, the average non-residential customer uses 390 Mcf per year, and the largest consumption in the GSS class is in excess of 5,000 Mcf per year.⁶ It was also argued that under the SFV rate design, no user should pay more than their appropriately allocated share of fixed costs; however, the record does not establish that all customers in the GSS class place the same burden on the system. Joint Advocates maintained that, without more detail in the cost-of-service study, it was undetermined who was actually responsible for the fixed costs that are recovered through the SFV rate design. Now that the updated COSS study exists there is unrefuted evidence provided by the Company that supports Joint Advocates' above arguments.

The following results contained in the Updated COSS filed by the Company, on January 13, 2009, demonstrates the harms that Joint Advocates alleged in these cases:

⁵ OCC Initial Brief at 7-8 (September 10, 2008), OCC Reply Brief at 4-5 (September 16, 2008), Joint Application for Rehearing at 9-12 (November 14, 2008).

⁶ OCC Initial Brief at 6-7; Tr. Vol. IV at 18 (Murphy) (August 25, 2008).

Return of Rate Base Comparison:⁷	Test Yr.	Year 1	Year 2	Year 3
DEO System Total	6.63%	8.48%	8.48%	8.48%
GSS Residential	5.16%	8.13%	8.74%	9.60%
GSS Non-Residential ⁸	6.79%	6.13%	3.23%	-0.84%
GSS: Combined	5.45%	7.785%	7.785%	7.785%
LVGSS ⁹	7.21%	8.89%	8.89%	8.89%
GTS ¹⁰	13.32%	13.25%	13.25%	13.25%
DTS ¹¹	5.51%	5.15%	5.15%	5.15%

GSS Base Rate Revenue Comparison (Million \$):

	Test Yr.¹²	Year 1¹³	Year 2¹⁴	Year 3¹⁵
Residential	\$213	\$241	\$250	\$261
Non-Residential	\$44	\$39	\$30	\$18
GSS Total	\$257	\$280	\$280	\$280
System Total	\$334	\$354	\$354	\$354

The significant and verifiable harm to residential customers under the existing SFV rate design which is demonstrated by the updated COSS study filed in these cases on January 13, 2009, provides good cause for granting the Joint Advocates' Motion to Reopen. The same good cause for granting the Motion to Reopen is present for the

⁷ Updated Cost of Service Study at Attachment 1. (Year 3 Assumes 100% SFV for all Test Year GSS/ECTS Customers (@\$19.46/customer/month) (January 13, 2009).

⁸ GSS Non-residential customers includes Commercial and Industrial customers with usage between 300 Mcf and 3,000 Mcf per year.

⁹ Large Volume General Sales Service.

¹⁰ General Transportation Service.

¹¹ Daily Transportation Service.

¹² Updated Cost of Service Study at Schedule E-3.2 Page 4 of 16 (January 13, 2009).

¹³ *Id.* at Attachment 2

¹⁴ *Id.* at Schedule E-3.2 Page 5 of 16.

¹⁵ *Id.* at Attachment 3.

Commission to grant the Motion to Waive Certain Requirements of Ohio Adm. Code 4901-1-34(B). Because the updated COSS was filed by DEO after the final order was issued on December 19, 2008, the Commission should hear this important evidence that was not available before the Commission's final order. The Commission has the authority to prescribe different practices or procedures to be followed in a case,¹⁶ and should do so in this case by waiving the deadline under Ohio Adm. Code 4901-1-34(B) and granting the Joint Advocates' Motion to Reopen.

B. Nature and Purpose of Evidence

In these cases, the Commission relied on testimony from a DEO witness that the residential customers actually benefited (were subsidized) by the non-residential GSS customers. In the Commission Order it states:

Furthermore, DEO's witness Andrews believes that, if any subsidy is taking place, it is the non-residential customers within the GSS class that are subsidizing the residential customers (Tr. 1 at 235 and 237). In fact, according to Mr. Andrews, the inclusion of the non-residential customers in the GSS class is a benefit to the residential customers because it ends up lowering the costs to serve the GSS class as a whole (Tr. 1 at 219).¹⁷

In the test year under the traditional rate design, the residential GSS customers were providing slightly less than the overall return and the non-residential GSS customers were providing a slightly higher relative return. However, under the SFV rate design that differential is reversed, in year one, where the residential GSS customers' rate of return increases to 8.13% and the non-residential GSS customers' rate of return plummets to

¹⁶ Ohio Adm. Code 4901-1-38.

¹⁷ *Id.*

6.13%. The overall system average return in year one is 8.48%. In year two of the transition under the SFV rate design, the residential GSS customers rate of return increases to 8.74% (meaning that residential GSS consumers are paying rates that result in the Company earning a higher than the system average return) and the non-residential GSS customers rate of return plunges to a mere 3.23% (meaning that the non-residential GSS consumers are paying rates that result in the Company earning far less than the system average return). The overall system average rate of return remained at 8.48%.

The revenue shift is equally dramatic for residential consumers who will be paying a significantly larger portion of the overall rate increase than the PUCO contemplated in its Order absent the updated COSS. The GSS residential distribution base rate increase in year one is \$28 Million whereas the GSS non-residential base rate revenues actually decrease in year one by \$5 million, a total revenue shift of \$33 million that requires that much more to be paid by residential consumers under the PUCO's new rate design. In year two the GSS residential base revenues increase another \$9 million while the GSS non-residential base rate revenues decrease by that same \$9 million, for a total revenue shift of \$51 million.

If the third year was implemented as the Company proposes in its updated cost-of-service study, the residential GSS customers base rate revenues would increase by yet another \$11 million and the non-residential GSS customers base rate revenues would decrease by that same amount, resulting in a total revenue shift of \$73 million. In total the residential base rates from the test year to the third year will have increased \$48 million as a result of the rate case, which is troubling because DEO's entire distribution

rate increase approved by the Commission in these cases was only \$40.5 Million.¹⁸

There currently exists an inter-class and subsidy issue (e.g. residential GSS customers subsidizing non-residential GSS customers) that should be addressed by the Commission in a timely manner by reopening these proceedings and addressing the rate design before year two rates are scheduled to be implemented.

C. The Evidence Could Not Have Been Presented Earlier.

Although Joint Advocates made all the appropriate arguments against the Company's proposal to maintain the GSS class with residential and non-residential customers,¹⁹ the data and information necessary to confirm Joint Advocates' position was in the sole possession of the Company. At the time the Commission issued its Opinion and Order approving the SFV rate design, the only cost of service study available was the study that DEO had performed at the time of its Application that supported the rate design DEO proposed in its Application. The rate design contemplated by the Company proposed to increase the monthly customer charge from \$4.38 to \$5.70 in the West Ohio Division, and proposed no increase to the existing \$5.70 monthly customer charge for the East Ohio Division.²⁰ Therefore, the existing cost-of-service study did not support the SFV rate design.

The Joint Advocates had argued that an inter-class subsidy would harm residential

¹⁸ Order at 6, 12.

¹⁹ OCC Initial Brief at 7-8 (September 10, 2008), OCC Reply Brief at 4-5 (September 16, 2008), Joint Application for Rehearing at 9-12 (November 14, 2008).

²⁰ PFN at Tab 5, Summary of Proposed Rates (July 20, 2007).

customers because the Company had put into its tariff a GSS eligibility limitation of 3,000 Mcf. The eligibility limitation was unnecessary under the traditional rate design because the volumetric rate had been high enough to keep high usage customers from migrating to the GSS class. However, under the SFV rate design, with its significantly decreasing volumetric rate, without the eligibility limitation, Commercial and Industrial customers would have the incentive to migrate to the GSS tariff because the higher fixed customer charge would be more than offset by lower volumetric rates.²¹ The total extent of the harm to residential customers could not be accurately quantified without an updated COSS that segregated the residential and non-residential GSS customers.

It was not until the updated COSS was filed by DEO that the inter-class subsidy harm to DEO's residential customers that the Joint Advocates had alleged in these cases was actually proven. The SFV rate design caused an inter-class subsidy (GSS non-residential subsidized by GSS residential) that was not documented by the existing cost-of-service study. Therefore, the Commission should reopen the record and admit the updated COSS into evidence in these cases.

The PUCO has not explained why it is just and reasonable to have low-volume residential users subsidize high-volume Commercial and Industrial customers and high-use residential customers, especially considering that in the GSS/ECTS classes the highest use customers are Commercial and Industrial customers, who use up to 30 times the natural gas that the average residential customer uses.²² As the Joint Advocates had argued in their Application for Rehearing, the goal of rate design should be to eliminate

²¹ Tr. Vol V at 35-38 (Radigan) (August 26, 2008).

²² Based on average residential usage of 99.1 Mcf per year (Tr. Vol. IV (Murphy) at 17-18 (Aug. 25, 2008), and proposed maximum GSS class customer usage of 3,000 per year.

inter-class subsidies to the maximum extent possible, not create them.²³ The updated COSS clearly demonstrates the SFV rate design for DEO's consolidated GSS customer class is unjust and unreasonable.

D. Procedural Schedule Should Be Established

The Commission should promptly establish a procedural schedule (e.g. 45 days) that will allow for an appropriate review of the applicable year two rates (to be effective October 16, 2009) for the GSS residential and non-residential customers in light of the updated COSS filed on January 13, 2009.²⁴ The Joint Advocates advocated for a new class cost-of-service study which was intended to separate the customers in the GSS class into more homogeneous groups. The Commission ordered the updated COSS, and the Company has performed and filed the study. The results of the updated COSS demonstrate a significant shift (for paying revenues to the Company) away from the GSS non-residential customers and to the GSS residential customers who will be more to the Company beginning in year one of the newly approved rates. The revenue shift creates an unreasonable inter-class subsidy that the Commission should remedy so as to protect consumers.

The Commission should rectify the injustice to residential consumers in the Order by proceeding without undue delay to develop a schedule under which the updated COSS will be evaluated and heard as evidence. The Commission's Order stated:

Therefore, the Commission is approving the first two years of this transition, however, prior to approval of rates for rates of the third year and beyond the Commission believes that a review of the cost

²³ Joint Application for Rehearing at 9-10 (November 14, 2008).

²⁴ Entry at 2 (October 15, 2008) (DEO's year one GSS rates were effective when filed on October 16, 2008).

allocation methodologies for the GSS/ECTS classes is appropriate. Therefore, DEO is directed to complete the cost allocation study required in the stipulation within 90 days of this order. Upon completion, DEO should submit a report and recommendation regarding whether the GSS/ECTS classes are appropriately comprised of both residential and non-residential customers or whether the classes should be split. DEO shall also provide, if the recommendation is to split the classes, a recommended cost allocation per class. Upon review of the cost allocation study, the Commission will be establishing a process that will be followed to determine the appropriate rates in year three and beyond, as soon as practicable.²⁵

The Commission ordered the updated COSS and before the study was completed - - and the results were available - - had determined that the rates for the first two years were approved. However, now that the results are available, and the harm to residential customers has been quantified, there is good cause for the PUCO to reconsider its approval of year two rates. Instead, the PUCO should establish a procedural schedule to hear evidence regarding the residential and non-residential GSS rates beginning with year two, toward issuing a ruling to remedy the unreasonable inter-class subsidy that exists within the existing GSS rate design and that is prejudicing residential consumers.

IV. CONCLUSION


For all the reasons stated above, the Joint Advocates' Motion to Reopen the proceedings for the purpose of admitting the Company's updated COSS study into the record should be granted. In addition, the Commission should establish a procedural schedule to hear evidence and issue a ruling so as to mitigate the harm caused to DEO's

²⁵ Id. at 25-26.

GSS residential customers that results from the subsidization of the non-residential customers under the SFV rate design.

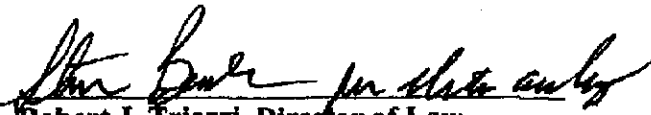
Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER
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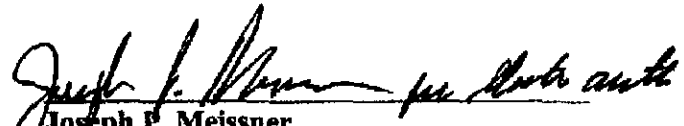
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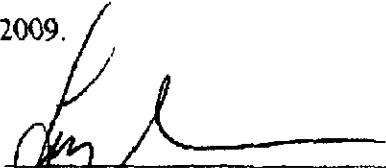
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the foregoing *Joint Motion to Reopen the Record, Motion to Waive Certain Requirements of Ohio Adm. Code 4901-1-34(B) and Motion for a Procedural Schedule* has been served upon the below-named counsel via Electronic Mail this 29th day of January 2009.



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FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

PUCO

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service.

Case No. 07-829-GA-AIR

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of an Alternative Rate Plan for its Gas Distribution Service

Case No. 07-830-GA-ALT

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval to Change Accounting Methods

Case No. 07-831-GA-AAM

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with a Pipeline Infrastructure Replacement Program Through an Automatic Adjustment Clause, And for Certain Accounting Treatment

Case No. 08-169-GA-ALT

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automated Meter Reading Deployment Through an Automatic Adjustment Clause, and for Certain Accounting Treatment

Case No. 06-1453-GA-UNC

REPORT AND RECOMMENDATION
OF THE EAST OHIO GAS COMPANY
D/B/A DOMINION EAST OHIO

In accordance with the Stipulation and Recommendation filed in the above-captioned cases on August 22, 2008 ("Stipulation"), and the October 15, 2008 Opinion and Order ("Order"), the East Ohio Gas Company d/b/a Dominion East Ohio ("DEO") submits the

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Technician SM Date Processed JAN 14 2009

following report and recommendation, as well as the attached updated cost-of-service study, consisting of the following documents:

- Updated Class Cost of Service Study (Year 2 Rates)
- Attachment 1: Rate of Return Comparison
- Attachment 2: Cost of Service Summary (Year 1 Rates)
- Attachment 3: Cost of Service Summary (Year 3 Rates)
- Attachment 4: Peak Day & Storage Utilization Details

BACKGROUND

In the Stipulation, DEO agreed to “evaluate the feasibility of separating the residential and non-residential GSS/ECTS classes for purposes of rate design and [to] share with the Signatory Parties the results of the feasibility study before including in its next base rate application a class cost of service study that separately assesses those classes.” (Stip., ¶ 3.R.)

In the Order, the Commission approved the Stipulation and required DEO to submit an updated cost-of-service study. DEO is to “submit a report and recommendation regarding whether the GSS/ECTS classes are appropriately comprised of both residential and non-residential customers or whether the classes should be split.” Order, p. 25. “[I]f the recommendation is to split the classes,” DEO is to provide “a recommended cost allocation per class.” *Id.* The purpose of the study is to aid the Commission in “establishing a process . . . to determine . . . appropriate rates in year three and beyond.” *Id.*

APPROACH TO COST ALLOCATION

In accordance with the Stipulation and Order, DEO has updated its class cost of service study as follows. First, the figures have been adjusted to match those in the Staff Report, as revised by Staff following the issuance of the December 19, 2008 Entry on Rehearing in this

case. These figures were adopted with two exceptions: (1) DEO used a different formula than Staff for estimating Gross Receipts Tax; and (2) the revenue increase generated by applying approved year 2 rates to the test-year volumes and customer counts resulted in \$40,470,809, which is \$29,191 less than that approved.

Additionally, as requested, the GSS/ECTS class of customers has been broken into residential and non-residential segments. By analyzing the E-4 schedules and supporting work papers, DEO determined volumetric, peak-day (consumption and storage utilization), and customer-count information for both residential and non-residential customers within the GSS/ECTS classes. In developing these files for the rate case, baseload and heating degree day factors were developed for each rate class, and then for residential and non-residential. Updating the study's allocation factors provided insight into the cost to serve both the residential and non-residential segments of the GSS/ECTS class of customers.

RESULTS OF THE UPDATED COST OF SERVICE STUDY

The original cost of service study performed in this case (updated by the inclusion of a residential/non-residential split of the GSS/ECTS rate class) indicates that, within the GSS/ECTS classes, non-residential customers were subsidizing residential customers as indicated by the relative rates of return on rate base for each class (*i.e.*, 5.16% for GSS residential and 6.79% for GSS non-residential). This cross-subsidization of residential GSS customers would have continued had the Commission approved a continuation of traditional, volumetric rate design.

The rate design approved in this case, consisting of a GSS class that contains both residential and non-residential customers, appears to eliminate this subsidization by non-residential customers within the GSS/ECTS classes. As the mixed GSS class transitions to year 3 rates, the reverse may begin to take place, as it appears residential customers will generate an

increasingly higher return on rate base, while it appears non-residential customers will generate an increasingly lower return on rate base. (See Attachment 1.) This information suggests that a more equitable assignment of costs within the GSS class may result from splitting the class into residential and non-residential customers.

RECOMMENDED COST ALLOCATION PER CLASS

As noted, the Order directed DEO to recommend a cost allocation per class if it recommended that the GSS class be split into residential and non-residential segments. The attached class cost of service schedules contain the recommended cost allocation under Year 2 rates. Because some costs such as customer service and information, sales, and PUCO and OCC maintenance expenses are allocated to customer classes on the basis of revenue, the final cost allocation will be a function of the rate design authorized by the Commission. DEO recommends that the methodology employed in its average excess allocation model be utilized once the Commission determines the appropriate rate design for DEO's GSS class.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Report and Recommendation of The East Ohio Gas Company d/b/a Dominion East Ohio was delivered to the following persons by electronic mail this 13th day of January, 2009.


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THE EAST OHIO GAS COMPANY AND DOMINION EAST OHIO
CASE NO. 09-0829-CA-IR
COST OF SERVICE STUDY

Date: 3 months actual & 8 months estimated
Type of Filing: Reopened
Most Recent Reference No.: WPC-3-2-11

ALLOCATION FACTORS

#	Description	Units	GAS COSTS (As a % of COSTS)		LARGEST SUBJECTS		RATE SCHEDULE		DISC OFF SYSTEM		STORAGE		SYSTEM TOTAL
			Residential	Non-Residential	Subject 1	Subject 2	175-TDR	075-TDR	Subject 1	Subject 2	Subject 1	Subject 2	
16	Gas Rate Revenue (Test Year)	Whole Dollars	\$213,268,385 82.98%	\$44,053,287 17.02%	\$252,318,653 77.6%	\$9,685,235 3.0%	\$41,696,734 12.5%	\$16,681,658 0.6%	\$10,291,546 3.1%	\$354,274,860 100.0%			
17	Non-Tax Rider Revenue (Test Year)	Whole Dollars	\$115,714,804 77.38%	\$33,619,485 22.62%	\$152,230,689 86.2%	\$9,654,007 5.9%	\$14,357,982 9.1%	\$4,011,148 0.3%	\$0	\$176,623,755 100.0%			
18	Tax-related Rider Revenue (Test Year)	Whole Dollars	\$33,723,800 75.07%	\$10,928,440 24.93%	\$42,852,080 88.2%	\$1,878,127 3.5%	\$2,785,910 6.6%	\$1,173,268 2.8%	\$0	\$46,267,331 100.0%			
19	Other Revenue (Test Year)	Whole Dollars	\$2,579,488 78.84%	\$1,343,762 21.16%	\$11,282,250 42.8%	\$693,025 2.8%	\$10,762,159 46.8%	\$3,179,148 13.0%	\$694,849 3.2%	\$24,483,333 100.0%			
20	Increased Gas Cost Revenue (RSC) (Per Staff report)	Whole Dollars	\$327,587,034 77.80%	\$88,425,424 22.20%	\$423,987,458 88.1%	\$15,890,307 3.8%	\$18,287,184 11.8%	\$18,885,935 3.6%	\$0	\$499,862,895 100.0%			
21	Non-Gas Cost Revenue (Test Year)	Whole Dollars	\$374,554,616 86.82%	\$52,880,923 13.18%	\$427,435,539 78.1%	\$21,246,777 3.7%	\$26,811,815 11.8%	\$18,885,935 3.6%	\$10,878,381 1.8%	\$588,693,268 100.0%			
22	Unrecoverable Expenses (Test Year) (PIP + USF)	Whole Dollars	\$95,639,842 77.87%	\$27,818,281 22.13%	\$123,457,323 87.2%	\$7,888,463 5.9%	\$18,287,184 7.2%	\$0	\$0	\$140,862,948 100.0%			
23	PIP Rate Revenue (Test Year)	Whole Dollars	\$83,957,488 77.87%	\$17,845,811 22.13%	\$101,803,299 87.2%	\$5,004,870 5.0%	\$6,801,012 7.3%	\$0	\$0	\$108,608,153 100.0%			
24	Gas Cost Riders (Test Year)	Whole Dollars	\$23,073,513 78.03%	\$6,468,144 21.97%	\$29,541,657 82.2%	\$1,855,624 5.9%	\$4,040,428 11.2%	\$431,148 1.2%	\$0	\$34,577,158 100.0%			
25	Revenue @ Meter Rates (Year 2)	Whole Dollars	\$782,058,982 81.32%	\$172,847,707 18.68%	\$954,906,689 86.3%	\$38,636,827 3.9%	\$68,492,808 6.8%	\$18,504,004 1.0%	\$11,363,972 1.1%	\$1,065,032,544 100.0%			
27	Base Rate Revenue @ Year 2 Rates	Whole Dollars	\$380,882,449 88.16%	\$50,266,574 13.84%	\$431,147,823 78.16%	\$10,291,320 2.36%	\$26,467,245 11.57%	\$13,883,247 3.98%	\$10,351,428 2.91%	\$504,501,014 100.0%			
28	Gas Cost Rider Revenue (1/2 2010)	Whole Dollars	\$21,888,078 78.03%	\$6,184,882 21.97%	\$28,072,960 82.4%	\$1,855,628 6.6%	\$3,788,288 10.8%	\$431,148 1.2%	\$0	\$34,566,464 100.0%			
29	Non-Tax Related Meter Rate (Year 2)	Whole Dollars	\$94,123,804 77.87%	\$26,880,332 22.13%	\$120,744,224 87.2%	\$7,878,119 6.5%	\$14,357,981 7.2%	\$0	\$0	\$139,424,730 100.0%			
30	Tax Related Rider Revenue (Year 2)	Whole Dollars	\$28,842,801 81.88%	\$11,882,707 18.12%	\$40,725,508 88.1%	\$2,067,851 3.9%	\$6,846,508 7.3%	\$2,068,480 2.8%	\$607,532 0.7%	\$47,700,040 100.0%			

THE EAST OHIO GAS COMPANY GAS DOMINION EAST OHIO
 CASE NO. 87-1859-GA-JR
 COST OF SERVICE STUDY

Schedule E-3.2
 Page(1) 1,3,4,16
 William C. Andrews

Date: 3 Months After 9 Months Estimated
 Type of Filing: Revised
 Wild Paper Reference Num.: WPP-5-3a-1

ALLOCATION FACTORS

② Allocation

INTERNALLY GENERATED ALLOCATIONS

CLASSIFICATION	RATE	OBJECTS		VESS/VEETS		GAS/STG		OTHER SYSTEMS		SYSTEM TOTAL
		Number	% of OBJECTS	Number	%	Number	%	Number	%	
31 GAS @ Current Rates	Whole Dollars	393,404,656	\$18,028,344 4.60%	\$17,321,612	\$3,898,723 2.2%	\$12,055,734	\$7,525,600 6.2%	\$3,782,388	\$14,654,408 100.0%	
32 Gross Plant	Whole Dollars	\$1,213,733,240	\$248,424,284 20.50%	\$1,480,183,130	\$54,578,314 3.7%	\$234,572,082	\$139,457,611 5.9%	\$38,381,408	\$1,814,733,980 100.0%	
33 Other General Plant	Whole Dollars	\$34,046,009	\$7,172,397 21.10%	\$41,218,400	\$1,673,330 4.0%	\$4,719,117	\$3,980,306 8.4%	\$1,139,462	\$54,747,684 100.0%	
34 Net Plant	Whole Dollars	\$983,687,187	\$134,430,514 13.66%	\$804,256,673	\$32,376,432 4.0%	\$190,162,961	\$78,132,650 4.1%	\$17,884,488	\$1,088,796,235 100.0%	
35 Rate Base	Whole Dollars	\$667,849,680	\$468,678,735 70.19%	\$1,086,128,825	\$44,729,750 4.1%	\$181,214,382	\$91,248,673 5.1%	\$21,431,788	\$1,484,794,330 100.0%	

THE EAST OHIO GAS COMPANY AND DOMINION EAST OHIO
CASE NO. 87-4829-GA-4UR
COST OF SERVICE STUDY

Schedule E-3.2
Page 4 of 36
Witness: C. Andrews

Date: 3 Month's Actual & 9 Months Estimated
Type of Filing: Revised
Work Paper Reference No.:

OPERATING INCOME SUMMARY

AT FIRST YEAR RATES

	GAS SUBJECTS		L.V. SUBJECTS		Rate Schedule Class		DT/NOF System	Average
	Residential	Non-Residential	Residential	Non-Residential	GT/ST/SS	DT/NOF System		
OPERATING REVENUE (A)								
Base Rate Revenues	\$213,268,366	\$44,043,287	\$257,519,653	\$9,889,536	\$47,695,124	\$0	\$15,081,835	\$10,291,548
Gas Cost Revenue	\$337,581,034	\$95,628,434	\$423,207,468	\$15,685,397	\$0	\$0	\$0	\$0
Gas Cost Rider Revenue	\$23,078,612	\$6,488,144	\$29,566,756	\$7,508,624	\$4,040,428	\$0	\$431,148	\$0
Non-Tax Related Rider Revenue	\$45,638,042	\$27,818,281	\$122,657,303	\$7,688,483	\$1,173,805	\$0	\$1,173,805	\$0
Tax Related Rider Revenue	\$43,729,600	\$8,928,480	\$42,052,080	\$1,675,137	\$2,788,310	\$0	\$0	\$0
Other Revenue	\$6,370,488	\$2,282,752	\$11,282,256	\$653,056	\$10,792,188	\$0	\$3,178,146	\$583,943
TOTAL OPERATING REVENUE	\$792,186,050	\$184,207,357	\$988,672,617	\$37,534,174	\$68,911,210	\$0	\$18,865,938	\$10,878,281
OPERATING EXPENSES (B)								
Gas Cost	\$327,581,034	\$85,628,434	\$423,207,468	\$16,665,397	\$0	\$0	\$0	\$0
Gas Cost Related Riders	\$23,078,612	\$6,488,144	\$29,566,756	\$7,508,624	\$4,040,428	\$0	\$431,148	\$0
Non-Tax Related Rider Expenses	\$45,638,042	\$27,818,281	\$122,657,303	\$7,688,483	\$1,173,805	\$0	\$1,173,805	\$0
Other Operation and Maintenance Expenses	\$98,494,665	\$16,028,844	\$117,524,512	\$3,808,153	\$13,035,784	\$0	\$7,526,803	\$3,782,348
Depreciation Expense	\$38,432,720	\$8,222,308	\$41,655,028	\$948,000	\$3,986,448	\$0	\$2,303,603	\$88,186
Tax-Related Rider Expense	\$35,728,000	\$8,928,480	\$42,656,480	\$1,875,137	\$2,788,310	\$0	\$1,173,805	\$0
Other Taxes	\$30,338,231	\$8,873,993	\$37,212,224	\$1,684,822	\$6,419,605	\$0	\$2,438,782	\$0
Federal Income Taxes	\$9,298,254	\$3,710,880	\$13,009,134	\$1,081,853	\$8,642,186	\$0	\$881,625	\$1,688,011
TOTAL OPERATING EXPENSES	\$631,376,686	\$171,704,851	\$827,458,011	\$34,311,270	\$46,128,985	\$0	\$14,841,575	\$8,687,528
NET OPERATING INCOME	\$160,809,364	\$12,502,506	\$161,214,606	\$3,222,904	\$22,782,225	\$0	\$4,024,363	\$2,190,753
RATE BASE	\$1,404,734,310	\$186,478,735	\$1,591,213,045	\$44,729,750	\$187,215,682	\$0	\$81,240,873	\$21,421,788
RATE OF RETURN - AT CURRENT RATES	8.85%	6.78%	5.48%	7.21%	13.28%	0%	5.51%	18.94%
RECOMMENDED RATE OF RETURN	8.72%	8.72%	8.72%	8.72%	8.72%	0%	8.72%	8.72%
REVENUE CONVERSION FACTOR	1.01518	1.01518	1.01518	1.01518	1.01518	0%	1.01518	1.01518
REVENUE DEFICIENCY	\$47,298,793	\$5,967,846	\$57,362,318	\$1,004,334	(\$11,894,893)	\$0	\$4,738,438	(\$3,880,454)

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
CASE NO. 09-028-GA-AIR
COST OF SERVICE STUDY

Schedule E-32
Page 5 of 16
Witness: C. Andrews

Date: 3 Months Actual & 9 Months Estimated
Type of Filing: Required
Work Paper Reference No.:

OPERATING INCOME SUMMARY

ALTERNATE RATES (YEAR 2)

OPERATING REVENUE (5):
Base Rate Revenues (Year 2 Rates)
Gas Cost Revenues (per Staff Report)
Gas Cost Rider Revenues
Non-Tax Related Rider Revenues
Tax Related Rider Revenues
Other Revenues
TOTAL OPERATING REVENUE

OPERATING EXPENSES (5):
Gas Cost
Gas Cost Related Riders
Non-Tax Related Rider Expenses
Other Operation and Maintenance Expenses
Depreciation Expense
Tax-Related Rider Expenses
Other Taxes (Excludes CRT)
Federal Income Taxes
TOTAL OPERATING EXPENSES

NET OPERATING INCOME

RATE BASE

RATE OF RETURN - AT PROPOSED RATES

GROSS RECEIPTS TAX RIDER RATE

System Total	GSSSECTS Details		Rate Schedule/Cases		DT SMOKE-Systems	Expense
	Residential	Non-Residential	GSSSECTS	LVSSECTS			GTRATES
\$364,801,814	\$250,022,448	\$30,366,324	\$280,417,973	\$10,291,320	\$39,467,040	\$10,331,428
\$438,662,865	\$327,661,024	\$85,628,434	\$423,207,468	\$15,896,397	\$0	\$0
\$34,166,464	\$71,980,530	\$6,184,862	\$28,193,362	\$7,976,615	\$431,148	\$0
\$138,424,730	\$84,123,824	\$26,880,300	\$120,714,224	\$7,091,615	\$48,133,891	\$0
\$78,700,070	\$50,942,001	\$11,463,707	\$62,704,708	\$2,607,631	\$2,040,450	\$501,532
\$25,317,680	\$8,488,646	\$2,271,878	\$10,788,624	\$633,808	\$3,038,305	\$561,012
\$1,085,032,942	\$753,056,562	\$172,947,707	\$928,004,269	\$38,630,627	\$19,604,004	\$11,363,872
\$438,662,865	\$327,581,024	\$85,628,434	\$423,207,468	\$15,896,397	\$0	\$0
\$34,166,464	\$71,980,530	\$6,184,862	\$28,193,362	\$7,976,615	\$431,148	\$0
\$138,424,730	\$84,123,824	\$26,880,300	\$120,714,224	\$7,091,615	\$7,512,366	\$0
\$78,700,070	\$50,942,001	\$11,463,707	\$62,704,708	\$2,607,631	\$2,833,403	\$83,198
\$25,317,680	\$8,488,646	\$2,271,878	\$10,788,624	\$633,808	\$2,040,450	\$501,532
\$1,085,032,942	\$753,056,562	\$172,947,707	\$928,004,269	\$38,630,627	\$17,729,410	\$1,543,670
\$119,117,458	\$78,471,632	\$6,061,362	\$84,633,214	\$3,675,731	\$4,665,463	\$4,590,370
\$1,404,734,308	\$887,648,080	\$188,476,736	\$1,089,124,816	\$44,729,790	\$91,240,679	\$21,421,780
5.48%	6.74%	3.23%	7.785%	6.88%	6.16%	21.15%
4.8944%				13.26%		

THE EAST GAS COMPANY 46th DOMINION EAST CHRD
 CASE NO. 87-333-0-AMR
 COST OF SERVICE STUDY

Schedule E-12
 Page 7 of 8
 William C. Anderson

Check 3 Hours Actual & 9 Months Estimated
 Type of Filing: Revised
 Work Paper Reference: N/A

SUMMARY OF OTHER O&M EXPENSES

Accounts Dept.

ALL YEAR RATES

780-780 Production & Outgoing
 814-837 Storage
 860-867 Transmission
 870-884 Distribution
 891-905 Customer Accounts
 897-910 Customer Service & Information
 911-915 Sales
 939-935 Administrative - General

TOTAL O & M @ CURRENT RATES:

SYSTEM TOTAL	CURRENT RATES		LARGER VECTORS		RATE SCHEDULES		DISTRIBUTION	TOTAL
	Residential	Non-Residential	Residential	Non-Residential	Residential	Non-Residential		
\$5,246,208	\$744,088	\$270,287	\$854,293	\$4,397,478	\$4,397,478	\$4,397,478	\$0	\$8,794,956
\$9,323,983	\$3,895,854	\$1,401,823	\$4,497,478	\$5,401,287	\$5,401,287	\$5,401,287	\$0	\$10,898,574
\$7,888,787	\$4,283,090	\$1,217,908	\$4,497,478	\$5,401,287	\$5,401,287	\$5,401,287	\$0	\$10,898,574
\$32,854,982	\$41,177,883	\$8,554,581	\$28,185,980	\$40,872,574	\$40,872,574	\$40,872,574	\$0	\$81,745,148
\$25,441,725	\$23,917,184	\$1,678,789	\$28,185,980	\$40,872,574	\$40,872,574	\$40,872,574	\$0	\$81,745,148
\$9,474,818	\$8,481,238	\$1,000,580	\$9,481,818	\$10,481,818	\$10,481,818	\$10,481,818	\$0	\$20,963,636
\$482,829	\$333,973	\$188,879	\$522,852	\$522,852	\$522,852	\$522,852	\$0	\$1,045,704
\$28,173,285	\$48,273,486	\$3,481,873	\$48,755,359	\$53,237,232	\$53,237,232	\$53,237,232	\$0	\$106,492,591
\$145,874,409	\$98,494,698	\$18,026,844	\$117,521,512	\$130,548,353	\$130,548,353	\$130,548,353	\$0	\$248,076,705

ALL YEAR RATES (YEAR 2 RATES)

780-780 Production
 814-837 Other Gas Supply Expense
 860-867 Storage
 870-884 Transmission
 891-905 Distribution
 897-910 Customer Accounts
 911-915 Customer Service & Information
 939-935 Sales
 939-935 Administrative - General

TOTAL O & M @ PROPOSED RATES:

SYSTEM TOTAL	CURRENT RATES		LARGER VECTORS		RATE SCHEDULES		DISTRIBUTION	TOTAL
	Residential	Non-Residential	Residential	Non-Residential	Residential	Non-Residential		
\$3,246,208	\$744,088	\$270,287	\$854,293	\$4,397,478	\$4,397,478	\$4,397,478	\$0	\$8,794,956
\$2,486,787	\$3,895,854	\$1,401,823	\$4,497,478	\$5,401,287	\$5,401,287	\$5,401,287	\$0	\$10,898,574
\$8,803,983	\$1,217,908	\$1,101,823	\$4,497,478	\$5,401,287	\$5,401,287	\$5,401,287	\$0	\$10,898,574
\$7,888,787	\$4,283,090	\$1,217,908	\$4,497,478	\$5,401,287	\$5,401,287	\$5,401,287	\$0	\$10,898,574
\$23,854,982	\$41,177,883	\$8,554,581	\$28,185,980	\$40,872,574	\$40,872,574	\$40,872,574	\$0	\$81,745,148
\$25,441,725	\$23,917,184	\$1,678,789	\$28,185,980	\$40,872,574	\$40,872,574	\$40,872,574	\$0	\$81,745,148
\$9,474,818	\$8,481,238	\$1,000,580	\$9,481,818	\$10,481,818	\$10,481,818	\$10,481,818	\$0	\$20,963,636
\$482,829	\$333,973	\$188,879	\$522,852	\$522,852	\$522,852	\$522,852	\$0	\$1,045,704
\$28,173,285	\$48,273,486	\$3,481,873	\$48,755,359	\$53,237,232	\$53,237,232	\$53,237,232	\$0	\$106,492,591
\$145,874,409	\$98,494,698	\$18,026,844	\$117,521,512	\$130,548,353	\$130,548,353	\$130,548,353	\$0	\$248,076,705

DIFFERENCE:

\$2,844,787	\$886,874	\$217,063	\$468,811	\$532,594	\$532,594	\$532,594	\$0	\$1,065,188
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THE EAST OGDON GAS COMPANY, AN UNINCORPORATED EAST OGDON
 CASE NO. 92-888-04-08
 COURT OF REVENUE STAFF

Submittal 6-2-2
 Page 3 of 38
 Version: C. Andrews

Date: 2 Month Actual & 8 Month Estimated
 Type: Utility Expense
 Fuel Price Reference: NA

OTHER OGDON EXPENSE DETAILS

Account Name

SYSTEM TOTAL	System	ACCOUNTS	DATE	ACCOUNTS	DATE	ACCOUNTS	DATE
System	System	System	System	System	System	System	System

ACCOUNT	DESCRIPTION	7/20-7/20	8/1-8/1	9/1-9/1	10/1-10/1	11/1-11/1	12/1-12/1	TOTAL
720-760	Production & Operating	\$1,348,133	\$2,10,297	\$264,253	\$44,886	\$1,404,266	\$927,711	\$5,089,706
814-887	Other Gas Supply Expense	\$429,045	\$0	\$0	\$27,167	\$48,124	\$0	\$504,336
820-057	Inventory	\$1,084,839	\$28,282	\$1,404,253	\$104,300	\$78,175	\$0	\$2,699,649
870-004	Customer Related	\$2,581,536	\$2,571,241	\$4,887,476	\$214,087	\$521,289	\$0	\$13,776,619
901-005	Customer Related	\$2,955,146	\$3,171,777	\$1,428,088	\$24,281	\$521,289	\$65,468	\$8,167,949
901-006	Customer Related	\$5,144,559	\$6,011,151	\$4,403,488	\$222,082	\$686,774	\$392,237	\$16,663,371
901-007	Customer Related	\$7,898,387	\$7,237,268	\$4,481,987	\$283,241	\$4,948,115	\$717,688	\$21,358,676
901-008	Customer Related	\$18,729,481	\$1,703,244	\$19,446,745	\$24,987	\$40,115	\$1,078	\$39,949,760
901-009	Customer Related	\$291,728	\$138,762	\$128,282	\$22,474	\$148,100	\$14,284	\$643,528
901-010	Customer Related	\$488,188	\$0	\$0	\$0	\$0	\$0	\$488,188
901-011	Customer Related	\$15,528,185	\$2,724,874	\$4,827,358	\$24,148	\$3,127,884	\$3,821,264	\$28,254,697
901-012	Customer Related	\$20,882,209	\$1,448,816	\$24,257,531	\$1,262,282	\$4,600,144	\$1,642,568	\$33,837,538
901-013	Customer Related	\$22,886,483	\$4,717,862	\$48,872,874	\$1,889,281	\$4,648,871	\$4,528,878	\$68,684,875
901-014	Customer Related	\$22,488,948	\$1,486,771	\$22,813,114	\$44,872	\$45,024	\$1,422	\$47,839,132
901-015	Customer Related	\$1,526,254	\$0	\$0	\$0	\$0	\$0	\$1,526,254
901-016	Customer Related	\$8,882,838	\$212,045	\$3,162,838	\$48,272	\$0	\$0	\$12,305,993
901-017	Customer Related	\$55,444,175	\$1,878,799	\$25,297,185	\$48,272	\$182,239	\$31,289	\$83,084,970
901-018	Customer Related	\$4,471,576	\$1,286,316	\$6,147,848	\$344,878	\$628,871	\$182,239	\$14,461,428
901-019	Customer Related	\$482,428	\$88,679	\$477,243	\$17,888	\$32,872	\$3,884	\$1,065,994
901-020	Customer Related	\$689,847	\$63,276	\$228,318	\$14,356	\$455,026	\$0	\$1,441,527
901-021	Customer Related	\$1,887,248	\$282,779	\$1,588,453	\$28,289	\$25,989	\$0	\$3,772,759
901-022	Customer Related	\$1,842,748	\$281,478	\$1,211,885	\$77,143	\$275,221	\$0	\$3,688,475
901-023	Customer Related	\$23,800,262	\$2,475,887	\$24,170,787	\$274,527	\$1,790,121	\$1,128,887	\$33,570,452
901-024	Customer Related	\$23,431,268	\$5,461,173	\$22,894,033	\$724,527	\$5,217,247	\$1,488,873	\$38,717,121
TOTAL OTHER OGDON EXPENSES		\$14,442,435	\$1,928,244	\$117,287,212	\$1,889,183	\$1,828,704	\$7,451,853	\$237,928,289

ACCOUNT	DESCRIPTION	7/20-7/20	8/1-8/1	9/1-9/1	10/1-10/1	11/1-11/1	12/1-12/1	TOTAL
901-025	Customer Related	\$22,488,948	\$1,486,771	\$22,813,114	\$44,872	\$45,024	\$1,422	\$47,839,132
901-026	Customer Related	\$1,526,254	\$0	\$0	\$0	\$0	\$0	\$1,526,254
901-027	Customer Related	\$8,882,838	\$212,045	\$3,162,838	\$48,272	\$0	\$0	\$12,305,993
901-028	Customer Related	\$55,444,175	\$1,878,799	\$25,297,185	\$48,272	\$182,239	\$31,289	\$83,084,970
901-029	Customer Related	\$4,471,576	\$1,286,316	\$6,147,848	\$344,878	\$628,871	\$182,239	\$14,461,428
901-030	Customer Related	\$482,428	\$88,679	\$477,243	\$17,888	\$32,872	\$3,884	\$1,065,994
901-031	Customer Related	\$689,847	\$63,276	\$228,318	\$14,356	\$455,026	\$0	\$1,441,527
901-032	Customer Related	\$1,887,248	\$282,779	\$1,588,453	\$28,289	\$25,989	\$0	\$3,772,759
901-033	Customer Related	\$1,842,748	\$281,478	\$1,211,885	\$77,143	\$275,221	\$0	\$3,688,475
901-034	Customer Related	\$23,800,262	\$2,475,887	\$24,170,787	\$274,527	\$1,790,121	\$1,128,887	\$33,570,452
901-035	Customer Related	\$23,431,268	\$5,461,173	\$22,894,033	\$724,527	\$5,217,247	\$1,488,873	\$38,717,121
901-036	Customer Related	\$22,488,948	\$1,486,771	\$22,813,114	\$44,872	\$45,024	\$1,422	\$47,839,132
901-037	Customer Related	\$1,526,254	\$0	\$0	\$0	\$0	\$0	\$1,526,254
901-038	Customer Related	\$8,882,838	\$212,045	\$3,162,838	\$48,272	\$0	\$0	\$12,305,993
901-039	Customer Related	\$55,444,175	\$1,878,799	\$25,297,185	\$48,272	\$182,239	\$31,289	\$83,084,970
901-040	Customer Related	\$4,471,576	\$1,286,316	\$6,147,848	\$344,878	\$628,871	\$182,239	\$14,461,428
901-041	Customer Related	\$482,428	\$88,679	\$477,243	\$17,888	\$32,872	\$3,884	\$1,065,994
901-042	Customer Related	\$689,847	\$63,276	\$228,318	\$14,356	\$455,026	\$0	\$1,441,527
901-043	Customer Related	\$1,887,248	\$282,779	\$1,588,453	\$28,289	\$25,989	\$0	\$3,772,759
901-044	Customer Related	\$1,842,748	\$281,478	\$1,211,885	\$77,143	\$275,221	\$0	\$3,688,475
901-045	Customer Related	\$23,800,262	\$2,475,887	\$24,170,787	\$274,527	\$1,790,121	\$1,128,887	\$33,570,452
901-046	Customer Related	\$23,431,268	\$5,461,173	\$22,894,033	\$724,527	\$5,217,247	\$1,488,873	\$38,717,121
901-047	Customer Related	\$22,488,948	\$1,486,771	\$22,813,114	\$44,872	\$45,024	\$1,422	\$47,839,132
901-048	Customer Related	\$1,526,254	\$0	\$0	\$0	\$0	\$0	\$1,526,254
901-049	Customer Related	\$8,882,838	\$212,045	\$3,162,838	\$48,272	\$0	\$0	\$12,305,993
901-050	Customer Related	\$55,444,175	\$1,878,799	\$25,297,185	\$48,272	\$182,239	\$31,289	\$83,084,970
901-051	Customer Related	\$4,471,576	\$1,286,316	\$6,147,848	\$344,878	\$628,871	\$182,239	\$14,461,428
901-052	Customer Related	\$482,428	\$88,679	\$477,243	\$17,888	\$32,872	\$3,884	\$1,065,994
901-053	Customer Related	\$689,847	\$63,276	\$228,318	\$14,356	\$455,026	\$0	\$1,441,527
901-054	Customer Related	\$1,887,248	\$282,779	\$1,588,453	\$28,289	\$25,989	\$0	\$3,772,759
901-055	Customer Related	\$1,842,748	\$281,478	\$1,211,885	\$77,143	\$275,221	\$0	\$3,688,475
901-056	Customer Related	\$23,800,262	\$2,475,887	\$24,170,787	\$274,527	\$1,790,121	\$1,128,887	\$33,570,452
901-057	Customer Related	\$23,431,268	\$5,461,173	\$22,894,033	\$724,527	\$5,217,247	\$1,488,873	\$38,717,121
901-058	Customer Related	\$22,488,948	\$1,486,771	\$22,813,114	\$44,872	\$45,024	\$1,422	\$47,839,132
901-059	Customer Related	\$1,526,254	\$0	\$0	\$0	\$0	\$0	\$1,526,254
901-060	Customer Related	\$8,882,838	\$212,045	\$3,162,838	\$48,272	\$0	\$0	\$12,305,993
901-061	Customer Related	\$55,444,175	\$1,878,799	\$25,297,185	\$48,272	\$182,239	\$31,289	\$83,084,970
901-062	Customer Related	\$4,471,576	\$1,286,316	\$6,147,848	\$344,878	\$628,871	\$182,239	\$14,461,428
901-063	Customer Related	\$482,428	\$88,679	\$477,243	\$17,888	\$32,872	\$3,884	\$1,065,994
901-064	Customer Related	\$689,847	\$63,276	\$228,318	\$14,356	\$455,026	\$0	\$1,441,527
901-065	Customer Related	\$1,887,248	\$282,779	\$1,588,453	\$28,289	\$25,989	\$0	\$3,772,759
901-066	Customer Related	\$1,842,748	\$281,478	\$1,211,885	\$77,143	\$275,221	\$0	\$3,688,475
901-067	Customer Related	\$23,800,262	\$2,475,887	\$24,170,787	\$274,527	\$1,790,121	\$1,128,887	\$33,570,452
901-068	Customer Related	\$23,431,268	\$5,461,173	\$22,894,033	\$724,527	\$5,217,247	\$1,488,873	\$38,717,121
901-069	Customer Related	\$22,488,948	\$1,486,771	\$22,813,114	\$44,872	\$45,024	\$1,422	\$47,839,132
901-070	Customer Related	\$1,526,254	\$0	\$0	\$0	\$0	\$0	\$1,526,254
901-071	Customer Related	\$8,882,838	\$212,045	\$3,162,838	\$48,272	\$0	\$0	\$12,305,993
901-072	Customer Related	\$55,444,175	\$1,878,799	\$25,297,185	\$48,272	\$182,239	\$31,289	\$83,084,970
901-073	Customer Related	\$4,471,576	\$1,286,316	\$6,147,848	\$344,878	\$628,871	\$182,239	\$14,461,428
901-074	Customer Related	\$482,428	\$88,679	\$477,243	\$17,888	\$32,872	\$3,884	\$1,065,994
901-075	Customer Related	\$689,847	\$63,276	\$228,318	\$14,356	\$455,026	\$0	\$1,441,527
901-076	Customer Related	\$1,887,248	\$282,779	\$1,588,453	\$28,289	\$25,989	\$0	\$3,772,759
901-077	Customer Related	\$1,842,748	\$281,478	\$1,211,885	\$77,143	\$275,221	\$0	\$3,688,475
901-078	Customer Related	\$23,800,262	\$2,475,887	\$24,170,787	\$274,527	\$1,790,121	\$1,128,887	\$33,570,452
901-079	Customer Related	\$23,431,268	\$5,461,173	\$22,894,033	\$724,527	\$5,217,247	\$1,488,873	\$38,717,121
901-080	Customer Related	\$22,488,948	\$1,486,771	\$22,813,114	\$44,872	\$45,024	\$1,422	\$47,839,132
901-081	Customer Related	\$1,526,254	\$0	\$0	\$0	\$0	\$0	\$1,526,254
901-082	Customer Related	\$8,882,838	\$212,045	\$3,162,838	\$48,272	\$0	\$0	\$12,305,993
901-083	Customer Related	\$55,444,175	\$1,878,799	\$25,297,185	\$48,272	\$182,239	\$31,289	\$83,084,970
901-084	Customer Related	\$4,471,576	\$1,286,316	\$6,147,848	\$344,878	\$628,871	\$182,239	\$14,461,428
901-085	Customer Related	\$482,428	\$88,679	\$477,243	\$17,888	\$32,872	\$3,884	\$1,065,994
901-086	Customer Related	\$689,847	\$63,276	\$228,318	\$14,356	\$455,026	\$0	\$1,441,527
901-087	Customer Related	\$1,887,248	\$282,779	\$1,588,453	\$28,289	\$25,989	\$0	\$3,772,759
901-088	Customer Related	\$1,842,748	\$281,478	\$1,211,885	\$77,143	\$275,221	\$0	\$3,688,475
901-089	Customer Related	\$23,800,262	\$2,475,887	\$24,170,787	\$274,527	\$1,790,121	\$1,128,887	\$33,570,452
901-090	Customer Related	\$23,431,268	\$5,461,173	\$22,894,033	\$724,527	\$5,217,247	\$1,488,873	\$38,717,121
901-091	Customer Related	\$22,488,948	\$1,486,771	\$22,813,114	\$44,872	\$45,024	\$1,422	\$47,839,132
901-092	Customer Related	\$1,526,254	\$0	\$0	\$0	\$0	\$0	\$1,526,254
901-093	Customer Related	\$8,882,838	\$212,045	\$3,162,838	\$48,272	\$0	\$0	\$12,305,993
901-094	Customer Related	\$55,444,175	\$1,878,799	\$25,297,185	\$48,272	\$182,239	\$31,289	\$83,084,970
901-095	Customer Related	\$4,471,576	\$1,286,316	\$6,147,848	\$344,878	\$628,871	\$182,239	\$14,461,428
901-096	Customer Related</							

THE EAST OREGON GAS COMPANY GAS ACCOUNT STATEMENT
 CASE NO. 0000000000
 COST OF SERVICE \$1.00

Sheet 5 of 5
 Page 1 of 1
 Version: 2.0.0

Due to Meter Asset & Various Expenses
 Preceding: Meter
 Post Meter Expenses Inc.

OTHER GAS EXPENSE DETAILS

Account Name

ACCOUNT NAME	CURRENT PERIOD		PREVIOUS PERIOD		DATE SCHEDULE		METER	ANNUAL PLAN
	AMOUNT	PERCENT	AMOUNT	PERCENT	START DATE	END DATE		

ALBERTA REALITIES

750-780 Production & Gathering

813 Other Gas Supply Expenses

814-815 Storage

820-827 Transmission

830-832 Distribution

840-842 Customer Services & Information

850-852 Administration & General

860-862 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

600-000 Administration & General

610-612 Production & Gathering

620-627 Storage

630-632 Transmission

640-642 Distribution

650-652 Customer Services & Information

660-662 Administration & General

670-672 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

680-682 Administration & General

690-692 Production & Gathering

700-707 Storage

710-712 Transmission

720-727 Distribution

730-732 Customer Services & Information

740-742 Administration & General

750-752 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

760-762 Administration & General

770-772 Production & Gathering

780-787 Storage

790-792 Transmission

800-807 Distribution

810-812 Customer Services & Information

820-822 Administration & General

830-832 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

840-842 Administration & General

850-852 Production & Gathering

860-867 Storage

870-872 Transmission

880-887 Distribution

890-892 Customer Services & Information

900-902 Administration & General

910-912 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

920-922 Administration & General

930-932 Production & Gathering

940-947 Storage

950-952 Transmission

960-967 Distribution

970-972 Customer Services & Information

980-982 Administration & General

990-992 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1000-1002 Administration & General

1010-1012 Production & Gathering

1020-1027 Storage

1030-1032 Transmission

1040-1047 Distribution

1050-1052 Customer Services & Information

1060-1062 Administration & General

1070-1072 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1080-1082 Administration & General

1090-1092 Production & Gathering

1100-1107 Storage

1110-1112 Transmission

1120-1127 Distribution

1130-1132 Customer Services & Information

1140-1142 Administration & General

1150-1152 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1160-1162 Administration & General

1170-1172 Production & Gathering

1180-1187 Storage

1190-1192 Transmission

1200-1207 Distribution

1210-1212 Customer Services & Information

1220-1222 Administration & General

1230-1232 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1240-1242 Administration & General

1250-1252 Production & Gathering

1260-1267 Storage

1270-1272 Transmission

1280-1287 Distribution

1290-1292 Customer Services & Information

1300-1302 Administration & General

1310-1312 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1320-1322 Administration & General

1330-1332 Production & Gathering

1340-1347 Storage

1350-1352 Transmission

1360-1367 Distribution

1370-1372 Customer Services & Information

1380-1382 Administration & General

1390-1392 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1400-1402 Administration & General

1410-1412 Production & Gathering

1420-1427 Storage

1430-1432 Transmission

1440-1447 Distribution

1450-1452 Customer Services & Information

1460-1462 Administration & General

1470-1472 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1480-1482 Administration & General

1490-1492 Production & Gathering

1500-1507 Storage

1510-1512 Transmission

1520-1527 Distribution

1530-1532 Customer Services & Information

1540-1542 Administration & General

1550-1552 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1560-1562 Administration & General

1570-1572 Production & Gathering

1580-1587 Storage

1590-1592 Transmission

1600-1607 Distribution

1610-1612 Customer Services & Information

1620-1622 Administration & General

1630-1632 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1640-1642 Administration & General

1650-1652 Production & Gathering

1660-1667 Storage

1670-1672 Transmission

1680-1687 Distribution

1690-1692 Customer Services & Information

1700-1702 Administration & General

1710-1712 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1720-1722 Administration & General

1730-1732 Production & Gathering

1740-1747 Storage

1750-1752 Transmission

1760-1767 Distribution

1770-1772 Customer Services & Information

1780-1782 Administration & General

1790-1792 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1800-1802 Administration & General

1810-1812 Production & Gathering

1820-1827 Storage

1830-1832 Transmission

1840-1847 Distribution

1850-1852 Customer Services & Information

1860-1862 Administration & General

1870-1872 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1880-1882 Administration & General

1890-1892 Production & Gathering

1900-1907 Storage

1910-1912 Transmission

1920-1927 Distribution

1930-1932 Customer Services & Information

1940-1942 Administration & General

1950-1952 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

1960-1962 Administration & General

1970-1972 Production & Gathering

1980-1987 Storage

1990-1992 Transmission

2000-2007 Distribution

2010-2012 Customer Services & Information

2020-2022 Administration & General

2030-2032 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2040-2042 Administration & General

2050-2052 Production & Gathering

2060-2067 Storage

2070-2072 Transmission

2080-2087 Distribution

2090-2092 Customer Services & Information

2100-2102 Administration & General

2110-2112 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2120-2122 Administration & General

2130-2132 Production & Gathering

2140-2147 Storage

2150-2152 Transmission

2160-2167 Distribution

2170-2172 Customer Services & Information

2180-2182 Administration & General

2190-2192 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2200-2202 Administration & General

2210-2212 Production & Gathering

2220-2227 Storage

2230-2232 Transmission

2240-2247 Distribution

2250-2252 Customer Services & Information

2260-2262 Administration & General

2270-2272 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2280-2282 Administration & General

2290-2292 Production & Gathering

2300-2307 Storage

2310-2312 Transmission

2320-2327 Distribution

2330-2332 Customer Services & Information

2340-2342 Administration & General

2350-2352 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2360-2362 Administration & General

2370-2372 Production & Gathering

2380-2387 Storage

2390-2392 Transmission

2400-2407 Distribution

2410-2412 Customer Services & Information

2420-2422 Administration & General

2430-2432 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2440-2442 Administration & General

2450-2452 Production & Gathering

2460-2467 Storage

2470-2472 Transmission

2480-2487 Distribution

2490-2492 Customer Services & Information

2500-2502 Administration & General

2510-2512 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2520-2522 Administration & General

2530-2532 Production & Gathering

2540-2547 Storage

2550-2552 Transmission

2560-2567 Distribution

2570-2572 Customer Services & Information

2580-2582 Administration & General

2590-2592 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2600-2602 Administration & General

2610-2612 Production & Gathering

2620-2627 Storage

2630-2632 Transmission

2640-2647 Distribution

2650-2652 Customer Services & Information

2660-2662 Administration & General

2670-2672 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2680-2682 Administration & General

2690-2692 Production & Gathering

2700-2707 Storage

2710-2712 Transmission

2720-2727 Distribution

2730-2732 Customer Services & Information

2740-2742 Administration & General

2750-2752 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE

2760-2762 Administration & General

2770-2772 Production & Gathering

2780-2787 Storage

2790-2792 Transmission

2800-2807 Distribution

2810-2812 Customer Services & Information

2820-2822 Administration & General

2830-2832 Total Other Gas Expenses

TOTAL OTHER GAS EXPENSE</

THE EAST OAK GAS QUANTIFY AND DEMONSTRATE EAST OAK
 CASE NO. GRABER-CA-188
 COST OF SERVICE STUDY

Worksheet B.2.2
 Page 18 of 28
 Director: C. Anderson

Date: 2/14/2014
 Type of Study: Revised
 Meter Point Reference No.:

DEPRECIATION EXPENSE

ITEM	SYSTEM TOTAL	REGULATORY	CONSUMER	GENERAL PUBLIC	GENERAL PUBLIC	GENERAL PUBLIC	GENERAL PUBLIC	GENERAL PUBLIC
------	--------------	------------	----------	----------------	----------------	----------------	----------------	----------------

REGULATORY
 Customer: General
 DRYAL PRODUCTION DEPRECIATION
 ETC/Other
 Customer: General (00.13304)
 Customer: General (00.10794)
 TOTAL STORAGE DEPRECIATION

REGULATORY
 Customer: General (00.13304)
 Customer: General (00.10794)
 TOTAL TRANSMISSION DEPRECIATION

REGULATORY
 Customer: General, All Customers
 Customer: Portland, Low Pressure
 Customer: Portland, Regulator Pval
 Customer: Various, Regulator Pval
 Customer: Various, Industrial
 Customer: Various (00.08251)
 Customer: Various (00.08251)
 TOTAL DISTRIBUTION DEPRECIATION

REGULATORY
 Customer: General Demand Point
 Other: General Point
 Production/Storage
 Storage Demand
 Transmission Demand
 Distribution Demand
 Other: General Demand Point
 TOTAL DEPRECIATION EXPENSE

REGULATORY	\$1,342,287	\$224,880	\$71,487	\$282,789	\$28,446	\$917,660	\$178,499	\$0
REGULATORY	\$1,342,287	\$224,880	\$71,487	\$282,789	\$28,446	\$917,660	\$178,499	\$0
Etc/Other	-8795	-5203	4486	-3281	-423	-431	00	-5191
Customer: General (00.13304)	\$1,254,292	\$171,357	\$67,001	\$279,508	\$28,023	\$884,229	\$178,499	\$0
Customer: General (00.10794)	\$87,995	-807	-814	-781	426	-431	00	-802
TOTAL STORAGE DEPRECIATION	\$1,342,287	\$224,880	\$71,487	\$282,789	\$28,446	\$917,660	\$178,499	\$0
REGULATORY	\$288,880	\$43,280	\$12,209	\$108,113	\$8,488	\$222,899	\$20,888	\$0
REGULATORY	\$288,880	\$43,280	\$12,209	\$108,113	\$8,488	\$222,899	\$20,888	\$0
Customer: General (00.13304)	\$188,880	\$27,500	\$7,000	\$65,000	\$4,000	\$153,380	\$14,000	\$0
Customer: General (00.10794)	\$100,000	\$15,780	\$5,209	\$43,113	\$4,488	\$69,519	\$6,888	\$0
TOTAL TRANSMISSION DEPRECIATION	\$288,880	\$43,280	\$12,209	\$108,113	\$8,488	\$222,899	\$20,888	\$0
REGULATORY	\$948,202	\$94,934	\$28,496	\$387,918	\$1,018	\$1,374	\$0	\$0
REGULATORY	\$948,202	\$94,934	\$28,496	\$387,918	\$1,018	\$1,374	\$0	\$0
Customer: General, All Customers	\$7,280,328	\$7,280,328	\$7,280,328	\$7,280,328	\$7,280,328	\$7,280,328	\$7,280,328	\$7,280,328
Customer: Portland, Low Pressure	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388
Customer: Portland, Regulator Pval	\$4,052,388	\$4,052,388	\$4,052,388	\$4,052,388	\$4,052,388	\$4,052,388	\$4,052,388	\$4,052,388
Customer: Various, Regulator Pval	\$188,728	\$188,728	\$188,728	\$188,728	\$188,728	\$188,728	\$188,728	\$188,728
Customer: Various, Industrial	\$887,187	\$887,187	\$887,187	\$887,187	\$887,187	\$887,187	\$887,187	\$887,187
Customer: Various (00.08251)	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388
Customer: Various (00.08251)	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388	\$2,052,388
TOTAL DISTRIBUTION DEPRECIATION	\$9,479,216	\$9,479,216	\$9,479,216	\$9,479,216	\$9,479,216	\$9,479,216	\$9,479,216	\$9,479,216
REGULATORY	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078
REGULATORY	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078	\$4,777,078
Customer: General Demand Point	\$28,129	\$28,129	\$28,129	\$28,129	\$28,129	\$28,129	\$28,129	\$28,129
Other: General Point	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Production/Storage	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824	\$48,824
Storage Demand	\$4,328,911	\$4,328,911	\$4,328,911	\$4,328,911	\$4,328,911	\$4,328,911	\$4,328,911	\$4,328,911
Transmission Demand	\$4,702,184	\$4,702,184	\$4,702,184	\$4,702,184	\$4,702,184	\$4,702,184	\$4,702,184	\$4,702,184
Distribution Demand	\$8,282,323	\$8,282,323	\$8,282,323	\$8,282,323	\$8,282,323	\$8,282,323	\$8,282,323	\$8,282,323
Other: General Demand Point	\$4,888,488	\$4,888,488	\$4,888,488	\$4,888,488	\$4,888,488	\$4,888,488	\$4,888,488	\$4,888,488
TOTAL DEPRECIATION EXPENSE	\$28,984,074	\$28,984,074	\$28,984,074	\$28,984,074	\$28,984,074	\$28,984,074	\$28,984,074	\$28,984,074

1 Allocation Basis
 2 Generating Throughput
 3 Under Storage Requirements
 4 Existing Firm Storage Requirements
 5 Total Throughput
 6 Existing Firm Day Requirements
 7 Total Customers
 8 Total Customers, Regulator Proportion
 9 Total Customers
 10 Total Customers
 11 Total Customers
 12 Total Customers
 13 Total Customers
 14 Total Customers
 15 Total Customers
 16 Total Customers
 17 Total Customers
 18 Total Customers
 19 Total Customers
 20 Other General Point

THE EAST OAK ROAD CORPONENT AND VOYAGER EAST ROAD
CASE NO. 07-489-01-AM
COST OF SERVICE STUDY

Schedule B.4.4
Page 12 of 18
Portland, C. Andrews

Table 2: January 2012 to 9 Months Estimated
Type of Rate: General
Month From: 1/1/2012 Month To:

RATE BASE SIMULATED

RATED	OBSERVED		RATED		RATED		RATED		RATED		SCHEDULED
	TOTAL	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate		
TOTAL GAS PLANT IN SERVICE	\$1,918,323,996	\$1,212,728,249	\$1,464,424,844	\$9,450,063,132	\$28,529,216	\$226,272,022	\$124,407,211	\$26,281,228	\$26,281,228	See page 13	
TOTAL DEPRECIATION/RESERVE	-3,888,287,745	-484,178,125	\$1,072,914,270	-851,374,487	-224,203,825	-806,410,021	-806,288,191	-200,678,873	-200,678,873	See page 14	
TOTAL NET CWP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	N/A	
TOTAL WORKING CAPITAL	\$131,208,175	\$201,113,264	\$22,257,287	\$728,261,281	\$2,281,790	\$6,287,280	\$1,451,449	\$4,281,228	\$4,281,228	See page 18	
LESS: RATE BASE DEDUCTIONS	\$28,000,000	\$1,252,281,285	\$28,529,284	\$1,252,281,285	\$2,281,790	\$28,529,284	\$1,451,449	\$1,451,449	\$1,451,449	See page 19	
TOTAL RATE BASE	\$1,620,234,350	\$627,549,124	\$1,381,495,564	\$8,598,688,645	\$4,281,790	\$1,281,228	\$1,281,228	\$1,281,228	\$1,281,228		

THE EAST OHIO GAS COMPANY GAS DOMINION EAST OHIO
CASE NO. 67-223-01-AM
COST OF SERVICE STUDY

Worksheet 5-4.2
Page 18 of 78
Wolcott C. Anderson

Date: 3 Months Actual & 9 Months Estimated
Type of Pricing Method:
Name: Paper Reference Rate:

NET PLANT IN SERVICE

Account Name	GROSS TOTAL	CORRECT & DEDUCT			RATE SCHEDULES			STORAGE
		Residential	Non-Residential	Other	General	Industrial	Other	
598-368 STORAGE								
Capacity Retained (201.112%)	\$18,208,793	\$0,000,000	\$2,717,891	\$12,244,803	\$720,887	\$264,803	\$0	\$0
Capacity Retained (98.897%)	\$29,124,281	\$18,081,227	\$8,488,824	\$2,659,882	\$1,434,870	\$265,222	\$0	\$12,253,808
TOTAL STORAGE PLANT	\$47,333,074	\$18,081,227	\$11,206,715	\$14,904,685	\$1,655,757	\$530,025	\$0	\$12,253,808
147 GAS STORAGE UNDERGROUND								
Capacity Retained (23.112%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Retained (99.897%)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL GAS STORAGE UNDERGROUND	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
598-377 TRANSMISSION								
Capacity Retained (21.187%)	\$29,228,595	\$15,917,863	\$4,412,122	\$20,229,078	\$1,297,168	\$7,281,282	\$7,038,890	\$0
Capacity Retained (98.819%)	\$71,854,229	\$42,787,264	\$12,281,098	\$28,518,489	\$3,292,487	\$8,172,887	\$3,830,821	\$0
TOTAL TRANSMISSION PLANT	\$101,082,824	\$58,705,127	\$16,693,212	\$48,747,567	\$4,589,655	\$15,454,169	\$10,869,711	\$0
598-388 DISTRIBUTION								
Customer - General, All Pressures	\$2,948,811	\$3,848,244	\$378,898	\$2,237,218	\$5,281	\$2,137	\$100	\$0
Customer - Service, Low Pressure	\$22,028,547	\$44,761,041	\$3,192,897	\$15,918,848	\$704,123	\$20,376	\$0	\$0
Customer - Service, Regulated Price	\$62,678,817	\$94,705,483	\$7,288,281	\$29,123,194	\$7,111,308	\$422,080	\$78,495	\$0
Customer - Service, Regulated Price	\$104,449,322	\$87,788,438	\$6,929,800	\$103,694,498	\$1,628,898	\$288,398	\$6,718	\$0
Customer - Service & Regulated Price	\$3,083,006	\$0	\$1,484,748	\$1,484,748	\$288,131	\$7,738,724	\$148,282	\$0
Customer - Regulated, Industrial	\$187,204,884	\$98,842,408	\$20,448,828	\$149,891,886	\$8,988,283	\$40,228,595	\$28,016,284	\$0
Capacity Retained (23.112%)	\$287,029,814	\$242,225,828	\$88,448,888	\$112,029,558	\$17,911,788	\$45,228,873	\$21,780,828	\$0
Capacity Retained (98.819%)	\$828,112,078	\$582,287,423	\$112,029,558	\$473,288,878	\$23,882,548	\$88,048,274	\$40,888,874	\$0
TOTAL DISTRIBUTION PLANT	\$1,070,728,021	\$682,410,225	\$141,288,784	\$304,098,189	\$23,290,448	\$120,888,252	\$68,488,818	\$18,872,702
NET P. & T. & D. PLANT								
598-389 GENERAL PLANT								
Customer - Regulator General Plant	\$28,628,258	\$28,103,803	\$7,888,883	\$28,292,898	\$98,889	\$88,873	\$1,841	\$0
Other General Plant	\$7,588,219	\$388,887	\$27,488	\$287,178	\$24,838	\$788,884	\$17,281	\$0
Production Related	\$1,387,889	\$557,781	\$1,87,815	\$844,888	\$48,222	\$27,287	\$0	\$428,282
Storage Related	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Storage Gas Related	\$2,251,154	\$1,378,888	\$281,570	\$1,182,178	\$188,889	\$288,281	\$282,281	\$0
Transmission Related	\$22,478,488	\$14,748,282	\$3,017,283	\$17,298,883	\$888,282	\$2,282,782	\$1,444,789	\$0
Distribution Related	\$27,888,181	\$17,088,770	\$3,288,184	\$20,278,884	\$888,414	\$3,088,288	\$2,188,882	\$0
Subtotal Other General Plant	\$28,388,448	\$41,888,373	\$8,888,287	\$48,278,888	\$88,488	\$2,888,871	\$2,117,282	\$428,882
TOTAL GENERAL PLANT	\$118,888,187	\$78,488,282	\$22,288,481	\$72,287,289	\$918,488	\$2,088,288	\$1,228,217	\$288,771
598 NET AVAILABLE PLANT	\$78,812,284	\$47,448,278	\$12,037,878	\$48,888,288	\$2,244,838	\$48,488,888	\$8,884,882	\$1,288,283
599 OTHER RESERVES								
NET PLANT	\$1,090,728,228	\$682,410,182	\$128,410,214	\$304,388,488	\$23,290,448	\$120,888,252	\$68,488,818	\$18,872,702

ATTACHMENT 1: SUMMARY OF UPDATED COST OF SERVICE STUDY RESULTS

Table 1 Return on Rate Base Comparison	Test Year	Post Rate Case		
		Year 1 Rates	Year 2 Rates	Year 3 Rates*
DEO: System Total	6.63%	8.48%	8.48%	8.48%
GSS: Residential	5.16%	8.13%	8.74%	9.60%
GSS: Non-Residential	6.79%	6.13%	3.23%	-0.84%
GSS: Combined	5.45%	7.785%	7.785%	7.785%
LVGSS	7.21%	8.89%	8.89%	8.89%
GTS	13.32%	13.25%	13.25%	13.25%
DTS	5.51%	5.15%	5.15%	5.15%

* Proposed Year 3 rates with common 100% SFV rate for all Test Year GSS/ECTS customers (@ \$19.46/customer/month)

ATTACHMENT 2: Cost of Service Summary using Year 1 Rates

THE EAST OHIO GAS COMPANY aka DOMINION EAST OHIO
 CASE NO. 07-4829-04-AR
 COST OF SERVICE STUDY

Date: 3 Months Actual & 9 Months Estimated
 Type of Filing: Revised
 Mark Paper Reference No.:

Schedule E-3.2
 Page 5 of 18
 Witness: C. Andrews

OPERATING INCOME SUMMARY

AT RISK RATES (YEAR 1)

System Total	OPERATING INCOME		Rate Schedule Class		Storage
	Residential	Non-Residential	STRTS	DTN/OT-drysum	

OPERATING REVENUE (01):
 Base Rate Revenues (Year 2 Rates)
 Gas Cost Revenues (Gas Staff Report)
 Gas Cost Rider Revenue
 Non-Tax Related Rider Revenue
 Tax Related Rider Revenue
 Other Revenue
TOTAL OPERATING REVENUE

\$354,504,488	\$241,482,827	\$39,838,531	\$280,421,457	\$10,291,220	\$39,487,045	\$13,988,287	\$10,381,429
\$438,882,888	\$227,881,034	\$95,826,434	\$423,207,468	\$16,085,387	\$0	\$0	\$0
\$34,198,404	\$21,998,630	\$9,194,852	\$28,193,282	\$7,878,515	\$5,738,288	\$431,148	\$0
\$138,424,730	\$94,128,024	\$26,590,300	\$120,714,224	\$2,807,831	\$8,848,808	\$2,040,480	\$0
\$73,700,230	\$50,448,807	\$12,264,081	\$62,704,889	\$0	\$0	\$0	\$0
\$25,317,800	\$8,488,045	\$2,277,878	\$10,765,924	\$0	\$0	\$0	\$0
\$1,085,038,587	\$744,123,887	\$181,884,087	\$826,007,834	\$38,830,827	\$80,480,950	\$18,504,084	\$11,383,872

OPERATING EXPENSES (01)
 Gas Cost
 Gas Cost Related Riders
 Non-Tax Related Rider Expense
 Other Operation and Maintenance Expenses
 Depreciation Expense
 Tax-Related Rider Expense
 Other Taxes (Excludes GRT1)
 Federal Income Taxes
TOTAL OPERATING EXPENSES

\$438,882,888	\$227,881,034	\$95,826,434	\$423,207,468	\$16,085,387	\$0	\$0	\$0
\$34,198,404	\$21,998,630	\$9,194,852	\$28,193,282	\$7,878,515	\$5,738,288	\$431,148	\$0
\$138,424,730	\$94,128,024	\$26,590,300	\$117,871,128	\$3,804,704	\$12,002,833	\$7,512,387	\$0
\$48,808,074	\$30,452,728	\$8,222,305	\$41,685,033	\$948,000	\$3,905,448	\$2,303,403	\$3,783,348
\$73,700,230	\$50,448,807	\$12,264,081	\$62,704,889	\$0	\$0	\$0	\$0
\$26,726,877	\$17,248,888	\$3,488,786	\$20,736,325	\$2,807,831	\$2,838,804	\$1,729,418	\$0
\$39,383,419	\$23,832,384	\$3,038,883	\$28,871,022	\$1,410,022	\$8,878,857	\$781,728	\$1,883,870
\$243,918,066	\$171,122,388	\$178,330,073	\$841,482,459	\$34,654,885	\$48,137,309	\$14,808,000	\$0,083,832
\$118,118,720	\$73,001,480	\$11,853,886	\$84,858,475	\$3,975,732	\$21,352,899	\$4,686,484	\$4,530,570

NET OPERATING INCOME
RATE BASE
RATE OF RETURN - AT PROPOSED RATES
GROSS RECEIPTS TAX RIDER RATE

\$118,118,720	\$73,001,480	\$11,853,886	\$84,858,475	\$3,975,732	\$21,352,899	\$4,686,484	\$4,530,570
\$1,404,734,309	\$887,848,080	\$188,478,735	\$1,086,128,825	\$44,729,750	\$181,218,282	\$80,240,873	\$21,421,780
8.48%	8.13%	8.13%	7.78%	8.88%	19.28%	5.19%	21.15%
4.8044%							

ATTACHMENT 3. Cost of Service Summary using Proposed Year 3 Rates (Common 100% SFV Rate for all GSSJECTS customers)

THE EAST OHIO GAS COMPANY AND POWER EAST OHIO
 CASE NO. 87-4803-CA-AM
 COST OF SERVICE STUDY

Schedule E-3.2
 Page 6 of 18
 Witness: C Andrews

Data: 3 Months Actual & 9 Months Estimated
 Type of Study: Revised
 When Report Reference Mts.:

OPERATING INCOME SUMMARY
 AT PROPOSED RATES (YEAR 3)

System Total	Remanded	Non-remanded	GSSJECTS	LYESSA/VECTIS	Rate Schedule Class	GT/RTS	DT/CR System	Storage
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OPERATING REVENUE (BL):
 Base Rate Revenue (Year 2 Rates)
 Gas Cost Revenue (per Staff Report)
 Gas Cost Rider Revenue
 Non-Tax Related Rider Revenue
 Tax Related Rider Revenue
 Other Revenue
 TOTAL OPERATING REVENUE

\$354,489,891	\$261,678,395	\$18,438,485	\$280,418,850	\$10,291,320	\$29,487,045	\$13,983,247	\$10,391,429	\$0
\$-52,882,895	\$327,651,034	\$83,628,494	\$423,207,468	\$16,895,397	\$0	\$0	\$0	\$0
\$34,198,494	\$21,959,650	\$8,184,982	\$28,183,392	\$1,835,658	\$3,738,268	\$431,148	\$0	\$0
\$130,424,730	\$94,123,634	\$26,590,300	\$120,714,224	\$7,578,515	\$90,133,991	\$0	\$0	\$0
\$73,700,018	\$51,392,499	\$11,312,167	\$62,704,657	\$2,897,851	\$8,845,808	\$2,040,490	\$901,832	\$0
\$25,317,890	\$8,488,845	\$2,277,879	\$10,768,534	\$833,908	\$10,312,147	\$3,039,208	\$581,072	\$0
\$1,095,031,797	\$795,562,997	\$160,440,117	\$928,003,114	\$38,630,827	\$59,499,959	\$19,504,094	\$11,393,972	\$0

OPERATING EXPENSES (B):
 Gas Cost
 Gas Cost Related Riders
 Non-Tax Related Rider Expense
 Other Operation and Maintenance Expenses
 Depreciation Expense
 Tax-Related Rider Expense
 Other Taxes (Exclude GKT)
 Federal Income Taxes
 TOTAL OPERATING EXPENSES

\$438,692,805	\$327,591,604	\$86,839,434	\$423,207,468	\$15,669,397	\$0	\$0	\$0	\$0
\$34,189,494	\$21,998,630	\$6,194,982	\$28,183,392	\$1,835,658	\$3,738,268	\$431,148	\$0	\$0
\$139,424,730	\$94,123,634	\$26,590,300	\$120,714,224	\$7,578,515	\$90,133,991	\$0	\$0	\$0
\$145,674,428	\$99,905,393	\$17,881,738	\$117,571,121	\$2,694,769	\$18,002,636	\$2,512,398	\$5,783,247	\$0
\$48,908,074	\$38,452,720	\$8,222,309	\$41,688,828	\$948,000	\$3,806,440	\$2,303,403	\$96,180	\$0
\$73,700,018	\$51,392,499	\$11,312,167	\$62,704,657	\$2,897,851	\$8,845,808	\$2,040,490	\$901,832	\$0
\$28,728,977	\$17,398,224	\$3,459,100	\$20,735,324	\$798,772	\$2,808,805	\$1,729,419	\$339,588	\$0
\$38,881,807	\$30,701,958	\$8,632,840	\$28,689,418	\$1,410,021	\$5,578,688	\$281,243	\$1,863,872	\$0
\$98,915,042	\$679,432,272	\$162,016,367	\$841,459,529	\$34,604,987	\$48,137,312	\$14,808,901	\$6,963,603	\$0
\$149,116,726	\$86,130,726	(\$1,578,240)	\$84,552,486	\$3,975,730	\$21,382,847	\$4,695,493	\$4,530,370	\$0

RATE BASE	\$1,404,734,339	\$987,648,090	\$189,478,736	\$1,028,128,826	\$44,729,750	\$181,216,292	\$81,240,573	\$21,421,780
RATE OF RETURN - AT PROPOSED RATES	8.45%	9.53%	4.84%	7.785%	8.89%	13.25%	5.16%	21.19%
GROSS RECEIPTS TAX RIDER RATE	4.8044%							

ATTACHMENT 4: Peak Day and Storage Utilization Information

The East Ohio Gas Company Ohio Dominion East Ohio

Case No. 07-0823-GA-ADR

PEAK DAY AND STORAGE UTILIZATION INFORMATION FOR COST OF SERVICE STUDY WITH GSS/ECTS SPLIT: RESIDENTIAL/NON-RESIDENTIAL

GSS: Residential/non-residential split

1. EXCESS STORAGE

Category	1		2		3		4		5	
	Peak Day Throughput	Peak Day Storage	Peak Day Excess	Peak Day Demand	Peak Day Capacity	Peak Day Multiplier	Storage Capacity	Storage Multiplier	Storage Capacity	Storage Multiplier
A. GSS	1,726,197	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%
B. VES	1,071,755	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%

2. PROPOSED/CURT

Category	1		2		3		4		5	
	Peak Day Throughput	Peak Day Storage	Peak Day Excess	Peak Day Demand	Peak Day Capacity	Peak Day Multiplier	Storage Capacity	Storage Multiplier	Storage Capacity	Storage Multiplier
C. GSS	1,726,197	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%
D. VES	1,071,755	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%

3. OPERATIONAL BALANCING

Category	1		2		3		4		5	
	Peak Day Throughput	Peak Day Storage	Peak Day Excess	Peak Day Demand	Peak Day Capacity	Peak Day Multiplier	Storage Capacity	Storage Multiplier	Storage Capacity	Storage Multiplier
E. GSS	1,726,197	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%
F. VES	1,071,755	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%

4. ALLOCATION OF OPERATIONAL BALANCING

Category	1		2		3		4		5	
	Peak Day Throughput	Peak Day Storage	Peak Day Excess	Peak Day Demand	Peak Day Capacity	Peak Day Multiplier	Storage Capacity	Storage Multiplier	Storage Capacity	Storage Multiplier
G. GSS	1,726,197	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%
H. VES	1,071,755	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%

5. STORAGE ALLOCATION BY CLASS

Category	1		2		3		4		5	
	Peak Day Throughput	Peak Day Storage	Peak Day Excess	Peak Day Demand	Peak Day Capacity	Peak Day Multiplier	Storage Capacity	Storage Multiplier	Storage Capacity	Storage Multiplier
I. GSS	1,726,197	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%
J. VES	1,071,755	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%

6. CAPACITY AND COMMODITY GUARANTEES

Category	Capacity	Commodity	Average daily storage = Pd (Pd)st days
GSS	1,726,197	34,107%	1,726,197
VES	1,071,755	34,107%	1,071,755

Category	1		2		3		4		5	
	Peak Day Throughput	Peak Day Storage	Peak Day Excess	Peak Day Demand	Peak Day Capacity	Peak Day Multiplier	Storage Capacity	Storage Multiplier	Storage Capacity	Storage Multiplier
K. GSS	1,726,197	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%
L. VES	1,071,755	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%

Category	1		2		3		4		5	
	Peak Day Throughput	Peak Day Storage	Peak Day Excess	Peak Day Demand	Peak Day Capacity	Peak Day Multiplier	Storage Capacity	Storage Multiplier	Storage Capacity	Storage Multiplier
M. GSS	1,726,197	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%
N. VES	1,071,755	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%

Category	1		2		3		4		5	
	Peak Day Throughput	Peak Day Storage	Peak Day Excess	Peak Day Demand	Peak Day Capacity	Peak Day Multiplier	Storage Capacity	Storage Multiplier	Storage Capacity	Storage Multiplier
O. GSS	1,726,197	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%
P. VES	1,071,755	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%	34,107%