

FILE

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

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REPLY BRIEF  
OF  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC") entered this case to protect the interests of 1.4 million residential consumers in having safe, reliable natural gas service at reasonable rates. The opportunity for the filing of reply briefs arises from the briefing schedule established by the Attorney Examiner in this case.<sup>1</sup> A number of parties filed initial briefs, including Columbia Gas of Ohio, Inc. ("COH" or "the Company"), the Public Utilities Commission of Ohio ("Commission" or "PUCO") Staff ("Staff"), Utility Service Partners, Inc. ("USP"), ABC Gas Repair Inc. ("ABC"), and Interstate Gas Supply ("IGS") filed Initial Briefs on December 31, 2007. OCC filed a letter confirming that it did not file an Initial Brief, but reserved the right to file a Reply Brief. Ohio Partners for Affordable Energy filed a letter indicating that they would not

<sup>1</sup> February 5, 2008 Entry at 3.

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be filing an Initial Brief, but reserved the right to file a Reply Brief. OCC is submitting this Reply Brief to the above-referenced Initial Briefs.

Throughout the pendency of this case, it has been the OCC's objective to achieve a resolution of the pricing and reliability issues involving natural gas risers in a way that would provide residential consumers with a safe and cost effective program to replace leaking or prone to leak natural gas risers. A natural gas riser is the vertical portion of the service line that connects the primary under-ground distribution pipeline to the customer's above-ground meter.

OCC presented its position on the technology and cost of replacement of gas risers, in the pre-filed direct testimony of OCC witness Bruce Hayes (Evidentiary Hearing Ex. No. 13). OCC's position included that there is a product, the Servi-Sert Interchange Head, that can allow under certain circumstances for partial replacement of a customer's prone to leak riser at a lower cost than complete replacement of the same riser. OCC supported its evidence with the presentation of Duke Energy of Ohio ("Duke") employee Gary Hebbeler who was subpoenaed to the hearing by OCC and testified regarding Duke's successful use of the Servi-Sert Interchange Head partial replacement,<sup>2</sup> OCC also cross-examined COH, the PUCO Staff, and other witnesses during the evidentiary hearing.

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<sup>2</sup> Tr. Vol. II (Hebbeler) at 6-25.

## II. ARGUMENT

The OCC became a signatory party to the Amended Stipulation that COH and the PUCO Staff signed and then supported in their briefs<sup>3</sup> because the Amended Stipulation specifically addressed many of the issues raised by OCC in Mr. Hayes' Testimony. The COH and Staff recommendation, on brief, for adoption of the Amended Stipulation is consistent with OCC's evidence which included Mr. Hayes identification of a number of shortcomings in the Company's original plan including:

1. Failure to consider using the partial replacement alternative;
2. Lack of any details or cost analysis of how the materials will be procured;
3. Failure to identify what riser has been selected to replace prone to leak Design A risers;
4. Lack of any details on communications to be made to the public regarding the riser replacement program;
5. Lack of any details regarding how the riser replacement program is to be implemented -- whether by random selection or some type of geographic selection, that is, street, neighborhood, city, etc.;
6. lack of details on how many in-house or contracted workers will be used; and
7. Lack of any details or cost analysis of the mix of in-house or contracted workers.<sup>4</sup>

The testimony under subpoena of Duke's employee Mr. Hebbeler also provided evidence that supports the COH and PUCO Staff recommendations on brief for adoption of the Amended Stipulation, regarding the safety and cost effectiveness of the Servi-Sert Interchange Head partial replacement as an alternative to complete replacement of prone

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<sup>3</sup> COH Initial Brief at 23. Staff Initial Brief at 2.

<sup>4</sup> See Ex. 13 (Hayes Direct Testimony) at 7-8.

to leak natural gas risers.<sup>5</sup> He was also able to discuss Duke's actual experience with the partial replacement option.<sup>6</sup> In addition to these specific items, through cross-examination, the OCC also raised questions regarding reimbursement for customers who took steps to replace leaking or prone to leak risers or service lines.<sup>7</sup>

In its Initial Brief, COH stated that in the alternative it requests approval of the Amended Stipulation.<sup>8</sup> The OCC disagrees with COH's presentation of its view to recommend the Amended Stipulation "in the alternative," for the reason that COH signed the Amended Stipulation and that agreement is now its position in the case. If the PUCO does not accept the Amended Stipulation, then there is a provision for the signatory parties to proceed with litigation.<sup>9</sup>

In regard to COH's presentation on brief and the arguments of parties that oppose the Amended Stipulation, the Commission should understand that the Amended Stipulation is far superior to the original December 28, 2007 Stipulation and Recommendation ("December 28 Stipulation") or to the litigated positions set forth by any of the other parties to this proceeding. The OCC supports the Amended Stipulation because many of the customer-related issues raised in Mr. Hayes' testimony are directly addressed and resolved in a manner that provides residential customers with the benefit of a riser replacement program that emphasizes safety and cost-efficiency for customers.

An example of the benefits from the Amended Stipulation is the Customer Reimbursement issue which is addressed in paragraph 3 on page 11, and provides that

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<sup>5</sup> Tr. Vol. II (Hebbeler) at 6-25.

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> COH Initial Brief at 23.

<sup>9</sup> Amended Stipulation at 17-18.

consumers who contracted with a Department of Transportation Operator Qualified plumber to replace a prone to fail riser or hazardous customer service line, with repairs being completed between November 24, 2006 and February 28, 2008, would be eligible for reimbursement of up to \$500 or \$1,000 through a reimbursement check. This provision would guarantee consumers reimbursement in the form of a check for services that initially had to be paid for by the consumer, rather than some form of offset or credit.

Consideration of the Servi-Sert Interchange Head partial replacement option and other cost-related matters are addressed in paragraphs 18, 21, and 22, at pages 15-16 of the Amended Stipulation. The Amended Stipulation specifically provided for COH to develop the Riser Material Plan (“RMP”), which was intended to include a thorough and fair analysis of the Servi-Sert Interchange Head partial replacement option and allow for any objections by parties. The RMP specifies the circumstances in which the partial replacement option will be used. On February 15, 2008, OCC filed comments that it does not object to COH’s plan. In the event COH rejected the partial replacement alternative, COH would have been obligated to explain the reasons for that decision.<sup>10</sup> OCC would then have the opportunity to challenge that decision before the Commission in an expedited procedure.

COH completed the RMP and the Company has indicated that it will use the Servi-Sert Interchange head partial replacement option to the maximum extent possible as long as certain practical and safety-related criteria are met.<sup>11</sup> As noted in the RMP, this will produce significant savings for residential consumers beyond the other cost

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<sup>10</sup> Id.

<sup>11</sup> See RMP plan attached to *Comments of the Office of the Consumers Counsel*, filed in this docket on Friday, February 15, 2008.

savings that COH has been able to achieve. Although COH previously estimated the cost of the riser replacement program at approximately \$160 million,<sup>12</sup> COH now estimates the cost to be approximately \$121 million, with even more savings expected from the use of the Servi-Sert Interchange Head.<sup>13</sup>

The Amended Stipulation is also superior to the December 28 Stipulation or any litigation position because it provides important due process rights for the OCC and others regarding review of the Infrastructure Replacement Program (“IRP”) filing that COH is planning to make on an annual basis in the future in this docket.<sup>14</sup>

The Amended Stipulation provides the OCC with access to, and input into the educational program that COH will undertake in order to provide important educational information to residential customers during this time of transition and change.<sup>15</sup>

Finally, the Amended Stipulation provides for a sunset date for accounting provisions regarding the recovery of capital investment by the Company incurred after June 30, 2011. This will help protect consumers by preventing any of the accounting provisions in this case from extending beyond the riser replacement program time period.

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<sup>12</sup> Amended Stipulation at 6.

<sup>13</sup> See RMP plan attached to *Comments of the Office of the Consumers’ Counsel*, filed in this docket on Friday, February 15, 2008, at page 4.

<sup>14</sup> Amended Stipulation at 6-8, 14-15.

<sup>15</sup> *Id.* at 14-15.

### III. CONCLUSION

The Amended Stipulation provides for significant benefits and tangible cost savings for residential customers so that the riser replacement program can be implemented in a manner that emphasizes safety and cost-efficiency. The Amended Stipulation provides more consumer benefits than the December 28 Stipulation or the litigated positions presented by other parties to this proceeding. The PUCO should adopt the Amended Stipulation.

Respectfully submitted,

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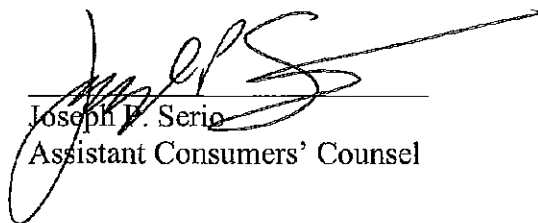


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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Reply Brief* by the Office of the Ohio Consumers' Counsel was served by first class mail, postage prepaid, on the parties listed below, on this 19<sup>th</sup> day of February 2008.

  
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