

Dominion East Ohio's Distribution Rate

In October 2008, the Public Utilities Commission of Ohio (PUCO) adopted an agreement, arrived at between the parties in the case that allows Dominion East Ohio to increase the rates it charges for natural gas distribution service. The Commission also ordered the company to implement a new "levelized" residential distribution rate structure that better reflects the fixed cost nature of delivering natural gas.

What are distribution rates?

Natural gas bills are comprised of two main parts – the cost of the gas and the cost of delivering the gas to homes. The cost of natural gas, which makes up 75 to 80 percent of customer bills, is not a part of this rate case. This cost is passed through to customers on a dollar-for-dollar basis with no mark-up or profit going to the utility company. The PUCO monitors and audits this price to ensure that the utility is not making a profit on the cost of natural gas.

This case is about the distribution rate which covers the cost of delivering natural gas. The distribution rate pays for all the things that Dominion must do to deliver gas to its customers, including the cost of installing and maintaining gas pipelines, reading gas meters, processing bills, and taking customer service calls.

How did Dominion bill customers for the distribution rate in the past?

Previously, a fixed monthly customer charge paid for a portion of the gas delivery costs. This fee only covered things like meter reading, billing, and customer service. The rest of the cost of delivering natural gas, including the cost of installing, maintaining, and repairing Dominion's pipeline system, were billed to Dominion customers based upon the amount of gas they used each month. This resulted in each customer paying a different amount for the same service.

How does the new "levelized" distribution rate work?

Customers will pay a larger flat monthly charge to cover their share of the fixed distribution costs that does not change with natural gas usage. A smaller increase to the usage-based gas delivery charge will make up the remainder of the distribution rate. The flat monthly charge will help balance out, or "levelize," between the summer and winter, allowing customers to better predict and budget for bills from month-to-month.

What did Dominion request in its application?

Dominion proposed rates that would generate about \$75 million of additional revenue for the company, an increase of 7 percent over current revenues. In its application, Dominion also proposed a method to recover the costs of its pipeline infrastructure improvement program and the installation of automated meter reading equipment.

What agreement did Dominion, PUCO staff, and the Ohio Consumers' Counsel reach?

On Aug. 22, 2008, Dominion, PUCO staff, the Ohio Consumers' Counsel (OCC), and other parties reached an agreement in the distribution rate case. The agreement, referred to as a "stipulation," was subject to approval by the PUCO commissioners.

In the stipulation, all the parties recommended a revenue increase of \$40.5 million. Based on this agreement, Dominion would also be required to commit \$9.5 million annually to demand side management energy conservation programs and provide additional low-income payment assistance. The company would deploy advanced meters across its service area over a five-year period and begin the first five-year phase of a program designed to replace more than 4,000 miles of pipeline over a 25-year period.

How will this affect the average customer's bill?

The rate increase will be phased in over two years. An average residential customer in Dominion's Eastern territory using 84 thousand cubic feet (mcf) of gas each year will see their bill increase by \$3.72 per month in year one and an additional \$1.05 in year two. An average residential customer in Dominion's Western territory using 84 mcf of gas each year will see their bill increase by \$5.88 in year one and an additional \$1.05 in year two.

Will any of this affect the cost of natural gas itself?

No, the cost of natural gas, which makes up 75 to 80 percent of bills, will continue to be passed on to customers through Dominion's standard service offer charge or a gas marketer's rate. Either way, Dominion makes no profit on this part of the bill.

How does the new rate structure impact customers' energy conservation efforts?

The cost of natural gas remains the biggest part of a customer bills. Customers who make conservation efforts and energy efficiency investments will continue to see cost savings on this part of their bill.

Did the PUCO do anything to protect low income customers?

Customers at or below 175 percent of the federal poverty guidelines who are not enrolled in the Percentage of Income Payment Plan (PIPP) will be eligible for a one-year pilot program to reduce their flat monthly charge. The Commission directed Dominion to provide these customers with a \$4 monthly discount. The pilot program will be available to the first 5,000 customers who enroll. Those who choose to remain enrolled in PIPP will continue to pay 10 percent of their gross monthly household income on each monthly bill.

When does the new distribution rate take effect?

The new rates will become effective when the company files tariffs consistent with the Commission opinion and order. This is Dominion's first distribution rate increase since 1994.

Did the PUCO consider public opinion in making its decision?

Yes, the PUCO held local public hearings in Akron, Canton, Cleveland, Garfield Heights, Geneva, Lima, Marietta and Youngstown. A total of 186 witnesses provided testimony. The Commission took this testimony into consideration when reviewing the rate case.