

FILE

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for)
Approval of Tariffs to Recover,)
Through An Automatic Adjustment)
Clause, Costs Associated with the)
Establishment of an Infrastructure)
Replacement Program and for)
Approval of Certain Accounting)
Treatment)

Case No. 07-478-GA-UNC

**APPLICATION FOR REHEARING
BY INTERSTATE GAS SUPPLY, INC.**

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August 10, 2007

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**APPLICATION FOR REHEARING
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Pursuant to Section 4903.10 of the Ohio Revised Code and Rule 4901-1-35 of the Ohio Administrative Code, Interstate Gas Supply, Inc. (hereinafter "IGS") applies for rehearing of the Entry issued by the Public Utilities Commission of Ohio ("Commission") on July 11, 2007 ("Entry"). IGS submits that the Entry is not clear on several issues and is unreasonable and unlawful on the following grounds:

A. Consumers that have been identified by Columbia as having a riser that is prone to failure are now either not permitted and/or are financially discouraged from taking reasonable steps they deem immediately necessary to protect their property and the safety of their families, and are compelled to wait up to three years or more to have an identified riser repaired or replaced. At a minimum the Commission should clarify that those consumers who have been identified as having a riser that is prone to failure are entitled to remedy the situation on their own, as opposed to waiting three years (or more), by arranging for the immediate replacement of their riser and receiving reimbursement for said repair.

B. Although socialization of the cost and expense of lines and riser repair and related maintenance may be in the best interest of consumers, it is not necessarily in consumer's best interests to delegate to Columbia sole responsibility for the administration and effectuation of such repairs and replacements without, at a minimum, looking to free market solutions to

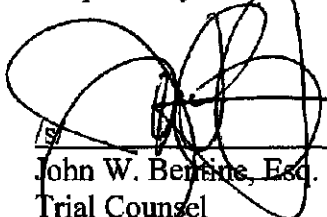
determine if such market solutions could provide the same or greater timeliness, quality of service and benefits, at the same or better pricing for consumers. At a minimum, the Commission should request proposals, or direct Columbia to request proposals, from various market participants, including Columbia, to determine which qualified market solutions would provide the greatest benefits to consumers at the most reasonable pricing, as opposed to delegating sole responsibility for inspection, repair, and/or replacement of customer owned facilities prior to any reasoned analysis of market alternatives.

C. Given the uncertainty as to who will ultimately bear the responsibility of outside gas line repair, replacement and maintenance, customers with current warranty coverage (and those companies offering such coverage) have no adequate understanding of what coverage could or should be offered or requested.

D. The rights and responsibilities of consumers and warranty companies related to customer owned natural gas lines and risers in various instances remains uncertain. According to the Entry, Columbia will have responsibility to identify issues, replace leaking hazardous lines, create a plan to replace all lines and risers identified as prone to failure over a three year period, and take over the responsibility for all lines or risers that it repairs, replaces or reimburses customers for those costs from November 24, 2006 through the date of the Entry; however, it is unclear what responsibility remains shared by consumers, given their property rights (and attenuate obligations) and any lines or risers up to and including the time of repair.

Accordingly, for the reasons set forth above and further detailed in the attached Memorandum in Support, IGS request the Commission rehear, reconsider and clarify its Entry in the manner requested herein.

Respectfully submitted,



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MEMORANDUM IN SUPPORT

I. INTRODUCTION

In the July 11, 2007, Entry in the above captioned case, the Public Utility Commission of Ohio ("Commission") entered findings in this Docket, addressing several filings by Columbia Gas of Ohio, Inc. ("Columbia"), wherein Columbia requested:

- (i) approval of tariffs (with an automatic adjustment mechanism) designed to recover costs associated with the Commission Ordered inventory of risers;
- (ii) the replacement of customer owned risers that are identified as prone to failure;
- (iii) the replacement of customer owned service lines that are constructed or installed by Columbia, as risers or service lines are replaced; and
- (iv) accounting authority to permit capitalization of Columbia's investment in customer owned service lines and risers through assumption of

financial responsibility for these facilities and to permit deferral of related costs for subsequent recovery through the automatic adjustment mechanism.

Commission Entry, page 1 ¶ 2. In Columbia's comments in the COI cases, Columbia agreed to conduct the inventory directed by the Commission and indicated that it would take 6 months and approximately \$8,000,000 to complete, but anticipates finding approximately 400,000 risers of the type identified as prone to leakage, with an anticipated replacement cost of such repairs or replacements of \$200,000,000.00. Entry, p.2 ¶5. Columbia further asserted that public safety concerns were such that replacement of the customer owned service lines would best be accomplished through a structured program designed and administered by Columbia, and as a result offered to:

- (i) assume responsibility for the future repair and replacement of all service lines;
- (ii) assume responsibility for replacement over a period of three years of all risers prone to leakage;
- (iii) reimburse customers who had replaced risers or service lines since November 24, 2006;
- (iv) assume ownership of any new risers and service lines constructed or installed by Columbia [the Commission referred to the proposed assumption of responsibility and the proposed repair and replacement activity collectively as the "infrastructure replacement program ("IRP")"].

Multiple parties intervened in this and related dockets, including the Ohio Partners for Affordable Energy ("OPAE"), Ohio Consumers' Counsel ("OCC"), Utility Service Partners, Inc./ dba Columbia Service Partners ("CSP") and Interstate Gas Supply, Inc. ("IGS"). In addition, the Ohio Council of Urban Leagues ("OCUL") and the National Association for the Advancement of Colored People ("NAACP") filed letters in support of Columbia's suggested recovery collection mechanism, claiming that the suggested mechanism would help to diffuse the economic impact on individuals related to the repair and replacement of risers and service lines that exists under the current ownership structure.

The Commission outlined the various positions and issues presented by the multiple interveners in this Docket, including IGS'. After providing an overview of the various positions and issues presented, the Commission summarized and ordered, in relevant part for purposes of this Application, as follows:

[W]e find that the proposal to initiate the IRP is not unjust or unreasonable, to the extent of repairs to, or replacement of, risers identified as prone to failure or service lines with hazardous leaks. Therefore, we will approve

Columbia's assumption of responsibility for future repair and replacement of service lines (up to the meter) and risers where those service lines or risers are actually leaking and those leaks are determined by Columbia to be hazardous;

Columbia's replacement in an orderly and systematic method over a period of approximately three years, of all risers prone to failure, as so identified in the staff report filed on November 24, 2006, in the COI case;

Columbia's reimbursement, within a reasonable period after submission of appropriate documentation, of those customers who have replaced risers or service lines since November 24, 2006, for actual, reasonable costs incurred, with the maximum reimbursement for the replacement of a riser being \$500 and with

the maximum reimbursement for the replacement of a customer service line being \$1,000;

Columbia's assumption of appropriate rights and responsibilities related to any new risers and service lines as those risers or service lines are replaced or as reimbursement for replacements are paid; and

Accounting authority for the deferral of costs related to Columbia's inventory of risers and related to the approved changes in responsibility, as well as replacement of risers prone to failure.

We are, however, making no determination at this time regarding:

the justness or reasonableness of, or our possible approval of, tariffs to recover, through an automatic adjustment mechanism or otherwise, costs associated with the Commission-ordered riser inventory and identification process or with Columbia's replacement or repair of service lines or risers. Thus, we are at this time neither granting nor denying Columbia's application under 4929.11, Revised Code.

We are also making no determination at this time regarding:

Columbia's request for accounting authority to permit capitalization of Columbia's investment in service lines and risers,

regarding responsibility for the need to repair risers,

regarding the appropriate process for the remainder of this proceeding, or

regarding any of the other issues mentioned by the parties as not being addressed by Columbia's proposal.

Columbia's offer to assume responsibility for additional risers and service lines beyond those that Columbia is specifically authorized by this entry to repair or replace based on the need to address immediate safety issues.

Entry pp. 8-9 ¶ 23, emphasis added.¹ The Commission further stated, “Columbia shall work with staff of the Commission to develop appropriate modifications of its tariffs, to reflect the determinations made in this entry.” Id. At ¶23.

As a result of this Entry, there are several issues that are now unclear and, in addition, customers are now unable to take immediate and reasonable steps to protect property and person once they have been identified as having a riser identified as prone to failure.

II. LAW AND ARGUMENT

- A. **Consumers that have been identified by Columbia as having a riser that is prone to failure are now either not permitted and/or are financially discouraged from taking immediate reasonable steps they deem necessary to protect their property and safety of their family, and are compelled to wait up to three years or more to have an identified riser repaired or replaced. At a minimum, the Commission should clarify that those who have been identified as having a riser that is prone to failure are entitled to immediately remedy the situation on their own as opposed to waiting three years (or more) by arranging for the replacement of their riser in an expedited manner and receiving reimbursement for said repair.**

It is not clear whether consumers are permitted on a going forward basis to have anyone, other than Columbia, make repairs to lines or risers identified as prone to failure. Certainly there is a financial disincentive for a consumer to have work performed on any line or riser, given the Commission’s denial of customer costs post Entry. Further, since Columbia has been ordered to create a plan to replace and repair all affected risers over the next three years, and to take over responsibility for all such risers or lines once such repair or replacement has occurred, consumers may not be permitted to have work done on the lines that they, nonetheless, continue to own and be responsible for even if they

¹ The presentation of the preceding paragraphs has been altered for organizational purposes related to this Application for Rehearing and is reproduced in pertinent part only.

would do so in spite of the substantial financial disincentives. Apparently, only Columbia and, presumably its third party vendors, are permitted to work on these facilities. If a consumer receives a notice that they have a riser that has been identified by Columbia as being prone to failure and decides that, regardless of reimbursement it is in the consumer's and his family's best interest to make the repair, and not run the risk of a serious line or riser failure (and potential property or personal injury), they may, nonetheless be prohibited from making such repair or replacement outside of the scheduled Columbia repair. Consumers that are legal owners of their lines should not be denied access to such lines or risers to effectuate immediate repairs to safeguard their family and property, especially after receiving notice from Columbia that they have a riser that has been identified as prone to failure. Such customers should not be denied financial reimbursement for effecting immediate necessary repairs to protect their home and family as is the stated intent of the Entry. In addition, the homeowner may have rights against third parties for faulty installation, inspections, or approvals which could be affected or lost.

Besides a consumer's need to have a right to effectuate an immediate repair to their own property, on which they continue to have a legal obligation, there should not be a financial disincentive for consumers that have been notified by Columbia of having a riser identified as prone to failure to look to a qualified third party to perform the repair on the consumer's schedule, and not have to wait on Columbia's schedule. IGS would like to make clear its initial comments strongly supporting permitting a consumer with an identified riser to remain empowered to protect their property and family.

The Commission, in its Entry, correctly stated that “IGS requested that the Commission make it clear that consumers may proactively repair or replace *affected risers* without risking loss of recovery through a later-approved socialized program for costs.” Entry, p. 7, ¶21, emphasis added. The Commission further stated, “[however, we disagree that customers should be encouraged, through a reimbursement program, to continue to take upon themselves the responsibility *to determine whether they have an affected riser* and to repair the problem.” *Id.*, emphasis added. Considering that Columbia’s plans are to finish inspections in the next few months, IGS agrees that it may not be necessary for customers to arrange for their own riser inspections. However once Columbia has made such an inspection, those customers who have risers identified as prone to failure should not be discouraged or financially punished from taking immediate, reasonable steps to correct the issue before a more serious issue develops. IGS suggests that once Columbia has determined that a homeowner has a riser prone to failure and has notified the customer of the same, then the customer should be able to make a determination as to whether or not it would like to proactively seek a solution to the already identified problem rather than wait for three or more years for Columbia and *should not be financially penalized for so doing*. Indeed, having some customers accomplish their own repair should decrease the time needed for Columbia to accomplish the remaining repairs.

IGS’ concern is that once a consumer has been put on notice by Columbia that it has a riser or line identified as prone to failure, he or she would not be entitled to arrange for repair or replacement of the affected line or riser and obtain reimbursement from Columbia for such repair or replacement and, therefore, will be discouraged from doing

so. The Commission may have unintentionally created a situation in which customers are unnecessarily disincented from eliminating their exposure to danger from leaking risers as they patiently wait for Columbia to facilitate a riser replacement, because if they take steps to immediately correct the Columbia identified issue regarding the affected riser, they lose reimbursement of such costs. Further, it is not clear that they might also lose the added benefit of Columbia taking over financial responsibility for the line or riser on a going forward basis.

If a consumer is notified that he or she has an affected riser and does not make the repair or replacement based upon the determination by the Commission that he or she is not permitted recovery for such costs incurred after Entry, who will be responsible for property damage or loss caused by the affected riser? Since Columbia is only responsible for the risers and lines after they are repaired or replaced, the consumer will continue to be responsible for them, and will have been discouraged from immediately repairing a known danger as a result of the Commission decision to deny reimbursements for costs incurred. This puts the consumer in the position of being legally responsible for the property, but financially discouraged from making repairs to protect himself or herself and his or her family.

The Commission should permit consumers *that have received notification from Columbia that they have a riser identified as prone to failure*, to make immediate arrangements with a qualified entity, on the list of contractors qualified to participate in the repairs (as directed by the Commission to include “qualified entities that have been in the business of offering gas line warranty and repair services” Entry p. 10, ¶26) and to be reimbursed by Columbia for such repairs and replacements. Consumers that have

received such notice from Columbia should not be discouraged from taking immediate and necessary steps to protect themselves, their families and their property. Certainly all participants in this case would agree that even one identified affected riser that fails and causes damage or injury where the consumer would have taken action but for the Commission's decision in this Entry to deny their ability to be reimbursed for such repairs would be an unintended and unacceptable consequence of this Entry and certainly counter to the intent of the Commission to protect customer safety.

- B. Although socialization of the cost and expense of lines and riser repair and related maintenance may be in the best interest of consumers, it is not necessarily in the consumer's best interests to delegate to Columbia sole responsibility for the administration and effectuation of such repairs and replacements without, at a minimum, looking to free market solutions to determine if such market solutions could provide the same or greater service and benefits at the same or better pricing for consumers. The Commission should request proposals or direct Columbia to request proposals from various market participants, including Columbia, to determine which qualified market solutions would provide the greatest benefits to consumers at the most reasonable pricing, as opposed to delegating sole responsibility for inspection, repair, and/or replacement prior to any reasoned analysis of market alternatives.**

IGS does not object to the Commission's decision that it is in the public interest to initiate an IRP, assuming such decision is consistent with law, to the extent of requiring repairs to, or replacement of, risers identified as prone to failure or service lines with hazardous leaks. Nor does IGS disagree that it might ultimately be in the public interest to have Columbia take over responsibility for the maintenance to the meter of customer owned lines and risers that Columbia repairs, replaces or reimburses consumers for such costs. As the Commission stated, one consumer should not necessarily bear the risk of another consumer's decision regarding whether or not to repair or replace a line or riser

that has been identified as being prone to failure, or having already failed. If ultimately the costs associated with such line maintenance, repair and replacement is to be born by the public at large, in essence socializing such costs, IGS would not object. However, even if the costs associated with repair, replacement and maintenance of the customer owned lines are to be born by the system in total and collected by Columbia through the gas bill, it does not mean that Columbia is the best and most cost efficient solution for administering and effectuating the repairs of such a program.

Columbia has already acknowledged that it has not performed such services in the past and is not capable of making the needed repairs and replacements in the time directed with its own resources, and will need to utilize outside third party vendors. As such, Columbia will likely use the same resources that warranty companies and consumers would use to make the repairs. Further, unlike the warranty companies, Columbia is not likely currently situated to administer customer owned line repair and replacement projects, and is not likely staffed, trained or properly equipped to administer the calls, manage the vendors, and track and follow-up on the repairs. The warranty companies only business is to perform all of these tasks, and they are set up to do so in a competitive market. Thus, they are driven by the market to provide the greatest value at the lowest possible cost. For years the market has provided a solution for just this type of consumer need.

The Commission should direct Staff to create a Request for Proposals that would include qualifications to bid, and permit the market an opportunity to demonstrate what services could be provided and at what cost. If consumers in total are going to bear the cost of a subset of customers repairs, replacements and maintenance, certainly it makes

sense to look to the market first to see what can be provided and at what cost, before simply delegating the same all to Columbia. Further, Columbia should be required to participate in the bid if they wish to provide such services thus allowing the Commission to make an informed decision on what is the best solution (services and cost) for Columbia customers.

- C. Given the uncertainty as to who will ultimately bear the responsibility of outside gas line repair, replacement and maintenance, customers with current warranty coverage (and those companies offering such coverage) have no adequate understanding of what coverage could or should be offered or requested.**

It is clear in the Entry that leaking and hazardous lines and risers related to affected risers will be the responsibility of Columbia. However, only a subset of Columbia customers, likely a very small subset of such customers will be directly identified as being in such group, at least initially. As such, consumers may continue to desire outside gas line coverage. However, given the current uncertainty with respect to the future responsibility of such lines and when and if such responsibility will change hands, warranty companies cannot know what coverage to provide, or whether to provide coverage at all. If coverage is provided, warranty companies may run the risk of being accused of taking a fee for a service that is ultimately not needed, or offering coverage that is beyond that which is needed. Conversely, if coverage is no longer offered and customers are still responsible for the repair, warranty companies may run the risk of being accused of unfairly removing needed and desired protection. Many consumers may continue, for an undetermined length of time, to have full responsibility for their lines, or may have part of that responsibility shift to Columbia following a repair or replacement. This uncertainty may (and has for IGS' affiliate Manchester) translated into

an unwillingness to provide outside line coverage at all, although this too creates unforeseen issues, as referenced herein. The Commission should make consumer rights and responsibilities clear so both the consumers and the market know what products and services are needed and should, or can be, offered, if any.

- D. The rights and responsibilities of consumers and warranty companies related to customer owned natural gas lines and risers in various instances remains uncertain. According to the Entry, Columbia will have responsibility to identify issues, replace leaking hazardous lines, create a plan to replace all lines and risers identified as prone to failure over a three year period, and take over the responsibility for all lines or risers that it repairs, replaces or reimburses customers for those costs from November 24, 2006 through the date of the Entry; however, it is unclear what responsibility remains shared by consumers, given their property rights (and attenuate obligations) and any lines or risers up to and including the time of repair.**

In its Entry, the Commission stated, in pertinent part:

[W]e will approve Columbia's assumption of responsibility for future repair and replacement of service lines (up to the meter) and risers where those service lines or risers are actually leaking and those leaks are determined by Columbia to be hazardous; * * * Columbia's reimbursement, within a reasonable period after submission of appropriate documentation, of those customers who have replaced risers or service lines since November 24, 2006, for actual, reasonable costs incurred, with the maximum reimbursement for the replacement of a riser being \$500 and with the maximum reimbursement for the replacement of a customer service line being \$1,000 [and]

Columbia's assumption of appropriate rights and responsibilities related to any new risers and service lines as those risers or service lines are replaced or as reimbursement for replacements are paid.

Entry, p.8, ¶23. It appears from this paragraph that the Commission is directing Columbia to assume responsibility for future repairs of service lines and risers, up to the meter, of lines (or risers) that are actually *leaking and hazardous*, leaving open the issue

of the definition of *leaking and hazardous*.² To the extent Columbia finds customer owned service lines that are leaking and hazardous, whether the leak is on the line or in the riser (up to the meter), Columbia is instructed to repair/replace such lines and risers and on a going forward basis is to be responsible for such line or riser. It is unclear, however, whether Columbia will be responsible for the line to the meter if it only repairs, replaces or reimburses for the line or the riser (and not both). In addition, if the replacement or repair occurs on a line that is not related to an affected riser, it is not clear that Columbia would be responsible on a going forward basis for that line or riser, or who would be financially responsible for that repair or replacement. The first question that needs to be addressed, therefore, is what is the customers responsibility on a going forward basis for lines that are repaired or replaced by Columbia that are unrelated to affected risers? Should customers continue to look for warranty coverage if they would like protection for repairs to faulty lines or are all lines that are replaced or repaired by Columbia for any reason the responsibility of Columbia going forward, including the repair or replacement? What protection, if any, can/should warranty companies provide consumers related to outside gas lines and which consumers are still in need of such protection?

Second, although the Commission addressed, in part, Columbia's responsibility for service lines and risers that are repaired, replaced or reimbursed by Columbia related to leaking and hazardous lines and risers and, affected risers repaired over the next three years (at a minimum), all existing customers (approximately 1.4 million) may continue to

² It is clear from the Commission's Entry that the definition of "leaking and hazardous" has been left open to Staff and Columbia definition and, therefore although it is not clear at this time what constitutes "leaking and hazardous", it is IGS' position that clarity must be provided through a Staff and Columbia definition in the near future.

have responsibility for customer owned lines up until such lines or risers are repaired or replaced, pending further decision of the Commission. Further, at any time Columbia could repair or replace a line or riser, thus taking future responsibility for the repaired line or riser, at least in part, out of the consumer's hand. Without legislative changes, (releasing the consumer of the property rights to the lines and risers) the consumer will continue to have such rights (and attenuate responsibilities) in the line and/or riser regardless of Columbia's responsibilities for such lines. As such, consumers may continue to desire warranty coverage for such lines, although it is now unclear as to what that coverage would be intended or permitted to protect.

This certainly places the market and consumers in an awkward position, in that there are currently a number of customers that have warranty line products, including outside gas lines, and to the extent Columbia does not effectuate a repair, replacement or reimbursement, many consumers will continue to have the responsibility for such lines. Consumers are placed in a position, as the Entry currently stands, wherein a line that does not fail continues to be the responsibility of the consumer but after a failure may be the joint responsibility of the customer and Columbia. Consumers and warranty companies need clarification with respect to the rights and responsibilities related to the lines, in order to be able to take steps and provide (or remove) appropriated protection. IGS would add that the record keeping and logistics of tracking who is responsible for what appears difficult and confusing.

Risers that, subsequent to inspection are identified to be prone to failure but not deemed to be *leaking and hazardous* would, assuming the plan contemplated by the

Commission to be developed by Staff and Columbia is approved for the “orderly and systematic replacement of risers considered prone to failure[,]” would then be scheduled by Columbia to be replaced sometime in the next three years assuming that Columbia is able to complete the work in a three year period. Entry p. 9 ¶26. Three years (at best) is a long time and although most of the inspections have already occurred and customers have already been notified of their “high risk” riser, no plan has yet been filed or approved for the repair and replacement of the identified risers and under the existing Entry, consumers are left potentially wanting to effectuate the repairs but being denied recovery if they so choose.

III. CONCLUSION

IGS respectfully requests that the Commission reconsider its request to permit consumers that have Columbia identified affected risers to arrange for repair or replacement, as such consumers deem appropriate, from an approved list including qualified entities that have been in the business of offering gas line warranty and repair services, to be reimbursed on a going forward basis, and to clarify the responsibilities of consumers with respect to the lines and risers, so that consumers and the market know what products and services, if any, can be made available. Further, IGS respectfully requests that the Commission examine the viability of a market solution to administer and effectuate the repairs and replacement, to see if the market can provide greater service at a lower price before placing such services in the hands of Columbia.

Respectfully submitted,


/s/

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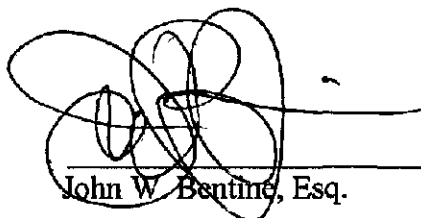
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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Application for Rehearing and Memorandum in Support was served by first class mail, postage prepaid on the persons stated below, this 10th day of August, 2007.



John W. Bentine, Esq.

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