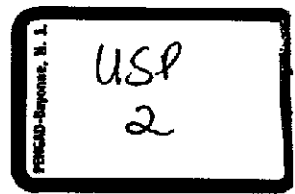


Released From Confidential Status

Case Number: 07-478-GA-UNC

Date: 11/16/2007

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician GM Date Processed 11/16/07

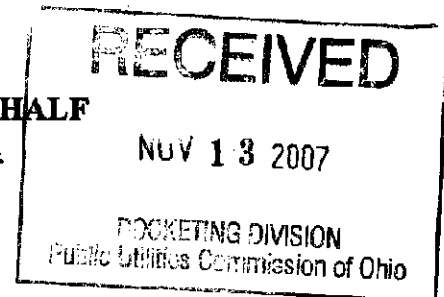


BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

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

TESTIMONY OF PHILIP E. RILEY, JR. ON BEHALF
OF UTILITY SERVICE PARTNERS, INC.



- 1 Q.1. Please state your name and business address.
- 2 A.1. Philip E. Riley, Jr., President and CEO of Utility Service Partners, Inc., 480
- 3 Johnson Road, Suite 100, Washington, PA 15301.
- 4 Q.2. Please describe your current position, your business and your educational
- 5 background.
- 6 A.2. I am currently the President and CEO of Utility Service Partners, Inc. ("USP"). I
- 7 am a shareholder of USP, which was formed in September 2003 as the holding
- 8 company of Columbia Service Partners, Inc., which was purchased from the
- 9 Columbia Energy Group that same month. I graduated from West Virginia
- 10 University with a Bachelor of Science degree in Business Administration as well
- 11 as a Masters degree in Business Administration.
- 12 Q.3. What is the purpose of your testimony?
- 13 A.3. I am filing testimony on behalf of USP to express and support its objections to
- 14 Columbia Gas of Ohio, Inc.'s ("Columbia") request in Case No. 07-478-GA-

1 UNC, to assume responsibility for the maintenance, repair and replacement of
2 customer-owned service lines and to own new or replaced service lines.

3 **Q.4. What is USP?**

4 A.4. USP is a privately held company that provides home utility-line warranty
5 products to residential customers in a variety of states, including Ohio. One such
6 product that USP provides to its customers is an external gas line warranty. This
7 product constitutes a significant portion of USP's revenue. In Ohio alone, USP
8 has over 100,000 external gas line warranties in place.

9 **Q.5. What is an external gas line warranty?**

10 A.5. An external gas line warranty is a warranty service provided for a monthly fee.
11 Under the warranty, USP will accept the risk for customer service line repairs
12 from the utility distribution line to the meter, including the riser as well as a
13 buried house line, and arrange for the repair or replacement of the USP
14 customer's broken or leaking customer service line. All repairs and replacements
15 are performed by U.S. Department of Transportation ("DOT") certified
16 contractors under contract with USP.

17 **Q.6. Does this mean that the customer owns the customer service line from the**
18 **utility distribution line to the meter including the riser as well as a buried**
19 **house line?**

20 A.6. Yes, this is the practice in Ohio, West Virginia and southwestern Pennsylvania.

21 **Q.7. How is a service line leak discovered?**

22 A.7. A leak is typically discovered one of two ways. First, a resident may notice
23 discoloration of grass or may smell natural gas. Otherwise, the Local Distribution

1 Company (the "LDC") will discover the leak during its inspection process,
2 required by federal regulation. Either way, once the LDC is aware of the leak, it
3 turns off the gas at the curb and red tags the line. USP customers call the 24-hour
4 USP customer service center to report a leak or problem. The USP customer
5 service representative will, in addition to making arrangements for a repair,
6 ensure the customer has taken appropriate safety steps, including calling the LDC
7 to report the leak. Only a LDC, like Columbia, is authorized to turn the customer
8 service line off at the curb.

9 **Q.8. Are there any safety issues related to the leaking gas after the utility turns off**
10 **a customer service line at the curb?**

11 **A.8.** Safety issues are minimized when the gas is turned off by the LDC. As Columbia
12 stated at page 3 of its application in this matter, Columbia's obligation upon
13 discovery of a leak or other dangerous condition is to make the situation safe,
14 including disconnecting the gas service where necessary and to advise the
15 customer to make the necessary repairs. USP's primary concerns after the gas is
16 turned off are that (1) the repair is done properly and quickly to allow the utility to
17 inspect the repair and restore service to USP's customer and (2) the customer is
18 satisfied with the repair and the timely manner in which it was completed.

19 **Q.9. Is the Design-A riser safety issue related to customer service line leaks?**

20 **A.9.** No, there is no relationship whatsoever between the Design-A riser safety issue
21 and customer service line leaks. The vast majority of customer service line leaks
22 are caused by corrosion and metal fatigue, so the typical subscriber of a warranty
23 service is a property owner with a steel customer service line that has been in the

1 ground for many years. Customers tend to sign up for a external customer service
2 line warranty when they have a customer service line of an age that puts it at risk.
3 As the Design-A risers are relatively new, USP does not expect many of its over
4 100,000 warranty customers to have Design-A risers. Older steel customer
5 service lines typically do not use Design-A risers.

6 **Q.10. Are the safety risks associated with the Design-A riser and a leaking**
7 **customer service line the same?**

8 A.10. No. The risk with a Design-A riser is much different than a customer service line
9 leak. Design-A risers were found to be a safety risk because of possible
10 instantaneous failures if installed improperly. By contrast, outdoor customer
11 service line leaks are a chronic problem, again primarily associated with older
12 steel lines. Customer service line safety is maintained by periodic surveys of
13 customer service lines conducted by the applicable LDC. This is required per
14 federal law and in fact, at least every three years, a LDC must inspect all customer
15 service lines in its service area. Upon discovering a leak, the LDC makes the
16 situation safe to allow for the repair, including disconnecting the gas service as
17 necessary. The existing system for monitoring and maintaining customer service
18 lines has worked effectively and safely for years in Ohio.

19 **Q.11. Does USP object to Columbia's proposal to replace and own Design-A risers?**

20 A.11. No. USP objects to Columbia's proposal to assume responsibility for the
21 maintenance, repair and replacement of customer-owned service lines and to own
22 new or replaced service lines.

1 **Q.12.** What steps does USP take to ensure service is restored as quickly as possible
2 if a leak is discovered and the LDC turns off gas to a customer service line?

3 A.12. USP has a network of contractors who are DOT OQ (Operator Qualified) certified
4 to repair and replace customer service lines. After being notified of the leak by
5 the USP customer, a USP customer service representative immediately dispatches
6 the contractor near the customer's residence to repair or replace the customer's
7 service line. Prior to repairing or replacing the customer service line, the
8 contractor works with the property owner to minimize the impact to the lawn and
9 landscaping on the property. Once the customer service line is repaired, the
10 contractor notifies the LDC which then inspects the line for leaks through a
11 pressure test, then approves the work and restores service to the residence. The
12 majority of USP's gas line repairs are completed within 24 hours from the time of
13 the initial leak report to repair or replacement. In contrast, Columbia proposes to
14 restore gas service within three working days in the non-heating season and
15 within 24 hours during the heating season after shut-off due to discovery of a
16 customer service line leak.

17 **Q.13.** Are you aware of other utility customer service line warranty companies
18 operating in Ohio?

19 A.13. Yes. In Ohio, there a number of other utility customer service line warranty
20 companies of which I am aware including Utility Shield, Columbia Retail
21 Services, Dominion Retail, American Water, First Energy and ABC Plumbing.
22 Not all are currently offering an external gas line warranty product.

23 **Q.14.** How does USP differentiate itself from its competitors?

1 A.14. USP relies extensively on delivering superior customer service to retain existing
2 customers as well as obtain new customers. USP maintains a customer call center
3 24 hours a day. When USP personnel receive calls from customers, they first
4 ensure that the customer has taken appropriate safety steps, including calling the
5 applicable natural gas utility to have the gas service turned off at the curb. In
6 addition to dispatching a DOT certified USP contractor to the customer's location
7 to repair or replace the customer's service line, the customer service
8 representative ensures that the assigned contractor has contacted the customer
9 within one hour of receiving the claim to schedule a time to make the repair. In
10 addition, after each claim repair, every customer is mailed a satisfaction survey.
11 Currently, USP enjoys a 96% customer satisfaction rating. Customer satisfaction
12 is very important in the competitive customer service line industry. If we cannot
13 consistently satisfy our customers, it wouldn't be long before we wouldn't have
14 any customers. The customers' choice of purchasing and maintaining our
15 warranty service is largely dependent on the value they are receiving which, in
16 turn, is largely determined with how well we can satisfy them.

17 **Q.15. What will be the impact on USP if the Commission grants Columbia's**
18 **request to assume responsibility for the maintenance, repair and replacement**
19 **of customer-owned service lines and to own new or replaced service lines?**

20 A.15. Allowing Columbia to assume responsibility for the maintenance, repair and
21 replacement of customer-owned service lines and to then own new or replaced
22 service lines would be devastating to USP. USP purchased Columbia's warranty
23 service business in 2003 never expecting that Columbia would attempt to reclaim

1 a large portion of the business through a regulatory filing less than four years
2 later. USP currently has over 100,000 active contracts with natural gas
3 consumers in Ohio, all of which reside in Columbia's service area. These
4 contracts, which a customer can cancel at any time, would be rendered useless
5 because customers would no longer pay USP for a service that is provided by
6 Columbia and paid for through distribution rates.

7 **Q.16. Are there other foreseeable impacts if the Commission approves Columbia's**
8 **request to assume responsibility for the maintenance, repair and replacement**
9 **of customer-owned service lines and to own new or replaced service lines?**

10 **A.16.** Not only would USP be forced out of business in Ohio, but customers would
11 suffer. USP is highly responsive to customer's needs and requests. As I noted
12 previously in this testimony, USP customer service representatives and USP
13 contractors work closely with customers to ensure they are satisfied with USP's
14 service and that repairs are done timely and with minimal impact to customers'
15 lawns and plantings. In contrast, there is no assurance that Columbia will
16 maintain that same level of customer service. Under its proposal, Columbia will
17 not be operating in a competitive market and its revenue for customer service line
18 repairs will be guaranteed through a general charge to all distribution customers
19 and consequently there is not the same pressing need to provide the same level of
20 customer service to customers that not only would not have a choice about who
21 provides their service but would not have a choice about purchasing the service.
22 USP works closely with its DOT certified contractors to ensure the contractors
23 discuss the repair with the property owner to minimize the disturbance on the

1 lawn and property's landscaping. On the other hand, if Columbia is responsible
2 for customer service line repairs, the landowner will deal only with the Columbia
3 service representative adding another level of bureaucracy to the process. There
4 is no guarantee that Columbia's proposed program for the customer service lines
5 will be better for Ohio consumers than the current and proven warranty program
6 offered through the competitive market.

7 **Q.17. Is there any benefit to consumers if the Commission grants Columbia's**
8 **request to assume responsibility for the maintenance, repair and replacement**
9 **of customer-owned service lines and to own new or replaced service lines?**

10 **A.17. No, Columbia's plan does not present any new benefit for Ohio consumers. First,**
11 **the significant safety issue that must be resolved relates to the Design-A risers and**
12 **does not relate to customer service lines. As I stated previously, there is no**
13 **relationship whatsoever between the Design-A riser safety issue and customer**
14 **service lines. By lumping the customer service lines with the Design-A risers,**
15 **Columbia is attempting not only to recover its costs to replace the Design-A risers**
16 **but also to recover the costs of ordinary customer service line repairs and**
17 **replacements. Under Columbia's proposal, a consumer in an apartment paying**
18 **for natural gas service will also be forced to pay part of the cost to repair and**
19 **replace leaking customer service lines on other properties even though the**
20 **consumer only rents the apartment. A property owner with a long customer**
21 **service line will pay the exact same amount for the repair and replacement of the**
22 **customer service line than a property owner with a short customer service line.**
23 **Owners of new properties with new customer service lines would also pay part of**

1 the cost for the repair and replacement of customer service lines, even though the
2 majority of customer service line leaks occur in pipes that have been underground
3 for years. And, importantly, Columbia's plan does not cover buried house lines.
4 This means a customer with a meter near the curb would be paying for the repair
5 and replacement of gas service lines even though they themselves would not have
6 use for the service. Columbia's plan does not offer any new benefit for Ohio
7 consumers and certainly does not relieve individual customers of the financial
8 responsibility for customer service line costs. Rather, it eliminates customer
9 choice and the ability of Ohio property owners to control the activities on their
10 property, including selecting the company that is responsible for repairing or
11 replacing customer service lines and spreads the financial responsibility to others
12 including those that don't even own the customer service line to the rented home
13 in which they live.

14 **Q.18. Does Columbia's plan relieve customers from the financial responsibility for**
15 **customer service line costs?**

16 **A.18.** No. Columbia is simply proposing socializing the financial responsibility for
17 customer service line costs on all customers in its service area – in essence a
18 shared cost. Under such a program, all customers will bear the cost for customer
19 service line repairs and replacements including those customers that don't own a
20 customer service line such as a renter.

21 **Q.19. Will Columbia's plan improve public safety with respect to customer service**
22 **lines?**

1 A.19. No. It will improve public safety as to the risers which were identified in the
2 Staff Report in Case No. 05-463-TP-COI. Again, there is no relationship
3 whatsoever between the Design-A riser safety issue and customer service lines.
4 Also, the Staff Report did not identify any public safety issues with respect to
5 customer service lines.

6 **Q.20. Will Columbia's plan to assume responsibility for the maintenance, repair
7 and replacement of customer-owned service lines and to own new or replaced
8 service lines promote fairness and generate cost efficiencies?**

9 A.20. No. First, it is not fair that a customer with a new customer service line should
10 pay for part of the cost to repair or replace another customer's older service line.
11 The existing system for ensuring customer service line safety and continued
12 operation has been successful in Ohio for years. Second, Columbia's plan
13 eliminates customer choice, eliminates any competition and inserts additional
14 utility bureaucracy between the landowner and the repair contractor. A
15 centralized monopoly of the customer service line repair industry does not benefit
16 consumers. Rather, it eliminates customer choice in a non-commodity market and
17 eliminates competition. This does not generate cost efficiencies and contradicts
18 the principles of a competitive market.

19 **Q.21. Do you believe that the ongoing repair and replacement of customer service
20 lines by Columbia will result in an improved and more efficient operation for
21 the repair and replacement of customer service lines?**

22 A.21. No. Again, Columbia's proposal simply creates a centralized monopoly of the
23 customer service line industry and adds a level of utility bureacracy between the

1 customer and the contractor. It also removes any independent oversight as
2 Columbia would be inspecting its own service line repairs or replacements prior to
3 restoring service. Under today's system, Columbia inspects the work of the
4 contractors hired by the warranty service providers or hired by the customer.

5 **Q.22. Will Columbia's plan to assume responsibility for the maintenance, repair**
6 **and replacement of customer-owned service lines and to own new or replaced**
7 **service lines provide convenience to customers?**

8 **A.22.** No. Columbia stated in its application in this matter that its plan would provide
9 convenience to customers by eliminating the need for any customer to take any
10 action or make any decision about equipment which the customer is unfamiliar.
11 This is a significant change from the current program where customers have the
12 choice to either buy a customer service line warranty or simply assume the risk
13 for repair and select their own contractor that is very familiar about the
14 equipment—equipment that is pre-approved by the utility. Not unlike decisions
15 customers must make about repairs to their gas furnace, most customers don't
16 know about the equipment but, rather, rely on a qualified HVAC contractor
17 familiar with what equipment is needed and that they have chosen based on price
18 and customer service. As well, under the existing program, companies like USP
19 are highly sensitive to customer's individual needs to ensure the customer is
20 satisfied with the repair and USP's warranty service. Columbia's plan will
21 remove the customer from the process, eliminate customer choice and lower
22 customer satisfaction. That is not a convenience to customers.

1 **Q.23. Will Columbia's plan to assume responsibility for the maintenance, repair**
2 **and replacement of customer-owned service lines and to own new or replaced**
3 **service lines provide financial security to customers?**

4 **A.23. No. The only beneficiaries would be the customers who have customer service**
5 **lines that are at a higher risk for repair or replacement. Under Columbia's**
6 **socialized program, these customers would pay less because their financial risk**
7 **would be spread across Columbia's customer base. Columbia's plan does not**
8 **provide financial security to other customers. For example, a property owner with**
9 **a home built two-years ago is not going to receive any benefit under Columbia's**
10 **shared-cost program. Again, outdoor customer service line leaks are a chronic**
11 **problem primarily associated with older steel lines.**

12 **Q.24. Will Columbia's plan avoid a situation where thousands of customers will**
13 **have to make repairs to customer service lines at once which could lead to**
14 **rapid increases in the price of labor and difficulty in finding available**
15 **contractors?**

16 **A.24. No. There is no evidence to suggest that there will be any need for thousands of**
17 **customers to make repairs to customer service lines at once. Our claims**
18 **experience for customer service lines in Ohio for the last three calendar years are**
19 **remarkably stable -- we have repaired between 1,347 and 1,401 customer service**
20 **lines in each of those three years. Our experience thus far in 2007 suggests a**
21 **similar result for this year. As to the Design-A riser replacements, these**
22 **replacements will not occur at once as Columbia is planning to spread these**
23 **replacements over three-years.**

1 **Q.25. Do customers have a single point of contact today for concerns relating to**
2 **customer service lines, risers and meter settings?**

3 **A.25.** Yes. Customers with an external customer service line warranty service have a
4 single point of contact – the warranty service provider. Customers without
5 external customer service line warranties have a single point of contract – the
6 LDC. For example, Columbia maintains a toll-free number for reporting gas leaks
7 or gas odors 24 hours/day. In addition, Columbia maintains a complete list of
8 companies with DOT Operator Qualified plumbers that are available at
9 Columbia's web site and could be made available in writing to any customer upon
10 request. Columbia's plan provides nothing new other than creating a monopoly
11 service line industry, eliminating competition and ending customer choice.

12 **Q.26. Do you find that there exists today customer confusion about who is**
13 **responsible for what type of repairs?**

14 **A.26.** No, I do not. Our warranty terms and conditions are very clear as to what is
15 covered and what is not covered. Customers who choose to have a warranty
16 through USP or another warranty provider do so because they will not have to
17 make decisions about repair or replacement of service lines, risers or meter
18 settings. Columbia also must conduct inspections of leaking gas lines and
19 communicates with the customer regarding the customer's responsibility to repair
20 or replace service lines, exterior gas lines, and underground house lines after the
21 meter. Customers today are well informed by either the warranty service provider
22 or Columbia as to their responsibilities regarding repair or replacement of
23 customer service lines, risers or meter settings. And, if a customer has any

1 questions, all they have to do is call their warranty provider or Columbia Gas.

2 **Q.27.** **Does this conclude your testimony?**

3 **A.27.** **Yes, it does.**

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony of Philip E. Riley, Jr. was served upon the following persons by electronic mail and by first class U.S. mail, postage prepaid this 23rd day of October, 2007:

/s/

Stephen M. Howard

Stephen Seiple
Daniel Creekmur
Columbia Gas of Ohio, Inc.
200 Civic Center Drive, P. O. Box 117
Columbus, OH 43216-0117
sseiple@nisource.com
dcreekmur@nisource.com

Joseph P. Serio
Associate Consumers' Counsel
10 W. Broad St., Suite 1800
Columbus, OH 43215
serio@occ.state.oh.us

David C. Rinebolt
Ohio Partners for Affordable Energy
231 West Lima St., P.O. Box 1793
Findlay, OH 45839-1793
drinebolt@aol.com

Duane L. Luckey
Assistant Attorney General
Chief, Public Utilities Section
180 E. Broad St., 9th Floor
Columbus, OH 43215-3793
duane.luckey@puc.state.oh.us

Vincent A. Parisi
5020 Bradenton Avenue
Dublin, OH 43017
vparisi@igsenergy.com

Joseph M. Clark
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215
jclark@mwncmh.com

Carl A. Aveni, II
Joseph M. Patchen
Carlile, Patchen & Murphy LLP
366 E. Broad St.
Columbus, OH 43215
caa@cpmlaw.com
jmp@cpmlaw.com