

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 Infra- )  
structure Replacement Program and for Approval )  
of Certain Accounting Treatment )

Case No. 07-478-GA-UNC

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**PREPARED DIRECT TESTIMONY OF  
LARRY W. MARTIN  
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

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October 15, 2007

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**PREPARED DIRECT TESTIMONY OF LARRY W. MARTIN**

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

A: My name is Larry W. Martin and my business address is 200 Civic Center Drive, Columbus, Ohio 43215.

**Q: By whom are you employed and in what capacity?**

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

**Q: What are your responsibilities as Director of Regulatory Matters?**

A: As Director of Regulatory Matters, my principal responsibilities include the planning, supervision, preparation and support of all Columbia's regulatory filings before the Public Utilities Commission of Ohio ("PUCO" or "Commission"). These responsibilities include the preparation of exhibits; proposed tariff changes and testimony filed by Columbia in support of new programs such as the Infrastructure Replacement Program ("IRP") proposed by Columbia in this case.

**Q: What is your educational background?**

A: I attended West Virginia State College located in Institute, West Virginia, where I majored in Business Administration. Columbia employed me in January 1969, in the Finance Department. During that same year, I was promoted to the position of Rate Accountant in the Rate Department. Since then, I have held the positions of Senior Rate Accountant, Rate Analyst, Senior Rate Analyst, Rate Engineer and Senior Rate Engineer. In 1991, I was pro-

1       moted to the position of Director-Columbia Regulatory Services, where I became responsi-  
2       ble for all technical regulatory matters for Columbia. During 1996, Columbia reorganized its  
3       operations, at which time I accepted the position of Director, Regulatory Planning and be-  
4       came jointly responsible for all technical regulatory matters for Columbia. Upon completion  
5       of the merger, my title was changed to Director of Regulatory Matters; however, I continue  
6       to be jointly responsible for all technical matters for Columbia. I have previously testified  
7       before the Pennsylvania Public Utility Commission, the Virginia State Corporation Com-  
8       mission, the Ohio Board of Tax Appeals and the Public Utilities Commission of Ohio.

9  
10   **Q.    What is the purpose of your testimony in this proceeding?**

11   **A.    The purpose of my testimony is to provide the Commission with an understanding of the**  
12       IRP tracker mechanism proposed by Columbia in this case. This includes: (1) an explana-  
13       tion of the process used for establishment of IRP rates; (2) a description of the various  
14       types of expenses for which Columbia requests recovery through the IRP mechanism; (3)  
15       the accounting treatment proposed by Columbia for the deferral and subsequent recovery  
16       of expenses directly related to this program; (4) an explanation of the proposed method  
17       for assignment of costs to individual rate schedules and development of rates; and, (5) an  
18       explanation of the various tariff changes proposed by Columbia resulting from its pro-  
19       posed tracker mechanism and from Columbia's assumption of financial responsibility for  
20       the replacement of risers prone to failure and repair or replacement of customer-owned  
21       service lines. In addition, my testimony includes a description of the accounting treatment  
22       proposed by Columbia for capitalization of its investment resulting from its assumption  
23       of financial responsibility for the replacement of risers prone to failure and repair or re-

1 placement of customer-owned service lines. The IRP tracker mechanism proposed by Co-  
2 lumbia in this proceeding is limited to the recovery of operation and maintenance ex-  
3 penses incurred in compliance with the Commission's April 13, 2005 Entry in Case No.  
4 05-463-GA-COI; operation and maintenance expenses associated with the survey per-  
5 formed by Columbia; and the amortization of deferred carrying costs; amortization of de-  
6 ferred depreciation costs and amortization of deferred property taxes on investment made  
7 by Columbia through its assumption of financial responsibility for the replacement of ris-  
8 ers prone to failure and repair or replacement of customer-owned service lines as adjusted  
9 for Columbia's additional gross receipts tax obligation.

10  
11 **Q. Please provide an explanation of the process proposed by Columbia for the IRP**  
12 **mechanism.**

13 A. The Application filed by Columbia in Case No. 07-478-GA-UNC provides for Colum-  
14 bia's filing by November 30, 2007, its initial IRP Rider tariffs and supporting schedules  
15 for the IRP Rider to become effective the following May. The supporting schedules will  
16 contain a combination of nine months of actual data and three months of projected data  
17 through December 31, 2007. By the following February 28 Columbia will file an updated  
18 application in this docket with schedules supporting the proposed IRP Rider based on ac-  
19 tual costs accumulated through December 31, 2007. These filings will include all ac-  
20 counting and billing record details needed by Staff to enable it to analyze and audit the  
21 schedules and issue a Staff Report of Investigation. The IRP Rider, subject to Commis-  
22 sion approval, will become effective by May 1 following the February filing of an appli-

1 cation as described herein unless the Commission acts otherwise to delay the effective  
2 date of the IRP rider.

3  
4 **Q. Will this same process be used in subsequent years for adjustment of the IRP**  
5 **Tracker Rate?**

6 A. Yes. Columbia will revise the IRP Rider each year through the use of a similar process  
7 with the exception that it will true-up revenues collected with revenues estimated in fu-  
8 ture filings. By November 30, 2008, and succeeding Novembers, Columbia will file a  
9 pre-filing notice containing estimated IRP schedules for the IRP rider to become effective  
10 the following May. The estimated schedules will contain a combination of actual and pro-  
11 jected data for the calendar year in which the pre-filing notice is filed. By the following  
12 February 28 Columbia will file an updated application with schedules supporting the pro-  
13 posed IRP rider based on the costs accumulated through the end of the calendar year end-  
14 ing December 31, as adjusted for the associated gross receipts tax obligation.

15  
16 **Q. Has a similar process been previously adopted by the Commission?**

17 A. Yes. The Commission's Opinion and Order issued May 30, 2002 in Case No. 01-1228-  
18 GA-AIR, et al<sup>1</sup>, adopted a Stipulation and Agreement, that, among other things, approved  
19 a similar process for the Cincinnati Gas & Electric Co. Columbia's proposed process var-  
20 ies to the extent that Columbia has requested in this docket only the recovery of operation  
21 and maintenance expenses incurred in compliance with the Commission's April 13, 2005

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<sup>1</sup> Case Nos. 01-1228-GA-AIR, In the Matter of the Application of Cincinnati Gas & Electric Company for an In-  
crease in Rates; Case No. 01-1478-GA-ALT, In the Matter of the Cincinnati Gas & Electric Company for Approval  
of an Alternate Rate Plan for Gas Distribution Service; and Case No. 01-1539-GA-AAM, In the Matter of the Cin-  
cinnati Gas & Electric Company for Approval to Change Accounting Methods.

1 Entry in Case No. 07-478-GA-UNC; operation and maintenance expenses associated  
2 with the survey performed by Columbia; and the amortization of deferred carrying costs;  
3 amortization of deferred depreciation expense and amortization of deferred property taxes  
4 on investment made by Columbia through its assumption of financial responsibility for  
5 the replacement of risers prone to failure and repair or replacement of customer-owned  
6 service lines.

7  
8 **Q. How will Columbia account for its investment in risers prone to failure and repair**  
9 **or replacement of customer-owned service lines?**

10 A. Columbia's investment in the replacement of risers prone to failure and customer-owned  
11 service lines will be capitalized in a sub-account of Account 101, Plant in Service. This  
12 investment will be retained in this account for consideration for recovery of and return on  
13 in future rate proceedings.

14  
15 **Q. How will Columbia determine the value of its investment in customer-owned service**  
16 **lines and risers prone to failure for purposes of calculating the value of these assets**  
17 **for rate accounting and rate making purposes?**

18 A. This investment will be valued (capitalized) at Columbia's actual costs of replacement or  
19 repair where the work is performed by Columbia or its contractor. Investment in cus-  
20 tomer-owned service lines and risers prone to failure made by Columbia through the re-  
21 imbursement of customers will be capitalized at actual reimbursement costs.

1 **Q. Does the proposed tracker mechanism requested by Columbia in this case provide**  
2 **for return on and return of these capitalized investment in addition to related op-**  
3 **eration and maintenance expenses?**

4 A. No.  
5

6 **Q. Please summarize the various types of costs for which Columbia seeks recovery**  
7 **through the IRP Rider.**

8 A. The IRP Rider mechanism for which Columbia requests Commission approval in this  
9 proceeding provides for recovery of deferred program operation and maintenance ex-  
10 penses; deferred depreciation expense; deferred property taxes; post-in service carrying  
11 costs; and related gross receipts taxes.  
12

13 **Q. What types of operation and maintenance expenses will Columbia seek recovery of**  
14 **through the IRP Tracker?**

15 A. The rates established through this IRP process will provide for recovery of those amounts  
16 deferred by Columbia in accordance with its application filed in Case No. 07-237-GA-  
17 AAM.  
18

19 **Q. What types of activities have resulted in Columbia's incurrence of costs deferred to**  
20 **date or to be deferred in the future in accordance with the Columbia's application**  
21 **filed in Case No. 07-237-GA-AAM?**

22 A. These activities are comprised of: (1) testing costs incurred through the Commission-  
23 ordered investigation in Case No. 05-463-GA-COI into the types of natural gas risers be-

1 ing installed in Ohio, conditions of installation, and their overall performance; and, (2)  
2 survey costs incurred through Columbia's performance of its survey of all customer-  
3 owned service lines and risers. These activities are further described in Columbia witness  
4 Ramsey's testimony.

5  
6 **Q. Please provide examples of the types of testing costs deferred by Columbia?**

7 A. These costs include, but are not limited to, payments to the Commission for the testing of  
8 risers; payments for a statistical analysis performed by a consultant used to estimate Co-  
9 lumbia's riser population by type; labor and overhead expenses incurred by Columbia in  
10 the collection of riser samples for the Commission's investigation; related labor overhead  
11 expenses; risers and other materials installed by Columbia to replace those risers submit-  
12 ted to Commission for testing, and related transportation costs.

13  
14 **Q. What are some examples of the types of costs Columbia has deferred or expects to**  
15 **defer in the future in the completion of its survey?**

16 A. Examples of survey costs incurred to date include training costs related to riser testing  
17 and performance of the survey; contract and company labor costs incurred to conduct the  
18 survey; project management costs for survey management; data management; report gen-  
19 eration; invoice processing for contracted services; expenses for preparation and produc-  
20 tion of door hangers left on customer premises through which customers were told the  
21 survey had been performed and that their riser is or is not that type identified by the  
22 Commission as a prone to failure riser; letters mailed to customer informing them that  
23 their riser is that type identified by the Commission as a prone to failure riser; expenses



1 incurred at Columbia's contact center as a result of increased call volumes as customers  
2 inquired about the riser survey and related riser matters. Future survey costs to be in-  
3 curred during the second phase of the survey (as described in Columbia witness Ram-  
4 sey's testimony) are similar to those incurred in completion of the initial survey plus ad-  
5 ditional charges resulting from the need to remove soil or hard surface to gain access to  
6 customer-owned service lines and risers and restoration of those surfaces to the satisfac-  
7 tion of customers.

8  
9 **Q. Are there other types of customer notification and education expenses Columbia ex-**  
10 **pects to incur through the program?**

11 A. Yes. Columbia will send letters to customers announcing the riser replacement program  
12 and Columbia's assumption of financial responsibility for repair and replacement of cus-  
13 tomer service lines; and letters to customers informing them their riser has been sched-  
14 uled for replacement.

15  
16 **Q. Please provide a summary of Columbia's actual deferred costs recorded on books to**  
17 **date for the riser program?**

18 A. Actual program costs deferred on Columbia's books through August 31, 2007 for recov-  
19 ery through the IRP rider are as follows:

Case No. 05-463-GA-COI (Commission Investigation)	\$ 227,635
Performance of Initial Survey	2,710,381
Total	\$ 2,938,016

1 **Q. What is Columbia's projection of its deferred costs to be recorded on books for**  
2 **completion of the riser surveys during the calendar years 2007 and 2008?**

3 A. Projected survey costs for balance of the calendar year 2007 and for calendar year 2008  
4 are as follows:

Projected Survey Costs – Balance of Calendar Year 2007	\$ 4,254,138
Projected Survey Costs – Calendar Year 2008	\$ 5,482,000

5 **Q. What is the source of the projected customer notification costs included for the cal-**  
6 **endar years 2007 and 2008?**

7 A. These estimates were provided to me by Columbia's Communications Department. The  
8 following table sets forth the current estimate of additional customer notification ex-  
9 penses to be incurred by Columbia during the calendar years 2007 and 2008:

Projected Customer Notification Costs – Balance of Calendar Year 2007	\$ 221,822
Projected Customer Notification Costs – Calendar Year 2008	\$ 1,200,000

10 **Q. What is the total O&M cost that Columbia anticipates for which it will seek recov-**  
11 **ery through its proposed IRP Rider beginning in May 2008?**

12 A. The addition of actual program operation and maintenance expenses to date for the cal-  
13 endar year 2007, plus the projected operation and maintenance expenses to be incurred  
14 for the balance of the 2007, plus the projected customer notification costs for 2007 results  
15 in the total projected program O&M expense to be recovered through the IRP Rider of  
16 \$7,413,976. This is the O&M amount that Columbia anticipates it will seek recovery  
17 through the IRP rider to become effective May 1, 2008, although this amount will be up-

1 dated with the anticipated November 2007 IRP filing, and again in February 2008 once  
2 actual 2007 calendar year data becomes available.

3  
4 **Q. How has Columbia accounted for operation and maintenance expenses deferred to**  
5 **date and to be deferred in the future in accordance with the Columbia's application**  
6 **filed in Case No. 07-237-GA-AAM?**

7 A. These expenses have been recorded and will continue to be recorded in special sub-  
8 accounts of 182 – Other Regulatory Assets or recovery through future IRP filings. At-  
9 tachment LWM-1 to my testimony sets forth the various accounting entries required to  
10 effectively operate the program.

11  
12 **Q. What is the proposed treatment of these deferred operation and maintenance ex-**  
13 **penses in Columbia's IRP tracker filings?**

14 A. Columbia's IRP tracker filings will provide for the recovery of all deferred operation and  
15 maintenance expenses for each calendar year over a one year period. The use of a one-  
16 year period for recovery of its deferred operation and maintenance expenses was selected  
17 because it results in a recovery rate comparable to that Columbia expects to be authorized  
18 the first year it is provided recovery of and return on its investment.

19  
20 **Q. What is PISCC and why should Columbia be permitted recovery of PISCC charges**  
21 **over the life of the asset upon which they are incurred?**

1 A. PISCC charges are interest costs incurred by Columbia between the time an asset<sup>2</sup> is  
2 placed into service for customer use and the time Columbia starts to earn a return on its  
3 investment. PISCC will be calculated and deferred on all investment between the dates  
4 the property was placed into service and the date recovery of the investment commences<sup>3</sup>.  
5 The PISCC rate shall be determined annually based on the Columbia Gas of Ohio, Inc.'s  
6 weighted cost of debt. The PISCC rate shall be exclusive of the equity component and  
7 there will be no compounding of PISCC. PISCC shall be identified and segregated into  
8 special sub-accounts of Account 101 – Plant in Service until such amounts on Colum-  
9 bia's books are reviewed and verified by Staff during its investigation in an IRP or base  
10 rate case proceeding. Attachment LWM-2 is an example of the development of PISCC  
11 rate to be used for determination of PISCC to be recognized for recovery through the IRP  
12 mechanism. It is appropriate to account for these costs in this manner for recovery  
13 through the IRP mechanism since these are program costs from which customers benefit.

14  
15 **Q. How will PISCC be recognized in the development of the IRP filings?**

16 A. The IRP recovery provides for recovery of these costs over the life of the asset associated  
17 with the costs that were incurred.

18  

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<sup>2</sup> The asset being placed into service upon which PISCC will be calculated will be those risers prone to failure re-  
placed by Columbia and customer-owned service lines either repaired or replaced by Columbia.

<sup>3</sup> The in-service date for the determination of PISCC on plant acquired through the reimbursement of customers will  
be the date that reimbursement is remitted to a customer.

1 **Q. Why is it appropriate for Columbia to defer for recovery deferred depreciation ex-**  
2 **pense on its investment in risers prone to failure and customer-owned service lines?**

3 A. These are costs incurred by Columbia from which customers benefit that would result in  
4 a reduction in Columbia earnings absent this treatment. Columbia witness Ramsey's pre-  
5 pared direct testimony further discusses the customer benefits.

6  
7 **Q. What is the basis upon which deferred depreciation costs will be deferred and what**  
8 **depreciation rates will be utilized?**

9 A. Deferred depreciation expense shall be calculated each month based on Columbia's aver-  
10 age investment in risers prone to failure and customer-owned service lines at the applica-  
11 ble Commission-approved depreciation rate and recorded in special sub-accounts of 182  
12 – Other Regulatory Assets.

13  
14 **Q. Why has Columbia requested that the Commission approve its use of a depreciation**  
15 **rate approved by the Public Service Commission of Kentucky Inc. in Case No. 2002-**  
16 **00145 for purposes of determination of deferred depreciation expense on its invest-**  
17 **ment in risers and service lines?**

18 A. At this time there is no approved depreciation rate available for recognition of deprecia-  
19 tion on customer-owned service lines and risers prone to failure replaced by Columbia  
20 Gas of Ohio through the IRP. The alternatives available included the use of: (1) Colum-  
21 bia's depreciation rate for company owned service lines; (2) a new depreciation rate for  
22 to be developed by a consultant; and, (3) the use of an affiliate's approved depreciation

1 rate for customer-owned service lines. Columbia proposed the use of an affiliate's ap-  
2 proved depreciation rate for customer-owned service lines based upon its ready availabil-  
3 ity, but is not opposed to the use of either of the other alternatives.

4  
5 **Q. Will the IRP Rider filings provide for recovery of deferred depreciation expense**  
6 **over the life of the asset(s) upon which the depreciation is determined?**

7 A. Yes.

8  
9 **Q. Why is it appropriate for Columbia to defer for recovery through the IRP mecha-**  
10 **nism property taxes to be paid on its investment in risers prone to failure and cus-**  
11 **tomers-owned service lines?**

12 A. These are costs incurred by Columbia from which customers benefit that would result in  
13 a reduction in Columbia earnings absent this treatment. These costs would not have been  
14 incurred by Columbia absent its assumption of financial responsibility for the replace-  
15 ment of risers prone to failure and repair or replacement of service lines.

16  
17 **Q. What is the basis upon which deferred property taxes will be determined and what**  
18 **tax rate will be utilized?**

19 A. Deferred property tax expense shall be calculated each month based on Columbia's pre-  
20 vious December 31 plant balance at Columbia's current composite property tax rate and  
21 recorded in special sub-accounts of 182 – Other Regulatory Assets on 1/12 basis each  
22 month.

1  
2 **Q. Will Columbia's IRP Rider filings provide for recovery of deferred property tax ex-**  
3 **pense over the life of the asset(s) upon which determined?**

4 A. Yes.  
5

6 **Q. Will Columbia's proposed IRP Rider provide for recovery of its additional gross**  
7 **receipts tax obligation?**

8 A. Yes. At this time Columbia's tariff does not include a tracker mechanism that provides  
9 for recovery of gross receipts taxes on all revenues billed. As a result, Columbia would  
10 not recover a portion of its program expenses absent recognition of this additional tax ob-  
11 ligation in IRP filings.  
12

13 **Q. How will Columbia's obligation to pay gross receipts taxes on revenues collected**  
14 **from customers be addressed in IRP Rider filings?**

15 A. The additional gross receipts tax obligation will be addressed through the multiplication  
16 of Columbia's pretax obligation by its effective gross receipts rate of 4.9296%, approved  
17 by the Commission in Case No. 94-987-GA-AIR.  
18

19 **Q. What is Columbia's total projected program expenses for which it will request re-**  
20 **covery through the IRP rider to be effective May 2008?**

A. Columbia's total projected program expenses for which it will request recovery of through the IRP rider to be effective May 2008 is \$7,784,384. Attachment LWM-3 shows the detailed development of the projected program expenses to be recovered through the IRP Rider and related gross receipts taxes. In essence, the total represents the O&M costs that I referenced earlier, plus the gross receipts tax liability for that level of O&M costs.

**Q. What is the estimated impact of Columbia's proposed IRP Rider to be effective May 1, 2008?**

A. The estimated impact of the proposed IRP Rider to be effective May 1, 2008 per customer per month for rate schedule is as follows:

<u>Rate Schedule(s)</u>	<u>Charge Per Month<sup>4</sup></u>
Small General Service (SGS)	\$ .36
Small General Transportation Service (SGTS)	\$ .36
Full Requirements Small General Transportation Service (FRSGTS)	\$ .36
Murphy General Service (MGS)	\$ .25
Full Requirements Murphy General Service (FRMGS)	\$ .25
General Service (GS)	\$ 3.54
General Transportation Service (GTS)	\$ 3.54
Full Requirements General Transportation Service (FRGTS)	\$ 3.54

**Q. Please explain Columbia's proposal for recovery of IRP Rider costs from individual rate classes?**

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<sup>4</sup> See Attachment LWM-4 which sets for the development of the total projected revenue requirement and resultant IRP Rider per rate schedule.



1 A. Columbia's program expense to be recovered through the IRP Rider will be recovered  
2 from customers through the billing of a monthly fixed charge to all customers served un-  
3 der rate schedules SGS, SGTS, FRSGTS, MGS and MGTS, GS, GTS and FRGTS. The  
4 allocation of these program expenses to rate schedules will be based on the actual base  
5 revenues collected from customers during the test year used for determination of the ac-  
6 tual program expenses to be recovered through the IRP Rider. This will result in the allo-  
7 cation of these costs in a manner consistent with Columbia's current rate structure. The  
8 initial IRP rider tariff rate will be set at \$0.00 (until May 1, 2008), and updated as appro-  
9 priate pursuant to the Commission's orders in Columbia's annual IRP filings.

10  
11 **Q. What provisions are included in Columbia's Application filed in this docket to en-**  
12 **sure any over-collections will be passed by to customers?**

13 A. Columbia will perform a true-up of revenues collected with revenue estimated at the  
14 completion of each twelve-month recovery period with any variances between actual and  
15 estimated to be recognized in a subsequent IRP filing. This true-up will eliminate the po-  
16 tential for over-recovery of costs resulting from revenues collected from net customer ad-  
17 ditions for the collection period.

18  
19 **Q. What are the tariff changes proposed by Columbia in its Application filed in this**  
20 **proceeding?**

21 A. The tariff changes proposed by Columbia in its Application provide for: (1) the addition  
22 of language that identifies customers served under a specific rate schedule as being sub-  
23 ject to payment of the IRP Rider; (2) the establishment of the Infrastructure Replacement

Program Rider; and, (3) the need to change Section VII, Part 29-Billing Adjustment Page Numbers due to addition of the establishment of the Infrastructure Replacement Program Rider. The IRP Rider tariffs addresses the areas of: (1) applicability; (2) a program description; and, (3) the applicable charge per account each month. The following table shows by individual tariff sheet the proposed change and reason therefore:

Sheet No.	Description	Reason Changed
Fourth Rev. 16	Small General Service (SGS)	Identifies customers served under this rate schedule as being subject to payment of the IRP Rider
Third Rev. 17	Murphy General Service (MGS)	Identifies customers served under this rate schedule as being subject to payment of the IRP Rider
Fourth Rev. 18	General Service (SGS)	Identifies customers served under this rate schedule as being subject to payment of the IRP Rider
Fifth Rev. 22	Billing Adjustment	Identification of the IRP Rider as a billing adjustment applicable to SGS, MGS, GS, SGTS & GTS customers.
Original 30d	Infrastructure Replacement Program Rider	Establishment of Infrastructure Program Replacement Rider For Customers Served Under SGS, MGS and GS Rate Schedules
Third Rev. 49	Small General Transportation Service (SGTS)	Identifies customers served under this rate schedule as being subject to payment of the IRP Rider
Third Rev. 63	General Transportation Service (GTS)	Identifies customers served under this rate schedule as being subject to payment of the IRP Rider
Second Rev 25	Full Requirements Small General Transportation Service (FRSGTS)	Identifies customers served under this rate schedule as being subject to payment of the IRP Rider
Second Rev 26	Full Requirements Murphy General Transportation Service (FRMGTS)	Identifies customers served under this rate schedule as being subject to payment of the IRP Rider
Second Rev 27	Full Requirements General Transportation Service (FRGTS)	Identifies customers served under this rate schedule as being subject to payment of the IRP Rider
Fifth Rev 29, Page 1	Part 29 -Billing Adjustments Interim, Emergency and Temporary PIP Plan Tariff Schedule Rider	Page number change resulting from addition of IRP Tracker.
Third Rev 29, Page 2	Part 29 -Billing Adjustments Small General Service Temporary Base Rate Revenue Rider	Page number change resulting from addition of IRP Tracker.
	Part 29 -Billing Adjustments	

Third Rev 29, Page 3	General Service Temporary Base Rate Revenue Rider	Page number change resulting from addition of IRP Tracker.
Third Rev 29, Page 4	Part 29 -Billing Adjustments Large General Service Tempo- rary Base Rate Revenue Rider	Page number change resulting from addition of IRP Tracker.
Fourteenth Rev 29, Page 5	Part 29 -Billing Adjustments GCR Transition Rider	Page number change resulting from addition of IRP Tracker.
Third Rev 29, Page 6	Part 29 -Billing Adjustments Excise Tax Rider	Page number change resulting from addition of IRP Tracker.
Third Rev 29, Page 7	Part 29 -Billing Adjustments Reserved for Future Use	Page number change resulting from addition of IRP Tracker.
Fourth Rev 29, Page 8	Part 29 -Billing Adjustments CHOICE Program Sharing Credit	Page number change resulting from addition of IRP Tracker.
Fourth Rev 29, Page 9	Part 29 -Billing Adjustments Uncollectible Expense Rider	Page number change resulting from addition of IRP Tracker.
First Rev 29, Page 10	Part 29 -Billing Adjustments Competitive Retail Natural Gas Surcredit Rider	Page number change resulting from addition of IRP Tracker.
Original 29 Page 11	Part 29 -Billing Adjustments Infrastructure Replacement Pro- gram Rider	Establishment of Infrastructure Program Replace- ment Rider For Customers Served Under FRSGTS, FRMGTS and FRGTS Rate Schedules

1

2 **Q: Does this complete your Prepared Direct Testimony?**

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

**ATTACHMENT LWM-1**

**ACCOUNTING**

**Columbia Gas of Ohio, Inc.**  
**Infrastructure Replacement Program**  
**Accounting**

**Background:** On April 13, 2005, the Public Utilities Commission of Ohio ("Commission") issued an entry initiating a Commission-ordered investigation into the type of gas service risers<sup>1</sup> being installed in the state of Ohio, the conditions of installation, and their overall performance. This investigation was triggered by multiple riser failures throughout Ohio. Local distribution companies ("LDC") were required to identify a sample number of installed risers, remove said risers and submit them to a testing laboratory. The Commission directed the large LDC to bear the costs associated with the riser investigation but indicated that they would entertain applications for accounting deferrals related to the cost of the investigation.

On November 24, 2006, the Commission Staff filed its Staff Report of Investigation in which it concluded that certain types of field-assembled risers were more prone to failure if not assembled and installed properly. As a result, the report recommended that distribution system operators conduct a riser inventory of their system to determine the types and locations of all risers in their system. In addition, the Commission Chairman requested, via a letter to gas distribution companies, that the LDCs address the question of whether those companies should assume responsibility for customer-owned service lines.

On March 2, 2007, COH filed a request for authority to revise its accounting procedures to provide for the deferral of costs incurred and to be incurred in connection with the Commission's investigation of natural gas service risers. On April 25, 2007, COH incorporated this request into an application to recover costs for an Infrastructure Replacement Program ("IRP") that also addresses the Commission Chairman's request regarding the ownership of customer owned service lines. Specifically, the application requests recovery of costs associated with:

- The Commission-ordered riser inventory and identification process,
- The assumption of financial responsibility for replacement of customer-owned risers prone to failure, and
- The assumption of financial responsibility for the replacement of customer-owned service lines.

The application requests "such accounting authority as may be required to permit capitalization of COH's investment in customer-owned service lines and risers through the assumption of financial responsibility for these facilities and the deferral of related costs for subsequent recovery through an automatic adjustment mechanism." In order to recover the costs of the IRP program, COH proposed to do the following:

1. Assume ownership and capitalize its investment in risers and customer-owned service lines as replaced,
2. Capitalize associated post in-service carrying charges ("PISCC")<sup>2</sup> until the investment in customer-owned service lines is included in rate base,

---

<sup>1</sup> A riser is a piece of piping that connects the gas service line to the gas meter.

<sup>2</sup> PISCC will be calculated based on COH's average investment each month during the calendar year. The PISCC rate will be determined annually based on COH's weighted cost of debt. For recovery purposes, PISCC will be amortized over the life of the assets upon which it is accrued.

3. Record a regulatory asset for the related depreciation and incremental property taxes,
4. Recover the testing and survey costs in accordance with its application filed earlier,  
and
5. Recover all associated gross receipts tax.

**Actual Costs Incurred as of 7/31/07:**

▪ Riser Survey	\$ 227,635
▪ Riser Identification	\$2,710,381
▪ Riser Replacement	<u>\$ 183,228</u>
	\$3,121,244

**Columbia Gas of Ohio, Inc.**  
**Illustration of the Accounting for the Infrastructure Replacement Program**  
**2007 PLANT ADDITIONS**

**ASSUMPTIONS & CALCULATIONS**

Hypothetical Rates	
PISCC Rate:	5.47% Annual
Property Tax	0.4558% Monthly 2.0000% Annual Composite
Depreciation	0.1667% Monthly 3.0000% Annual
Plant Activity	0.2500% Monthly see column 2 below

	BB (1)	Hypothetical Plant Activity (2)	EB (3) = (1)+(2)	Average (4) = (3)/(2)	PISCC Rate (5)	PISCC (6) = (5)x(4)	Cum PISCC (7)	Dep. Rate (8)	Depreciation (9) = (8)x(7)	Deferred Dep't (10)	Dep't Recognized (11)	Prop Tax Rate (12)	Property Taxes (13) = (12)x(11)
September, 2007	\$ 0	\$ -	\$ -	\$ -	0.4558%	\$ -	\$ -	0.2500%	\$ -	\$ -	\$ -	0.1667%	\$ -
October	\$ -	\$ -	\$ -	\$ -	0.4558%	\$ -	\$ -	0.2500%	\$ -	\$ -	\$ -	0.1667%	\$ -
November	\$ -	\$ 1,089,000.00	\$ 1,089,000.00	\$ 5,944,500.00	0.4558%	\$ 5,944,500.00	\$ 25,273.68	0.2500%	\$ 1,486.43	\$ 1,486.43	\$ -	0.1667%	\$ -
December	\$ 11,089,000.00	\$ 11,089,000.00	\$ 22,178,000.00	\$ 16,633,500.00	0.4558%	\$ 10,094.72	\$ 101,094.72	0.2500%	\$ 25,273.68	\$ 25,273.68	\$ -	0.1667%	\$ -
Total 2007	\$ 11,089,000.00	\$ 11,089,000.00	\$ 22,178,000.00	\$ 16,633,500.00	0.4558%	\$ 10,094.72	\$ 101,094.72	0.2500%	\$ 25,273.68	\$ 25,273.68	\$ -	0.1667%	\$ -
January, 2008	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 202,189.44	0.2500%	\$ 55,950.47	\$ 55,950.47	\$ -	0.1667%	\$ 36,963.33
February	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 303,284.16	0.2500%	\$ 55,950.47	\$ 111,900.94	\$ -	0.1667%	\$ 36,963.33
March	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 404,378.88	0.2500%	\$ 55,950.47	\$ 167,851.41	\$ -	0.1667%	\$ 36,963.33
April	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 505,473.60	0.2500%	\$ 55,950.47	\$ 223,801.88	\$ -	0.1667%	\$ 36,963.33
May	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 606,568.32	0.2500%	\$ 55,950.47	\$ 279,752.35	\$ -	0.1667%	\$ 36,963.33
June	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 707,663.04	0.2500%	\$ 55,950.47	\$ 335,702.82	\$ -	0.1667%	\$ 36,963.33
July	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 808,757.76	0.2500%	\$ 55,950.47	\$ 391,653.29	\$ -	0.1667%	\$ 36,963.33
August	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 909,852.48	0.2500%	\$ 55,950.47	\$ 447,603.76	\$ -	0.1667%	\$ 36,963.33
September	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 1,010,947.20	0.2500%	\$ 55,950.47	\$ 503,554.23	\$ -	0.1667%	\$ 36,963.33
October	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.4558%	\$ 10,094.72	\$ 1,112,041.92	0.2500%	\$ 55,950.47	\$ 559,504.70	\$ -	0.1667%	\$ 36,963.33
November	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.0000%	\$ 0.0000%	\$ 1,112,041.92	0.2500%	\$ 55,950.47	\$ 615,455.17	\$ 58,225.10	0.1667%	\$ 36,963.33
December	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.0000%	\$ 0.0000%	\$ 1,112,041.92	0.2500%	\$ 55,950.47	\$ 671,405.64	\$ 116,450.20	0.1667%	\$ 36,963.33
Total 2008	\$ 22,178,000.00	\$ -	\$ 22,178,000.00	\$ 22,178,000.00	0.0000%	\$ 0.0000%	\$ 1,112,041.92	0.2500%	\$ 55,950.47	\$ 671,405.64	\$ 116,450.20	0.1667%	\$ 36,963.33

Note: Property taxes are calculated on based on plant balances at the end of the previous year (exclusive of PISCC) and are recorded monthly on a straight line basis. Therefore, property taxes, based on this illustration, would not be recorded until the following year.

**2007 Journal Entries (Cumulative)**

- To transfer costs incurred to survey and identify risks and to educate customers from expense to a regulatory asset
 

182-Deferred Survey Costs	\$ xx,xxx.xx	
182-Deferred Identification Costs	\$ xx,xxx.xx	
182-Deferred Cust. Education Costs	\$ xx,xxx.xx	
O&M Expense		\$ (xx,xxx.xx)

2. To record 2007 charges to the blanket work order, PISCC, and depreciation			
101 - Gas Plant in Service	\$	22,178,000.00	
Cash			\$ (22,178,000.00)
101 - Gas Plant in Service (PISCC)	\$	101,094.72	
432 - PISCC			\$ (101,094.72)
403 - Depreciation Expense	\$	55,760.92	
108 - Accumulated Depreciation			\$ (55,760.92)
182 - Deferred Depreciation Expense	\$	55,760.92	
403 - Depreciation Expense			\$ (55,760.92)

### 2008 Journal Entries for 2007 Plant Additions (Cumulative)

3. To record 2008 charges for PISCC, depreciation and property taxes

101 - Gas Plant in Service (PISCC)	\$	1,010,947.20	
432 - PISCC			\$ (1,010,947.20)
403 - Depreciation Expense	\$	687,328.08	
108 - Accumulated Depreciation			\$ (687,328.08)
182 - Deferred Depreciation Expense	\$	570,877.58	
403 - Depreciation Expense			\$ (570,877.58)
408 - Taxes Other than Income	\$	443,560.00	
236 - Accrued Taxes			\$ (443,560.00)
182 - Deferred Property Taxes	\$	369,833.33	
408 - Taxes Other than Income			\$ (369,833.33)

(November & December would not be deferred as they will be included in base rates are effective 11/1/08)

On May 1, 2008, an IRP rate will go into effect to recover costs (including applicable gross receipts tax) associated with surveying and identifying risers and customer education as well as deferred PISCC and depreciation associated with 2007 expenditures that were deferred during 2007. The rate would continue to recover these costs through October 31, 2008 as new base rates will become effective November 1, 2008. After such time, the IRP will be reduced by the amount associated with the PISCC and depreciation deferred in 2007 for 2007 plant additions as those amounts will be reflected in base rates.

4. To record the revenues billed and the associated recoveries for the aforementioned costs for the period beginning May 1, 2008 and ending October 31, 2008.

14x - Accounts Receivable	\$	xx,xxx.xx	
48x - Revenue			\$ (xx,xxx.xx)
O&M Expense	\$	xx,xxx.xx	
403 - Depreciation Expense	\$	xx,xxx.xx	
182 - IRP Regulatory Asset			\$ (xx,xxx.xx)
408 - Gross Receipts Tax	\$	xx,xxx.xx	
236 - Accrued Taxes			\$ (xx,xxx.xx)
409 - Federal Income Tax Expense	\$	xx,xxx.xx	
236 - Accrued Taxes			\$ (xx,xxx.xx)



On November 1, 2008 base rates would go into effect to recover costs associated with the remaining balances of the 2007 deferred charges associated with 2007 plant additions. The IRP rider would continue to collect amounts associated with the rider survey, identification and customer education costs reflected in the IRP filing effective May 1, 2008.

5. To record the revenues billed and the associated recoveries for the aforementioned costs for the period beginning November 1, 2008 and ending December 31, 2008.

14x - Accounts Receivable	\$	xx,xxx.xx	\$	(xx,xxx.xx)
48x - Revenue				
O&M Expense	\$	xx,xxx.xx		
403 - Depreciation Expense	\$	xx,xxx.xx		
182 - IRP Regulatory Asset			\$	(xx,xxx.xx)
408 - Gross Receipts Tax	\$	xx,xxx.xx		
236 - Accrued Taxes			\$	(xx,xxx.xx)
409 - Federal Income Tax Expense	\$	xx,xxx.xx		
236 - Accrued Taxes			\$	(xx,xxx.xx)

**ATTACHMENT LWM-2**

**PISCC RATE DEVELOPMENT**

Computation of the Initial Year PISCC Rate  
For the Year 2007

	<u>Amount (\$000)</u>	<u>Capitalization Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
13 Month Average Short Term Debt *	30,942	6.93%	3.00%	0.21%
13 Month Average Long Term Debt *	<u>415,576</u>	<u>93.07%</u>	5.65%	<u>5.26%</u>
Total Average Debt *	446,518	100.00%	N/A	5.47%

\* Based on Columbia Gas of Ohio's 2007 7+5 Financial Plan

**ATTACHMENT LWM-3**

**DEVELOPMENT OF PROJECTED IRP**

**SUMMARY OF EXPENSES TO BE RE-**

**COVERED THROUGH IRP RIDER**

**MAY 2008**

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Estimated Rate Impact of Proposed Riser Program Rate  
Effective May 2008

Line No.		Year 2008	Reference
1	<b>Return on Investment</b>		
2	Plant In-Service		
3	Additions	22,178,000	Schedule No. 3
4	Retirements	-	Schedule No. 5
5	Total Plant In-Service	22,178,000	
6	Less: Accumulated Provision for Depreciation		
7	Depreciation Expense	55,445	Schedule No. 6
8	Cost of Removal	-	Schedule No. 4
9	Retirements	-	Schedule No. 5
10	Total Accumulated Provision for Depreciation	55,445	
11	Net Deferred Depreciation	55,445	Schedule No. 7
12	Net Regulatory Asset - PISCC	101,095	Schedule No. 8
13	Net Deferred Tax Balance - Property Taxes	-	Schedule No. 13
14	Deferred Taxes on Liberalized Depreciation	(370,478)	Schedule No. 9
15	Net Rate Base	21,908,616	
16	Approved Pre-tax Rate of Return	0.00%	
17	Annualized Return on Rate Base	-	
18	<b>Operating Expenses</b>		
19	Annualized Depreciation		
20	Risers	-	Schedule No. 10
21	Services - Customer	-	Schedule No. 10
22	Total	-	
23	Deferred Depreciation Amortization	1,663	Schedule No. 7
24	Deferred PISCC Amortization	3,033	Schedule No. 8
25	Annualized Property Tax Expense	-	Schedule No. 12
26	Deferred Property Tax Expense Amortization	-	Schedule No. 13
27	Amortization of Survey & Customer Education Costs	7,413,977	Schedule No. 14
28	Total Program Costs Before Gross Receipts	7,418,673	
29	Gross Receipts Tax @ 4.9296%	365,711	
30	<b>Total Program Costs</b>	7,784,384	
31	Estimated Number of Customers	1,445,247	
32	Annual Cost Per Customer	5.39	
33	Cost Per Month Per Customer	0.45	

Schedule 2

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
*Plant Additions*

Line

2007

1	<b>Services - Customer</b>	
2	Risers	17,778,000
3	Service Lines	4,400,000
4	Total	22,178,000
5		

Schedule 3

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Cumulative Plant Additions

Line No.	Cummulative	2007
1	<b>Services - Customer</b>	
2	Risers	17,778,000
3	Service Lines	4,400,000
4	Total	22,178,000

Schedule 4

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Cost of Removal

Line No.	Annual	2007
1	<b>Services - Customer</b>	
2	Risers	-
3	Service Lines	-
4	Total	-

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Cummulative Cost of Removal

Line No.	Cummulative	2007
1	<b>Services - Customer</b>	
2	Risers	-
3	Service Lines	-
4	Total	-



Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Retirements

Line No.	Cummulative	2007
1	<b>Services - Customer</b>	
2	Risers	-
3	Service Lines	-
4	Total	-

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Cummulative Retirements

Line No.	Cummulative	2007
1	<b>Services - Customer</b>	
2	Risers	-
3	Service Lines	-
4	Total	-

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Annualized Depreciation - Retirements

Line No.	Cummulative	Depreciation Rate	2007
1	<b>Services - Customer</b>		
2	Risers	3.00%	-
3	Service Lines	3.00%	-
4	Total		-

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Annual Provision for Depreciation

Line No.	Cummulative	Rate	2007
1	<b>Services - Customer</b>		
2	Risers	3.00%	44,445
3	Service Lines	3.00%	11,000
4	Total		55,445

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Cummulative Provision for Depreciation

Line No.	Cummulative	2007
1	<b>Services - Customer</b>	
2	Risers	44,445
3	Service Lines	11,000
4	Total	55,445

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Annualized Depreciation

Line No.	Cummulative	Rate	2007
1	<b>Services - Customer</b>		
2	Risers	3.00%	-
3	Service Lines	3.00%	-
4	Total		-

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Deferred Depreciation - Gross

Line No.	Cummulative	2007	2008
1	<b>Services - Customer</b>		
2	Risers	44,445	
3	Service Lines	11,000	
4	Total	55,445	

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Cummulative Deferred Depreciation - Gross

Line No.	Cummulative	2007	2008
1	<b>Services - Customer</b>		
2	Risers	44,445	
3	Service Lines	11,000	
4	Total	55,445	

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Deferred Depreciation - Amortization

Line No.	Cummulative	Dep Rate	2007	2008
1	<b>Services - Customer</b>			
2	Risers	3%	-	1,333
3	Service Lines	3%	-	330
4	Total		-	1,663

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Deferred Depreciation - Cummulative Amortization

Line No.	Cummulative	2007	2008
1	<b>Services - Customer</b>		
2	Risers	-	1,333
3	Service Lines	-	330
4	Total	-	1,663

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Deferred Depreciation Balance - Net

Line No.	Cummulative	2007	2008
1	<b>Services - Customer</b>		
2	Risers	44,445	43,112
3	Service Lines	11,000	10,670
4	Total	55,445	53,782

## Schedule B

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Gross PISCC Asset

Line No.	Regulatory Asset - Deferrals	2007	2008
1	Account		
2	182-2007-05 2007 Customer Risers	81,036	810,381
3	182-2007-06 2007 Customer Services	20,057	200,557
4	182-2008-05 2008 Customer Risers	-	-
5	182-2008-06 2008 Customer Services	-	-
6	182-2009-05 2009 Customer Risers	-	-
7	182-2010-06 2009 Customer Services	-	-
8	182-2009-05 2010 Customer Risers	-	-
9	182-2010-06 2010 Customer Services	-	-
10	182-2009-05 2011 Customer Risers	-	-
11	182-2010-06 2011 Customer Services	-	-
12	182-2009-05 2012 Customer Risers	-	-
13	182-2010-06 2012 Customer Services	-	-
14	182-2009-05 2013 Customer Risers	-	-
15	182-2010-06 2013 Customer Services	-	-
16	182-2009-05 2014 Customer Risers	-	-
17	182-2010-06 2014 Customer Services	-	-
18	182-2009-05 2015 Customer Risers	-	-
19	182-2010-06 2015 Customer Services	-	-
20	182-2009-05 2016 Customer Risers	-	-
21	182-2010-06 2016 Customer Services	-	-
22	Total	101,095	1,010,947
23	PISCC Rate	6.47%	5.47%

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Cumulative Gross PISCC Asset Before FIT

Line No.	Regulatory Asset - Deferrals	Year	
1	Account	2007	2008
2	182-2007-05 2007 Customer Risers	81,036	891,419
3	182-2007-06 2007 Customer Services	20,057	220,623
4	182-2008-05 2008 Customer Risers	-	-
5	182-2008-06 2008 Customer Services	-	-
6	182-2009-05 2009 Customer Risers	-	-
7	182-2009-06 2009 Customer Services	-	-
8	182-2010-05 2010 Customer Risers	-	-
9	182-2010-06 2010 Customer Services	-	-
10	182-2009-05 2011 Customer Risers	-	-
11	182-2010-06 2011 Customer Services	-	-
12	182-2009-05 2012 Customer Risers	-	-
13	182-2010-06 2012 Customer Services	-	-
14	182-2009-05 2013 Customer Risers	-	-
15	182-2010-06 2013 Customer Services	-	-
16	182-2009-05 2014 Customer Risers	-	-
17	182-2010-06 2014 Customer Services	-	-
18	182-2009-05 2015 Customer Risers	-	-
19	182-2010-06 2015 Customer Services	-	-
20	182-2009-05 2016 Customer Risers	-	-
21	182-2010-06 2016 Customer Services	-	-
22	Total	101,095	1,112,042

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Gross PISCC Asset Amortization

Line No.	Regulatory Asset - Deferrals	Year	
1	Account	2007	2008
2	182-2007-05 2007 Customer Risers		2,431
3	182-2007-06 2007 Customer Services		602
4	182-2008-05 2008 Customer Risers		
5	182-2008-06 2008 Customer Services		
6	182-2009-05 2009 Customer Risers		
7	182-2009-06 2009 Customer Services		
8	182-2010-05 2010 Customer Risers		
9	182-2010-06 2010 Customer Services		
10	182-2009-05 2011 Customer Risers		
11	182-2010-06 2011 Customer Services		
12	182-2009-05 2012 Customer Risers		
13	182-2010-06 2012 Customer Services		
14	182-2009-05 2013 Customer Risers		
15	182-2010-06 2013 Customer Services		
16	182-2009-05 2014 Customer Risers		
17	182-2010-06 2014 Customer Services		
18	182-2009-05 2015 Customer Risers		
19	182-2010-06 2015 Customer Services		
20	182-2009-05 2016 Customer Risers		
21	182-2010-06 2016 Customer Services	-	3,033
22	Cumulative Amortization	-	3,033
	Net Balance Before FIT	101,095	1,109,009

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Net Deferred Tax - liberalized Depreciation

Line No. (1)	Tax Rate Life Rates		Year (2)	2007 Additions (3) (\$)	Annual Tax Depreciation (23) (\$)	Book Deprec. 1/ 2/ (24) (\$)	Difference (2) (\$)	Difference Tax @ 35.00% (2) (\$)	Accumulated Deferred Inc. Taxes (2) (\$)
				22,279,095	0	22,279,095			
				Tax Depreciation					
2	0.05	0.0375	1	1,113,955	1,113,955	55,445	1,058,510	370,478	370,478

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Annualized Depreciation on Plant Additions

Line No.		Rates	2008
1	<b>Services - Customer</b>		
2	Risers	3.00%	533,340
3	Service Lines	3.00%	132,000
	Total		665,340

Schedule 11

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Annualized Depreciation on Plant Retirements

Line No.	Cummulative	Rates	2008
1	<b>Services - Customer</b>		
2	Risers	3.00%	-
3	Service Lines	3.00%	-
4	Total		-

## Schedule 12

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Annualized Property Tax Calculation

Line No.		TY 2008 Total 2007
1	Property Tax (Amounts Exclude PISCC)	
2	Debt Certain Investment	22,178,000.00
3	Less: AFUDC In-Service	-
4	Less: Drawing Costs	-
5	Net Cost of Taxable Property	22,178,000.00
6	Percent Taxable	99.7%
7	True Value of Taxable Property	21,446,126.00
8	Valuation Percentage	25%
9	Total Taxable Value	5,361,531.50
10	Retired Net Taxable Main @ End of Year	-
11	Net Property Tax Valuation	5,361,531.50
12	Annualized Property Tax	478,897.36
13	Average Property Tax Rate Per \$1000	89.321



## Schedule 13

Infrastructure Tracker Mechanism  
Deferred Property Taxes - Gross

Line No.	Cumulative	Year	
		2007	2008
1	Total	0	478,897

Infrastructure Tracker Mechanism  
Deferred Property Taxes - Cumulative

Line No.	Cumulative	Year	
		2007	2008
1	Total	0	478,897

Infrastructure Tracker Mechanism  
Deferred Property Taxes - Amortization

Line No.	Cumulative	Amortization Rate	Year	
			2007	2008
1	Total	3.00%	0	-

Infrastructure Tracker Mechanism  
Deferred Property Taxes - Cumulative Amortization

Line No.	Cumulative	Year	
		2007	2008
1	Total	0	-

Infrastructure Tracker Mechanism  
Deferred Property Taxes - Net Before FIT Offset

Line No.	Cumulative	Year	
		2007	2008
1	Total	0	478,897

Infrastructure Tracker Mechanism  
Deferred Property Taxes - Net FIT Offset

Line No.	Cumulative	Year	
		2007	2008
1	Total	-	311,283

Columbia Gas of Ohio, Inc.  
Infrastructure Tracker Mechanism  
Amortization of O&M Expenses

Line No.		Year 2008
1	Commission Investigation Costs	227,635
2	Survey Expenses	6,964,520
3	Customer Notification & Education Exp.	221,822
4	Total	7,413,977

# **ATTACHMENT LWM-4**

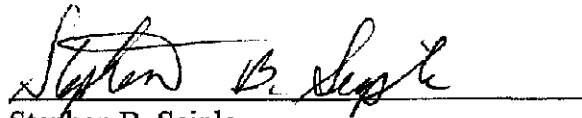
## **IRP RIDER RATES**

Columbia Gas of Ohio, Inc.  
Development of Projected IRP Rate Effective May 2008

Line No.	Description	Rate Schedule(s)		GS, GTS FRGTS	Total
		SGS, SGTS FRSGTS	MGS & FRMGTS		
1	Projected Base Revenue Billed For Calendar Year 2007	359,251,747	21,391	103,787,030	483,060,168
2	Percent of Total Base Revenue	77.582%	0.005%	22.413%	100.00%
3	Allocated Annual Program Expense	6,039,288	360	1,744,737	7,784,384
4	IRP Costs Per Month	503,274	30	145,395	648,699
5	Average Bills Per Month For Calendar Year 2007	1,404,080	119	41,048	1,445,247
6	IRP Charge Per Month	0.36	0.25	3.54	0.45

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Prepared Direct Testimony of Larry W. Martin was served upon all parties of record by electronic mail and regular U. S. mail this 15<sup>th</sup> day of October 2007.



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