

FILE

Columbia Exhibit No.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

PREPARED DIRECT TESTIMONY OF
THOMAS J. BROWN, JR.
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.

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PREPARED DIRECT TESTIMONY OF [WITNESS NAME]

1 **Q. Please state your name and business address.**

2 A. My name is Thomas J. Brown, Jr. and my business address is 200 Civic Center Drive,
3 Columbus, Ohio 43215.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by Columbia Gas of Ohio, Inc. ("Columbia"). My title is Director of
7 Regulatory Relations.

8
9 **Q. Please describe your professional experience and educational background.**

10 A. Since 1991, I have held my current position as Director of Regulatory Relations for
11 Columbia. From June 1988 to 1991, I was employed as Counsel in Columbia's Law
12 Department. During the period from March 1987 to May 1988, I was a Master
13 Commissioner for The Supreme Court of Ohio. From June 1984 to December 1986, I was
14 an associate with the law firm of Emens, Hurd, Kegler & Ritter in Columbus, Ohio. From
15 September 1975 to May 1984, I held various positions in Columbia's Law Department. I
16 received a Bachelor of Science degree in Business Administration from The Ohio State
17 University in 1972 and a Juris Doctor degree from The Ohio State University College of
18 Law in 1975.

19
20 **Q. Please describe your duties and responsibilities as Director of Regulatory Relations.**

21 A. I am the primary regulatory liaison between Columbia, the Public Utilities Commission of
22 Ohio, and other regulatory stakeholders. I am generally responsible for establishing and

1 maintaining effective relationships with key external regulatory parties. I have been
2 primarily responsible for coordinating the relationships between Columbia and the members
3 of its Regulatory Collaborative, and, since 1994, directly involved in negotiating a series of
4 numerous complex and integrated settlements regarding the establishment of Columbia's
5 base rates, resolutions of issues in Columbia's GCR audit cases, the establishment of
6 Columbia's Customer CHOICESM program, terms and conditions for Columbia's Gas
7 Transportation Service and other matters.

8
9 **Q. Have you previously testified before this Commission?**

10 A. I filed prepared testimony in Case Nos. 98-222-GA-GCR, 04-221-GA-GCR and 05-221-
11 GA-GCR.

12
13 **Q. What is the purpose of your testimony?**

14 A: The purpose of my testimony is to support the reasonableness of Columbia's Application
15 filed on April 25, 2007 in Case No. 07-478-GA-UNC.

16
17 **Q. What is the purpose of Columbia's Application.**

18 A. Columbia has requested approval of tariffs to recover, through the Infrastructure
19 Replacement Program ("IRP") tracker mechanism, costs associated with the establishment
20 of the IRP and for approval of certain accounting treatment.

21 Specifically, Columbia's Application requests: (1) recovery of costs, through the
22 IRP tracker mechanism, associated with the Commission-ordered riser inventory and
23 identification process; the replacement of customer-owned risers prone to failure; and, the

1 replacement of customer-owned service lines constructed or installed by Columbia as risers
2 or service lines are replaced (Columbia's IRP); and, (2) such accounting authority as may be
3 required to permit capitalization of Columbia's investment in customer-owned service lines
4 and risers through the assumption of financial responsibility for these facilities and the
5 deferral of related costs for subsequent recovery through the IRP tracker mechanism.

6
7 **Q. Why has Columbia proposed to assume ownership of the risers and service lines that**
8 **are replaced through the IRP?**

9 A. Although Columbia is not legally responsible for the repair or replacement of customer-
10 owned service lines, Columbia recognizes that Ohio's natural gas companies are facing an
11 unusual, if not extraordinary, situation because the prone to failure riser situation is one
12 clearly involving public safety and the costs to remediate the concern are likely to be
13 substantial. Columbia believes this public safety concern can best be addressed through the
14 replacement of all risers identified as prone to failure through a structured program
15 uniformly designed and administered by Columbia. For the reasons stated in Mr. Ramsey's
16 testimony, Columbia also believes that it is also in the best interest of all customers for
17 Columbia to assume the future responsibility to maintain, repair or replace customer-owned
18 service lines.

19 In order to relieve individual customers of the financial responsibility for the costs of
20 replacement of risers identified as prone to failure and repair or replacement of customer
21 service lines Columbia believes the situation is best addressed by Columbia assuming
22 responsibility for: (1) the future maintenance, repair and replacement of customer-owned

1 service lines; and, (2) the orderly and systematic replacement, over a period of
2 approximately three years, of all risers identified as prone to failure.

3 Finally, in addition to assuming responsibility for the maintenance, repair, and
4 replacement of customer-owned service lines on a prospective basis, Columbia's application
5 proposed to assume ownership of any new risers and any service lines constructed or
6 installed by Columbia as risers or service lines are replaced.

7
8 **Q. Why is it important that Columbia assume ownership of any new risers and any**
9 **service lines constructed or installed by Columbia?**

10 A. As detailed in the testimony of Columbia witnesses Martin and Ramsey, the cost of
11 replacing all of the risers identified as prone to failure on Columbia's system is estimated to
12 be approximately \$160,000,000. Columbia can not commit to undertake a program of this
13 magnitude and raise the significant amounts of incremental capital required to assume these
14 obligations without some type of timely cost recovery of the costs related to that investment.
15 Columbia is willing to assume this financial obligation if, and only if, the costs of doing so
16 are funded through the proposed IRP tracker mechanism.

17 In order for Columbia to be able to capitalize any investment associated with the
18 replacement of risers identified as prone to failure and the repair or replacement of customer
19 service lines, the preferred regulatory treatment is for the Commission to approve
20 Columbia's request to assume ownership of risers and service lines as they are replaced.
21 However, if the Commission approves Columbia's request for tariff amendments that
22 specify that Columbia has the "responsibility to replace prone to failure risers and maintain,

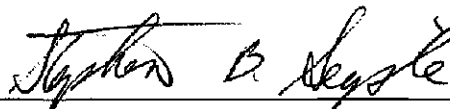
1 repair or replace customer service lines,” then a clear statement that Columbia is authorized
2 to capitalize its investments made to fulfill that responsibility would be acceptable.

3
4 **Q. Does this complete your Prepared Direct Testimony?**

5 **A:** Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Direct Testimony of Thomas J. Brown, Jr. was served upon all parties of record by electronic mail and regular U. S. mail this 15th day of October 2007.



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