

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Authority to Increase Rates
for its Gas Distribution Service.**

Case No. 07-829-GA-AIR

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval of an Alternative
Rate Plan for its Gas Distribution Service**

Case No. 07-830-GA-ALT

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval to Change
Accounting Methods**

Case No. 07-831-GA-AAM

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval of Tariffs to
Recover Certain Costs Associated with a
Pipeline Infrastructure Replacement
Program Through an Automatic
Adjustment Clause, And for Certain
Accounting Treatment**

Case No. 08-169-GA-ALT

**In the Matter of the Application of The
East Ohio Gas Company d/b/a Dominion
East Ohio for Approval of Tariffs to
Recover Certain Costs Associated with
Automated Meter Reading Deployment
Through an Automatic Adjustment Clause,
and for Certain Accounting Treatment**

Case No. 06-1453-GA-UNC

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**SUPPLEMENTAL DIRECT TESTIMONY OF
TIM C. MCNUTT
ON BEHALF OF
DOMINION EAST OHIO**

___ Management policies, practice and organization

___ Operating income

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- ☐ Rate base
- ☐ Allocations
- ☐ Rate of return
- ☐ Rates and tariffs
- ☒ Other (PIR Rider)

TABLE OF CONTENTS

	Page
I. BACKGROUND AND QUALIFICATIONS	1
II. OBJECTIONS.....	1
A. Assumption of Ownership of and Responsibility for Effectively Coated Service and Existing Plastic Service Lines – DEO Objection Nos. 31 and 32.....	2
B. Yard Meters – DEO Objection No. 33.....	5
III. CONCLUSION.....	6

1 **Supplemental Direct Testimony of**

2 **Tim C. McNutt**

3 **I. BACKGROUND AND QUALIFICATIONS**

4 **Q1. Please state your name, occupation and business address.**

5 A1. My name is Tim McNutt. I am employed by The East Ohio Gas Company d/b/a
6 Dominion East Ohio (“DEO” or “Company”) as its Director, Gas Operations – Planning
7 & Asset Utilization. My business address is 7015 Freedom Avenue NW, North Canton,
8 Ohio 44720.

9 **Q2. Are you the same Tim McNutt that previously submitted Direct Testimony in Case**
10 **Nos. 07-829-GA-AIR, 07-830-GA-ALT, 07-831-GA-AAM, 06-1453-GA-UNC, and**
11 **08-169-GA-ALT?**

12 A2. Yes.

13 **Q3. What is the purpose of your testimony?**

14 A3. My testimony supports the Company’s Objection Nos. 31 to 33 to the Staff Report of
15 Investigation of DEO’s Pipeline Infrastructure Replacement Application filed June 12,
16 2008, in Case No. 08-169-GA-ALT (“PIR Staff Report”).

17 **II. OBJECTIONS**

18 **Q4. Does the Company generally accept Staff’s position regarding DEO’s Application in**
19 **Case No. 08-169-GA-ALT?**

20 A4. Yes. By and large, DEO agrees with the recommendations made in the Staff Report,
21 except as indicated in my Supplemental Testimony.

1 **A. Assumption of Ownership of and Responsibility for Effectively Coated**
2 **Service Lines and Existing Plastic Service Lines – DEO Objection Nos. 31**
3 **and 32.**

4 **Q5. Does the Company agree with Staff's recommendation that DEO not assume**
5 **responsibility of effectively coated existing customer-owned service lines that are**
6 **tied into the new main unless these lines are leaking, unsafe, bare steel, ineffectively**
7 **coated, or copper?**

8 **A5. No. According to the PIR Staff Report at page 3, if an effectively coated service line**
9 **holds a pressure test, "those lines should be reconnected and ownership should remain**
10 **with the customer."**

11 **Q6. Why does Company object to this recommendation?**

12 **A6. There are a number of reasons. First, this recommendation will unnecessarily increase**
13 **the costs associated with replacing such service lines. The incremental cost to insert a**
14 **plastic line into an already-disconnected, already-excavated steel service when service**
15 **personnel are already present is relatively small. This cost is much less than the cost to**
16 **have service personnel make a separate trip back, disconnect and excavate the service a**
17 **second time, replace the service, and perform needed property restoration a second time.**
18 **The incremental cost of replacing a coated steel service line (when DEO is already on site**
19 **and the line is already exposed) is less than \$300, whereas the cost of a second trip to**
20 **replace the line is over \$1,300.**

21 Second, to the degree this recommendation reflects a concern regarding the cost
22 impact of the program, the recommendation is unnecessary. The capped charges
23 proposed by Staff will already protect the customer from unusual or unexpected increases
24 in costs charged to the customer. At page 5 of the report, Staff recommends initially
25 capping the PIR cost recovery charge at \$1.12 per month, and capping any annual
26 increases at \$1.00 per month. An additional, redundant cost limitation is not necessary.

1 Third, Staff's recommendation could eventually lead to operational problems.
2 Leaving effectively coated lines as they are found would result in a relatively small
3 number of steel services being tied into a system that is predominantly plastic. These
4 steel services will eventually leak and create an opportunity for water to infiltrate the new
5 plastic distribution system, which could cause service interruptions to other customers.

6 Fourth, this recommendation will prevent the Company from avoiding certain
7 costs associated with steel lines. If the coated steel services are replaced with plastic,
8 O&M expenses for corrosion monitoring of the service line and potential costs for
9 corrosion correction are avoided, resulting in savings to the customer.

10 Lastly, this recommendation is inconsistent with the underlying purpose of the
11 proposed PIR program of proactively addressing the risks posed by steel lines on DEO's
12 system. Plastic services are very unlikely to corrode and develop future leaks. Waiting
13 for a coated steel service line to leak before replacing it creates an unnecessary risk for
14 customers. The entire premise of the proposed program is to *avoid* hazardous leaks, not
15 to wait for such leaks to occur and then react.

16 **Q7. What should Staff have recommended?**

17 **A7.** As mentioned in Objection No. 32, the Staff Report should have recommended that DEO
18 take ownership of and responsibility for *all* customer-owned service lines—whether bare,
19 ineffectively coated, effectively coated, or plastic—any time an existing service line is
20 separated from the mainline such that a pressure test of the service line is required before
21 the service line can be returned to service.

1 **Q8. Is this your recommendation?**

2 A8. Yes. As discussed in the PIR Staff Report at page 2, Company ownership of and
3 responsibility for service lines is in the best interest of customers. It enhances pipeline
4 safety and establishes a clear line of responsibility between DEO and its customers.
5 Allowing DEO to take ownership of lines at the time a line is separated and retested,
6 without regard to the line's category or condition, is a less-complicated and quicker way
7 to reach an end-state that benefits customers, namely, DEO ownership of service lines.

8 **Q9. Would this recommendation include existing plastic service lines?**

9 A9. Yes. DEO expects to find that a number of its service lines have already been replaced
10 with plastic. DEO proposes to take ownership of these plastic service lines (like all other
11 service lines) when the service line is separated, pressure tested, and retied.

12 This approach would have a minimal effect on the PIR Cost Recovery Charge.
13 The incremental capital cost of taking ownership of plastic service lines will be minimal
14 because there would be virtually no service-line material cost and the existing cost to
15 separate, pressure test, and retie will be incurred whether DEO takes ownership or not.
16 The alternative, however, would have a cost effect; if the costs to separate, pressure test,
17 and retie the lines are not capitalized, then DEO will have to charge the costs to O&M
18 and recover those costs over a single year rather than over the life of the asset.

19 Further, if Staff's recommendations are followed, instead of simply owning all
20 lines it "touches," DEO will have to separate and treat differently (1) existing plastic
21 services, (2) plastic services it has inserted, and (3) effectively coated steel services it
22 touched but did not own. This could complicate pipeline safety audits, among other
23 things, and add an unnecessary layer of confusion regarding who owns which assets.

1 There is no compelling reason to treat these three types of line differently, but the PIR
2 Staff Report would have DEO do just that.

3 **B. Yard Meters – DEO Objection No. 33.**

4 **Q10. DEO objected to Staff's failure to make any recommendation regarding yard**
5 **meters. What are yard meters?**

6 A10. A yard meter is a meter located in the customer's yard and not next to the customer's
7 house.

8 **Q11. What should Staff have recommended?**

9 A11. If an existing service line connected to a yard meter is separated from the mainline, DEO
10 recommends that Staff should have instructed and provided cost recovery for DEO (1) to
11 move yard meters from the yard to the appropriate house wall; (2) to replace the yard
12 houseline and curb-to-meter service line if they are steel; and (3) to pressure test, retie,
13 and take ownership of these lines, whether plastic or steel. DEO is not proposing to
14 systematically relocate all yard meters, but only in the situation referenced above.

15 **Q12. Why is this DEO's recommendation?**

16 A12. Yard meters pose unique issues and risks to customers, and there are approximately
17 25,000 such meters on DEO's system. For example, such meters are generally located
18 near public streets are therefore more vulnerable to damage by vehicles. Also, under
19 DEO's tariffs, customers are responsible for all gas lines on the outlet side of the meter.
20 Typically, the line from the meter to the house is much shorter than the service line, but
21 for a yard meter the opposite is true. Unless the meter is relocated and the house line is
22 shortened, the customer will still bear all the risks associated with service-line ownership.
23 DEO's proposal would relieve such customers of these risks.

1 **III. CONCLUSION**

2 **Q13. Does this conclude your testimony?**

3 A13. Yes.