Natural Gas

Overview

Advocating for reasonable natural gas rates continued to be a focus of the Office of the Ohio Consumers' Counsel (OCC) during 2012.

OCC participated in settlements and litigation of natural gas cases on behalf of Ohio's residential utility consumers this year. Significant issues included industry proposals for the future elimination of utility standard offers to consumers and natural gas utility proposals to charge customers for capital expenditures and pipeline replacements.

Competitive auctions set lower standard offer prices for natural gas customers

Many Ohioans saved money on their heating bills in 2012 as a result of their local utility using market-based auctions to set the price of their standard offer for selling natural gas. These auctions resulted in lower natural gas prices than previous years' auction results.

By April 2013, typical Columbia Gas of Ohio (Columbia) customers will have saved nearly $30 per year on their natural gas bills. Dominion East Ohio Gas (Dominion) customers will have saved about $40 per year. And Vectren Energy Delivery of Ohio (Vectren) customers will have saved about $23 per year due to these auctions.

OCC encouraged the development of competitive auctions as a method to set the standard offer price of natural gas for Ohio consumers.

In a retail auction, natural gas marketers bid for the right to supply natural gas to the local utility's customers. The names of the winning bidders appear on customers' natural gas bills.

A substantial number of residential customers purchase their natural gas through their local utility at the standard offer rate determined through a competitive auction. The remaining customers "shop" for natural gas either from an energy marketer or through a government aggregation program.

Since Columbia, Dominion and Vectren transitioned to the auction process to set the price of natural gas, their customers have seen lower prices each year.

Dominion: Case No. 07-1224-GA-EXM
Vectren: Case No. 07-1285-GA-EXM
Columbia: Case No. 08-1344-GA-EXM

OCC signs settlements to protect low-priced standard offers for residential natural gas customers

After holding successful competitive auctions that brought savings to natural gas customers (see prior story), some utilities (and natural gas marketers) are looking to change this system. Dominion and Columbia each filed settlement proposals at the Public Utilities Commission of Ohio (PUCO) that would enable the utilities to end auctions as a means of pricing natural gas for non-residential (business) customers. OCC signed settlements on residential issues to limit the utilities' ability to end the standard offer for residential customers.

Without these settlements, natural gas utilities could have filed an application to end the standard offer for residential customers at any time. These settlements created new protections for residential customers.

The settlement of the Dominion case preserved the option of the utility's standard offer for residential customers through at least April 2016. The Columbia settlement preserved that residential option through at least April 2017.

OCC did not join the parts of the settlements that could lead to the end of the standard offer for non-residential customers. And OCC reserved its right to recommend preservation of the residential standard offer in future cases.

The auction process that OCC supported has consistently provided consumers with a low-priced option for their natural gas supply. OCC obtained data from Columbia showing that, since 1997, customers switching to energy marketers spent about $885 million more than if they had stayed with Columbia's standard offer.

In addition to providing a low-priced option, the utility's standard offer also functions as a price to compare. Consumers can reference the standard offer price when considering offers from marketers.

If the standard offer is eliminated, customers would be left with the options of purchasing their natural gas supply from an energy marketer or, where available, participating in a government aggregation. The local utility would remain responsible for delivering natural gas through its pipelines as well as for line repair, maintenance, billing and other customer service functions.

The settlement signed by OCC, Columbia, the PUCO staff and several marketers superseded an earlier settlement that OCC opposed. Through the negotiation of the revised settlement, financial savings and other protections were achieved for customers, including:

- Protecting customers by preserving the standard offer at least until April 2017;
- Making it merely optional and not required for Columbia to eventually propose that the PUCO end the standard offer for consumers if at least 70 percent of its residential customers have purchased natural gas from a marketer or government aggregation for three consecutive months;
- Requiring six local public hearings where consumers may testify, if Columbia were to propose that the PUCO eliminate the standard offer for residential customers;
- Saving consumers money, potentially up to $24 million. These savings could result from improved sharing of revenues with consumers from Columbia's off-system and capacity release sales and a reduction to a proposed security deposit charged to some natural gas marketers; and
- Continuing Columbia's "shadow billing" that enables comparisons between the cost to customers that purchase natural gas from marketers and what would have been their cost had they chose the utility's standard offer.

The PUCO approved both settlements in January 2013.

Dominion: Case No. 12-1842-GA-EXM
Columbia: Case No. 12-2637-GA-EXM

Utilities seek to increase charges to customers for capital expenditures

During 2012, Columbia, Dominion and Vectren each received approval from the PUCO for new capital expenditure programs. OCC advocated for consumer protections in each case.

An Ohio law passed in 2011 allows natural gas utilities to defer capital expenditure costs for future collection from consumers. Capital expenditures include expenses for equipment, information technology, building service lines to new customers, and other projects. The utilities are also allowed to seek charges for customers to pay interest (carrying costs), depreciation and property taxes on the capital expenditures, all of which can be collected from customers if the PUCO approves.

In 2012, three natural gas utilities requested almost $200 million for capital expenditures ($76 million by Columbia, $95 million by Dominion, and nearly $25 million by Vectren). In these cases, OCC advocated that the utilities had not met their burden of proof to explain how their estimated costs were necessary to provide adequate services or how consumers would benefit.

In all three cases, OCC requested a limit on the length of time that the utilities could use for deferring charges for collection from customers – given that the longer the deferral, the more consumers would have to pay in interest, depreciation and property taxes. OCC also recommended that the amount of money charged to customers in interest, depreciation and property taxes should be lowered by the amount utilities earn as a result of their capital investments.

The PUCO approved modified versions of all three utility requests, adopting some of OCC's recommendations. The PUCO ordered that earnings from capital investments should be counted against deferred costs. In addition, the PUCO staff agreed with OCC that customers should be protected from unlimited deferral charges. But, rather than limiting the length of time these costs could be deferred, the PUCO set a dollar limit on the amount of money that could be charged to customers due to the deferrals. And the PUCO limited the cap to the deferrals only and not to what could be charged to customers for the utility's underlying capital investments.

Columbia: Case No. 11-5351-GA-UNC, 11-5352-GA-AAM
Dominion: Case No. 11-6024-GA-UNC, 11-6025-GA-AAM
Vectren: Case No. 12-0530-GA-UNC, 12-0531-GA-AAM

Natural gas utilities upgrade pipeline infrastructure

OCC participated in several natural gas cases involving the maintenance, repair and replacement of pipeline infrastructure. Dominion, Columbia and Vectren each filed applications at the PUCO to increase their charges to consumers for these upgrades.

OCC joined a settlement signed by Dominion and the PUCO staff to charge customers for replacing parts of its natural gas pipeline system. The settlement set a monthly charge on residential customers' bills of $2.80. As a result of the settlement, customers will benefit from savings on operations and maintenance costs worth a minimum of $500,000.

OCC participated in two settlements with the PUCO and Columbia that affected the costs consumers pay to replace the utility's pipeline infrastructure.

In February, Columbia requested to increase customers' bills to pay for its work to replace natural gas pipeline that was completed in 2011. OCC reached a settlement with Ohio Partners for Affordable Energy (OPAE), the PUCO staff and Columbia in the case that set a $3.57 monthly charge on residential consumers' bills to pay for this work. (Non-residential customers paid separate rates.) This was a four-cent reduction from Columbia's original proposal, saving customers more than $643,000.

In a separate case, Columbia requested to continue its pipeline replacement program from 2014 to 2018. Columbia previously received approval to continue this work through 2013. OCC reached a settlement with the utility, the PUCO staff and other parties in September. The PUCO approved the settlement in November.

OCC was successful in including several consumer benefits in the settlement:

- Consumers will be guaranteed at least $750,000 in 2012 for savings in operations and maintenance costs. Minimum consumer cost savings will increase to $1 million in 2013; and in the remaining years, consumer savings will increase to at least $1.25 million; and
- Approximately $2.5 million will be available for income-eligible customers who have exhausted all other means of assistance. The funding for these programs cannot be collected from other customers.

Vectren Energy Delivery of Ohio also filed a pipeline replacement case in 2012. OCC participated but did not sign the settlement in that case.

Dominion: Case No.12-0812-GA-RDR
Columbia: Case No. 11-5803-GA-RDR, 11-5515-GA-ALT
Vectren: Case No. 12-1423-GA-RDR