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FILE

ORIGINAL OF TRANSCRIPT

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the East Ohio Gas Company dba 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 dba 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 dba 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 dba 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-UNC

In the Matter of the Application of the East Ohio Gas Company dba Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automated Meter Reading and for Certain Accounting Treatment.

Case No. 06-1453-GA-UNC

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DEPOSITION OF JEFFREY A. MURPHY

Taken on Thursday, June 12, 2008,
at 8:30 a.m.

At the offices of:
Jones Day
North Point
901 Lakeside Avenue
Cleveland, Ohio

Before Kimberly K. Giel, a Registered Professional Reporter and Notary Public in and for the State of Ohio

APPEARANCES:

On behalf of the Office of the Ohio Consumers' Counsel (via telephone):

Office of the Ohio Consumers' Counsel, by
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On behalf of Dominion East Ohio:

Jones Day, by
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On behalf of PUCO Staff:

STEPHEN REILLY, ESQ.
Attorney General's Office
Public Utilities Section
180 East Broad Street, 9th Floor
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ALSO PRESENT

(via telephone):
Mike Coleman
Trevor Roycroft
Bruce Hayes
Steve Pewik

JEFFREY A. MURPHY, of lawful age, called for examination, as provided by the Ohio Rules of Civil Procedure, being by me first duly sworn, as hereinafter certified, deposed and said as follows:

EXAMINATION OF JEFFREY A. MURPHY

BY-MR.SAUER:

Q. Good morning, Mr. Murphy.

A. Good morning.

Q. Mr. Murphy, have you had your deposition taken before?

A. Yes.

Q. I imagined as much. I don't know if you have done it telephonically before, but as you can see there's a court reporter there with you taking down everything that's said. And because it's telephonic, it's kind of difficult to know when your answer is done. I'll try not to talk over you and let you finish your answer completely before I ask another question. I appreciate if you answer your questions with yes or no answers so she that can take that down. It's easier than uh-huhs and huh-uhs because those are difficult to transcribe and understand later when you read the transcript.

You're required to answer all my questions even if your counsel objects unless your counsel specifically instructs you not to answer the question. If your counsel does object you should still answer the question. The attorney examiner will then deal with the objection at a later time.

If you need a break, just let me know and we'll take a break. I just ask that if there happens to be a question pending that you answer the question before we take the break. Do you understand all the rules as I have laid them out?

A. Yes, I do.

Q. I guess one other thing is your counsel has agreed that we're only deposing you today on the issue of the AMR that you testified to. At a later date we may need to depose you again for all the other issues that's in your testimony in this case.

MR. KUTIK: The agreement actually was that he's being produced for part of your notice. He's here to testify about that. To the extent that you want to inquire about other matters at a subsequent date, we will produce him then.

MR. SAUER: Right. And the notice was pertaining to the rate issues and the AMR that he has testified to.

MR. KUTIK: Cost recovery.

MR. SAUER: Yes.

BY MR. SAUER:

Q. Mr. Murphy, what's your present position with Dominion East Ohio?

A. Director, rates and gas supply.

Q. And what are your responsibilities in that position?

A. My primary responsibilities involve managing the regulatory affairs of Dominion East Ohio as well as overseeing the gas supply arrangements that the company makes for its operational balancing capacity.

Q. Okay. And are you familiar with the advanced meter reading deployment program that Dominion East Ohio is proposing in this case?

A. I'm familiar with the cost recovery provisions of that program.

Q. And what's your understanding of the AMR program?

A. The company has proposed to deploy AMR technology across its entire customer base of approximately 1.3 million customers over a five-year period.

Q. And can you describe what exactly AMR technology, what that is?

A. I'm not familiar with the technology aspects. In general terms it involves remote meter reading in the sense that a vehicle will drive down the street and pick up meter reads remotely.

Q. And you're saying that the company is proposing to implement this technology over a five-year period?

A. Yes.

Q. And what has been your involvement with the AMR deployment program up until now?

A. My primary involvement has been on the regulatory aspects of the program and specifically the application that was filed in December of 2006 that has been combined with this rate case.

Q. And has your involvement been along the lines of analyzing the data that went into the application?

A. Could you be more specific with regard to what you mean by analyzing?

Q. I guess I'm trying to get a sense as to whether or not your involvement has been more on the analytical side or are you more in the decision making area of the process?

A. As I mentioned earlier, my primary involvement has been on the regulatory end of the program, and thus I did not participate in, for example, the business cases that were developed for the program.

Q. When you say you weren't involved, you weren't involved in the development of those, of the business cases?

A. That's correct.

Q. Were the business cases presented to DEO management for purposes of making a go or no go decision?

A. I don't know. I wasn't present at those meetings.

Q. When did your involvement with the AMR deployment program begin?

A. In 2006.

Q. Do you know when DEO first started contemplating an AMR type deployment?

A. No.

Q. When did you first learn that DEO was contemplating an AMR deployment?

MR. KUTIK: Objection.

A. I believe I stated earlier that I became involved with the program in 2006.

Q. Yeah, the application was filed I think, what, December 13th? Is that correct?

A. Yes.

Q. And when did you begin preparing that application?

A. In November 2006.

Q. And since the filing of the application on December 13th of 2006, what involvement have you had with the AMR program?

A. I've not had any direct involvement with the deployment. I've generally monitored the progress of deployment however.

Q. Do you know if DEO has used an outside consultant to help with the analysis and program development?

A. No.

Q. If DEO had had a consultant involved you would know, though, correct?

MR. KUTIK: Well, to the extent that he's had conversation with counsel, I would instruct him not to answer any questions that reflect conversations from counsel.

So if you can answer that question and not reflect conversations with counsel, you can go ahead and do that.

THE WITNESS: May I have the question reread please?

(Record read.)

A. Not necessarily.

Q. Well, if there were costs associated with having a consultant, wouldn't that be included in any rate that you were developing for the AMR program?

A. The cost would only be included if it were directly charged to the capital project.

Q. So are you suggesting that there could be a consultant involved in this program and those costs not be charged to the program itself or not be capitalized to the program?

A. That is possible.

Q. In that event where would those -- if that had occurred, where would those charges appear?

MR. KUTIK: Objection.

THE WITNESS: Could you repeat the question please?

(Record read.)

A. Could you rephrase the question, Larry, please?

Q. Yes. What if the costs charged were expensed as opposed to capitalized?

MR. KUTIK: Objection.

A. If the costs were expensed they would have shown up as an O&M or operating and maintenance expense.

Q. And would be part of the rate case that then occurred during the test year?

A. Not necessarily.

Q. Are you saying not necessarily because if they were incurred outside of the test year they wouldn't be part of the rate case, or is it not necessarily for a different reason?

MR. KUTIK: Objection.

A. Any O&M expenses incurred prior to the test year would not be in the test year expense. Likewise, expenses that were not budgeted for would not be included in the budgeted portion of the test year.

Q. So you're suggesting that the company would have had to specifically ask for cost recovery of any expense related to a consultant who was doing work on the AMR project if they wanted cost recovery?

MR. KUTIK: Objection.

THE WITNESS: Could you repeat the question please?

(Record read.)

A. No, I haven't suggested that.

Q. Okay. Do you know, are there any consultant costs for the AMR project in the rate case?

A. I don't know.

Q. Do you know who would know if there were consultant costs in the rate case?

A. Vicki Friscic is the company's witness for test year expenses and would know.

Q. Okay. Do you know under the company's proposal which manufacturers the company is thinking about, which manufacturers of AMR equipment the company is considering using?

MR. KUTIK: Well, I'm going to object, beyond the scope of the notice. But he can answer.

A. The company is deploying equipment manufactured by Itron.

Q. Do you know if Itron is filling any role or what role Itron is filling in the deployment of the AMR equipment?

MR. KUTIK: Same objection.

THE WITNESS: Could you repeat the question please?

(Record read.)

A. No.

MR. KUTIK: We need to go off the record for a second.

(Discussion off record.)

MR. KUTIK: Thank you. Go ahead.

BY MR. SAUER:

Q. Mr. Murphy, are you stating that the AMRs that have been deployed thus far have all been Itron manufactured AMRs?

MR. KUTIK: Objection, beyond the scope.

A. Yes.

Q. And the expectation is that the remaining AMRs that are being installed will all be Itron as well?

MR. KUTIK: Same objection.

A. Yes.

Q. Mr. Murphy, do you know if DEO employees have made presentations to the PUCO regarding this AMR program?

A. Yes.

Q. Were you involved in those presentations?

A. Yes.

Q. Do you know when these presentations were made?

A. Several presentations were made in the fourth quarter of 2006.

Q. Do you know who at the PUCO was present during the presentations?

A. I don't know all of the people present.

Q. Who do you remember?

A. Matt Satterwhite, Pete Baker, Barbara Bossart.

Q. I'm sorry, what was the last name, Barbara --

A. Bossart. Those are the only ones that come to mind at the present time.

Q. Do you know if any commissioners were present at the time of the presentation?

A. No commissioners were present.

Q. Did Dominion have handouts or Power Point presentation that was used?

A. Yes.

Q. Has that been provided in discovery to OCC, if you know?

A. I believe it has.

Q. I don't recall. Did you tell me how many presentation in the fourth quarter of 2006 you made for the staff?

A. There were three presentations.

Q. I'm sorry, did you say two?

A. Three.

Q. Three. Did you make the same presentation three times or did you refine the presentation over time?

MR. KUTIK: Objection, assumes it was either one of those things.

A. Presentations were different.

Q. Were the presentations made at the request of staff or did you ask to come and talk to them about the program?

A. We initiated the meetings.

Q. Did you get any feedback from the staff after the presentations?

A. Yes.

Q. Did you hear the last question, Mr. Murphy?

MR. KUTIK: No. What was the

last question? All I had was, was there feedback from the staff.

MR. SAUER: Yes, I didn't hear a response.

MR. KUTIK: He said yes.

Q. Could you give us a sense of what the staff's feedback was?

A. Most of the feedback involved the content of the company's meter reading plan that would be submitted.

MR. SAUER: Could you read that answer back please?

(Record read.)

Q. When you speak to meter reading plan, is that in terms of cost savings or what meter reading plan are you referring to?

A. The meter reading plan that was to be submitted pursuant to the Minimum Gas Service Standards.

Q. Has that plan been filed?

A. It was submitted to staff. It was not filed.

Q. When was that submitted to the staff?

A. In late 2006 or early 2007.
Q. The presentations that you were speaking to earlier, the three presentations, I'll have to double-check but I think we only received one presentation. Did those -- were those formal presentations?
A. What do you mean --
Q. Were there -- well, you said they were different, correct?
A. Yes.
Q. I'm sorry, I didn't hear a response. Did you say they were different?
A. Yes.
Q. And were they all three Power Point presentations?
A. Yes.
Q. Yes?
A. Yes, they were.
Q. And was the meter reading plan part of one of the three Power Point presentations?
A. Yes.
Q. Were those all three provided

to OCC?

A. I don't know if all three were.

Q. And if not, why not?

MR. KUTIK: Well, if you can point to a request that called for them, maybe he can answer the question. So I'll instruct him not to answer the question as argumentative.

MR. SAUER: I think in an earlier answer he said he provided them to OCC.

MR. KUTIK: And he also just said that -- you asked him if all three were provided to OCC, and he said he didn't know. You said if not, why not. I'm not going to let him answer that question as argumentative. What's the next question?

MR. SAUER: We can go back and find the specific request. If those weren't provided will you agree to provide them now?

MR. KUTIK: If you can show us the request that you have made that would call for these, then the answer to that question will be yes. If not, no.

By the way, all these questions are beyond the scope of his deposition. Go ahead.

BY MR. SAUER:

Q. Mr. Murphy, could you turn to page 39 of your testimony?

MR. KUTIK: He doesn't have his testimony with him, counsel.

Q. All right. Mr. Murphy, I'm looking at your testimony that you filed in case number 07-829-GA-AIR, says Direct Testimony of Jeffrey A. Murphy. I'm looking at page 39, lines 14 to 15, and it says, The first of two new riders proposed by DEO is an AMR cost recovery charge which would initially be set at $0.000 per MCF.

Does that sound familiar?

A. Yes.

Q. Does this mean that the AMR charge would be a volumetric charge?

A. No.

Q. Then what kind of a charge

is it?

A. The company is proposing to have a fixed monthly charge when the rider adjustment would be approved.

Q. Mr. Murphy, did your counsel receive the exhibits that were sent last night?

MR. KUTIK: We have the exhibits.

Q. And in the packet there should be an application to -- it's labeled case number 06-1453-GA-UNC filed with the commission December 13, 2006. Do you have that?

MR. KUTIK: Would you like to have that marked?

MR. SAUER: Yes.

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(Thereupon, Deposition Exhibit-1 was marked for identification.)

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MR. KUTIK: Okay. He has it in front of him.

Q. Mr. Murphy, are you familiar with what has been marked as Deposition

Exhibit 1?
A. Yes.
Q. Can you tell me what that is?
A. It's the application filed on December 13th, 2006, In the Matter of the Application for the Company to Recover Certain Costs Associated with AMR Deployment Through an Automatic Adjustment Clause and for Certain Accounting Treatment.
Q. How is it that you're familiar with this application?
A. I participated in the drafting of the application.
Q. And if you look at page 2 of the application, part 4A states that, Because the company's cost of reading meters is ultimately recovered in base rates, a more cost effective meter reading solution will result in lower rates over time.
Do you see that, sir?
A. Yes.
Q. And what is meant by more

cost effective meter reading solution?

A. A more cost effective meter reading solution than would otherwise be the case without AMR.

Q. Can you define what you mean by cost effective?

A. A solution that has a lower cost to rate payers over time.

Q. And what is included in making a cost effective analysis?

MR. KUTIK: Objection.

A. Could you state what you mean by cost effective analysis?

Q. Well, you've used the term and I'm just trying to understand what analysis went into making the determination that this was a cost effective meter reading solution.

A. The revenue requirement associated with AMR deployment will over time be less than that associated with meter reading without AMR.

Q. And when you say over time, what kind of time frame are you talking about?

A. After full deployment of the meter reading AMR solution.

Q. And full deployment occurs at year five?

A. Yes, as proposed by the company.

Q. Does the analysis include installation and implementation costs?

MR. KUTIK: Objection, beyond the scope.

A. The revenue requirement that was calculated included the total capitalized cost of AMR including both materials and installation.

Q. And are you familiar with net present value calculations?

A. Yes.

Q. Take a step back for a minute. You said currently are meter reading costs in base rates as proposed?

A. Could you rephrase the question please?

Q. Okay. Currently is meter reading in base rates?

A. Yes.

Q. And as proposed would AMR costs be in base rates?

A. A portion of those costs would be in base rates as they become included in date certain rate base, which is then reflected in rates authorized by the Public Utility Commission.

Q. And at what point do those AMR costs go into base rates?

A. Whenever rates are included -- pardon me. Larry, could you repeat the question please?

Q. I was trying to get a sense as to what point the AMR costs would be included in base rates.

A. Whenever rates are approved by the commission that include date certain plant associated with AMR and any associated test year expenses.

Q. So when you're doing your cost effective analysis, are you comparing current meter reading costs in base rates to all proposed AMR costs or only those that are in base rates?

MR. KUTIK: Objection, beyond the scope.

Can I have the question read?

(Record read.)

A. The cost effective reference refers to the revenue requirement. It includes all AMR related costs relative to costs that we would incur without the deployment of AMR.

Q. I think I asked you earlier, did you say you were familiar with net present value calculations?

MR. KUTIK: He did.

Q. And internal rate of return calculations?

A. Yes, I'm familiar with the concept.

Q. And how are those calculations typically used?

MR. KUTIK: Beyond the scope, objection. Go ahead.

A. Companies will use net present value and internal rate of return calculations to evaluate the effectiveness of investments.

Q. And is it the same for the pay back analysis as well?

MR. KUTIK: Objection, same objection.

A. Pay back analysis is a more rudimentary form of evaluating capital investments.

Q. And does the term cost effective as used by DEO in page 2 of the AMR application indicate that DEO has conducted analysis that model various scenarios regarding the deployment of AMR technology and applied some type of business case analysis such as the NPV, net present value, internal rate of return, or pay back analysis?

MR. KUTIK: Objection, beyond the scope.

A. No.

Q. Those are different concepts?

A. Yes.

Q. How are they different?

MR. KUTIK: Objection, beyond the scope. Also asked and answered. Go ahead.

A. The cost effective reference in the application refers to the revenue requirement associated with AMR deployment. That is different from NPV or IRR considerations.

Q. Would you expect the outcomes to be consistent though? If it's a cost effective program, would you expect it to be, for example, a positive result for a net present value calculation such that the investment looks like a good investment?

MR. KUTIK: Objection, beyond the scope. Also no foundation. Go ahead.

A. Could you rephrase the question please?

Q. Did the company do a net present value or internal rate of return analysis regarding the AMR program?

MR. KUTIK: Beyond the scope, objection.

A. Yes.

Q. And did the result of those analyses demonstrate that the AMR program -- investment in the AMR program should be made?

MR. KUTIK: Objection. Same objection.

A. I was not involved with the development of the business cases.

Q. With regard to DEO's meter reading proposal, the AMR proposal, does the term -- does use of the term cost effective in DEO's AMR application indicate that the AMR deployment options selected by AMR was identified as the best alternative among options considered by DEO?

MR. KUTIK: Objection, beyond the scope.

A. The reference in paragraph 4A indicates that AMR provides the most cost effective way for DEO to comply with MGSS on a long-term basis.

Q. And what aspect of MGSS is Dominion trying to comply with?

A. The meter reading requirements.

Q. And those requirements are?

A. The primary requirements

involve attempts to read the meters every other month and a requirement to obtain an actual read once a year.

Q. And do you have a sense of what the total cost to rate payers for the AMR program will be?

A. No, the total cost will ultimately be determined by the accrued depreciation, incremental property taxes, and the returns authorized by the Commission.

Q. What's the company's estimate of all those costs?

A. The analysis performed for the revenue requirement would have depreciation equaling the total capital expenditure, the incremental property tax equaling 1 to 1.1 percent of the gross plant, and the return calculation once again will ultimately be dependent upon the company's authorized return provided by the Commission.

Q. And in this case you've got a witness who is recommending a rate of return, correct?

A. Yes.

Q. And you've got an estimate for incremental property taxes and the depreciation?

A. Yes, on a percentage basis.

Q. You don't have an estimate of what the total cost would be for . this program?

MR. KUTIK: Objection, asked and answered.

A. The capital costs would be 100 to 110 million dollars as referenced on page 4, paragraph 5. That was the estimate at the time the application was filed originally in December 2006.

Q. Are there any other costs other than the ones you've mentioned?

A. Those are the primary incremental costs. The application also indicates that meter reading savings would be used to offset those incremental costs.

Q. And has there been any change to the estimate since the application was prepared in December of

'06?

MR. KUTIK: Objection, beyond the scope.

A. Yes.

Q. What has changed since December 13th of 2006 relative to the cost estimates?

MR. KUTIK: Same objection.

A. The primary cost that has changed is that we have actual costs for the ERT devices, the ERT devices. In December 2006 those were estimated costs. We are now purchasing those units and have actual costs.

Q. Are the costs increasing or decreasing from what your estimates were?

MR. KUTIK: Same objection.

A. I don't know.

Q. Is this something that Ms. Friscic would know?

A. Mr. Armstrong would know.

Q. Okay. At this point I sent last night a document to counsel that I would like to have marked as Deposition

Exhibit Number 2. This is a -- the title is Gas AMR Update Working Document as of March 14, 2006. It's a Power Point presentation. It was marked confidential. Do you have that document?

MR. KUTIK: I'm not sure what document you're referring to, counsel.

MR. SAUER: It has Dominion, It all starts here, meter styles on the front, AMR Business Case. Do you have that document?

MR. KUTIK: Yeah, I guess my copy doesn't have -- I'm looking at two different copies. My copy does not have the Gas AMR Update language on it, but I think it has the rest of the stuff.

MR. SAUER: When you open up the Power Point it's there, but when you print it it goes away.

MR. KUTIK: Okay. The second page, just so we can be clear, the second page says AMR Business Case Team?

MR. SAUER: Yes.

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(Thereupon, Deposition Exhibit-2 was marked for identification.)

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MR. SAUER: Maybe we should go off the record for a second.

(Discussion off record.)

MR. KUTIK: We should note off the record that we have -- now that we're on the record, off the record we modified Exhibit 2 so that Exhibit 2 now contains two pages, one page includes the Dominion logo and a schematic of a meter dial, and page 2 and the second page of that exhibit, which is actually labeled page 9, is entitled Financial Summary. That's the totality of Exhibit 2.

MR. SAUER: That's correct.

BY MR. SAUER:

Q. And Mr. Murphy, have you been handed what's been marked as Deposition Exhibit 2?

A. Yes.

Q. And are you familiar with

this document?

A. No.

Q. I'm sorry, did you respond?

MR. KUTIK: His answer was no.

Q. Okay. You're not familiar. You've never seen this?

A. I've seen it, but I'm not familiar with the contents of it.

Q. Was it part of a presentation that was included with what you handed out to the staff?

A. No.

Q. Okay. You said you've seen it. Do you know what this document is, sir?

A. Based on the description it appears to be an update of the gas AMR evaluation as of March 14th, 2006.

Q. And as you -- the document is set up in table form with the first column coming down appears to be different deployment scenarios. Would you agree with that?

MR. KUTIK: Objection, no foundation for this witness. Also at this point beyond the scope.

THE WITNESS: Would you read the question back please?

(Record read.)

A. Yes, it appears to be.

MR. SAUER: Just a second please.

(Discussion off record.)

BY MR. SAUER:

Q. Mr. Murphy, if you look at this again, the table, there is a heading across the top that says Deployment Cost. Do you see that?

A. Yes.

Q. As you come down there are numbers in each of those boxes that are filled in. For example, for full deployment a three-year installation, there is a number in there. Do you see that?

A. Yes.

Q. And would you have provided numbers for this summary?

MR. KUTIK: Could you read the question back please?

(Record read.)

A. No.

Q. Do you know who would have provided the deployment costs that are included on this financial summary?

MR. KUTIK: Objection, no foundation. The witness is not familiar with the document. Go ahead.

A. No.

Q. Did you use the deployment cost numbers that appear on this table in any way to develop your AMR cost recovery rider?

A. No.

Q. These were independently developed?

MR. KUTIK: Objection, no foundation.

A. I don't know how they were developed.

Q. Would any of these numbers be part of the AMR cost calculation that you have done?

MR. KUTIK: Objection, asked and answered.

A. No.

Q. Were the numbers used in your calculations -- well, let me take a step back. It appears from what's on the financial summary here is they are assuming a three-year deployment. Would you agree with that?

MR. KUTIK: Objection, no foundation.

A. The description in the left-hand column identifies three-year installation. That may indicate three-year deployment.

Q. Had Dominion ever considered a three-year deployment to your knowledge?

MR. KUTIK: Objection, beyond the scope.

A. This indicates that the company considered it.

Q. But beginning with your involvement in -- I believe you said beginning November of '06 when the application was being developed, it was always a five-year deployment that the company was considering?

A. Our discussions with staff focused on a five-year deployment, and the application has that time frame as well.

Q. Okay. Are the numbers that you're using in your AMR cost recovery rider calculations, are they similar to these numbers only based on a five-year deployment rather than a three-year deployment?

MR. KUTIK: Objection, no foundation.

A. The numbers used in the application were 100 to million dollars.

Q. Have you ever seen a document similar to this that had five-year deployment scenarios instead of three-year deployment scenarios?

MR. KUTIK: Objection, beyond the scope.

A. No.

MR. KUTIK: Did you hear his answer?

MR. SAUER: Yes, I did. Thank you.

I wondered if you received what would be a document that has DEO's response to staff data request number 02-13 or question number 2, subpart 13. It has a request date of 10/17/07 and a due date of 11/02/2007.

MR. KUTIK: Let's go off the record.

(Discussion off record.)

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(Thereupon, Deposition Exhibit-3 was marked for identification.)

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MR. KUTIK: Okay. We have that. Let's go back on the record.

Let's take a quick break. We just want to grab some water.

(Recess had.)

BY MR. SAUER:

Q. Before we went off the record we were going to have marked Deposition Exhibit 3 a three-page document that is a response to staff data request 02-13. Was that marked

and, Mr. Murphy, do you have that now?
A. Yes.
Q. Okay. Have you seen this document before, sir?
A. Yes.
Q. And what is this document?
A. It's the response to a data request from Pete Baker of the Public Utility Commission.
Q. And is this prepared by you, was the response prepared by you?
A. Yes.
Q. In the upper right corner of page marked page 2 of 2, do you see that there's a table and it appears to identify AMR cost recovery charges, do you see that?
A. Yes.
Q. And in that table there are years that go from 2008 to 2012, and then there's a column that says Cumulative Revenue Requirement. Beginning in 2008 it's 35 cents down to in 2012 $1.15. Do you see that?
A. Yes.

Q. And what do those numbers represent, sir?

A. Those represent the estimated cumulative revenue requirement associated with the AMR deployment.

Q. And is that essentially what the AMR rider charges is estimated to be?

A. No.

Q. What's the difference between what is shown as the cumulative revenue requirement in the first column and what would be estimated as the rider charge would be?

A. There are two major differences as noted in the answer. There are no meter reading savings reflected in the figures. The other difference is that the resulting AMR cost recovery charge shown on this page assumes rate cases being filed.

Q. In the middle column it says assumed rate case date certain. What is that column supposed to be representing?

A. It indicates that in the

rate case assumption the date certain is at year end 2008, 2009, and 2010.

Q. Okay. And then the next column over, Resulting AMR Cost Recovery Charge, what is that column intended to represent?

A. The AMR cost recovery charge.

Q. So the difference between column 1, the Cumulative Revenue Requirement, and the third column that says Resulting AMR Cost Recovery Charges is the meter reading cost savings are now included in the third column?

MR. KUTIK: Objection, mischaracterizes his testimony.

A. No.

Q. Okay. What's the difference between those two columns?

A. In year 2010 the cumulative revenue requirement is 83 cents. If you subtract off the year 2008 cumulative revenue requirement of 35 cents, you get the 48 cents shown in 2010 under the resulting AMR cost recovery charge.

Q. So under the 2008 assumption,

assumes rate case in 2008, the 35 cents gets rolled into base rates and what's left over is what's left in the rider?

A. Yes.

Q. So would it be your expectation that the actual AMR rider rate would be less than the rates that are shown in this table?

A. Yes.

Q. Yes, I'm sorry?

A. Yes.

Q. I didn't hear the response.

A. The response is yes.

Q. And if you would multiply these rates times assuming 1.3 million customers, you wouldn't get -- you wouldn't recover the entire 110 million that you're estimating the program to cost, would you?

A. No.

Q. And what happens with that shortfall? Is Dominion proposing deferrals?

MR. KUTIK: Objection, compound.

A. Could you rephrase the

question please?

Q. You agree that in the five years that are shown here, if these rates were charged to the 1.3 million customers there would not be full recovery of the 110 million estimated costs of the program; is that correct?

A. That's correct.

Q. What happens with that shortfall?

A. There is no shortfall. The costs to be recovered here are the depreciation, incremental property taxes, and return. The depreciable life of this asset is considerably more than five years.

Q. So for what period of time would you estimate the AMR rider to stay in effect beyond the five-year period that's shown here?

A. If there was a rate case after 2011 all the costs with AMR will be in base rate and there will be no rider.

Q. Assume no rate case. How

long would it take to fully depreciate the assets that are deployed under the AMR program?

MR. KUTIK: Objection, assumes facts not in evidence. No foundation. Go ahead.

A. The costs would be recovered over the depreciable life of the asset.

Q. And what would that be?

A. That depreciable life will be updated in subsequent depreciation studies.

Q. Do you have a current depreciation study that would show the life of these assets?

A. Yes.

Q. And what's assumed in that depreciation study?

A. I don't know.

Q. Who would know?

A. Sylvia Green is the witness responsible for the depreciation expense in the company's rate case.

Q. So if I understand what you told me, if there's a rate case at some point the rider would drop off when all the deployed assets have been rolled into rate base, correct?

A. Yes.

Q. And if there isn't a rate case, the rider rate would stay in effect until the assets have been fully depreciated; is that correct?

A. Yes.

Q. And that the company has not requested any deferrals in regards to the AMR program?

A. Could you repeat the question?

Q. Has the company requested any deferral treatment of costs associated with the AMR program?

A. Yes.

Q. I'm sorry, did I miss an answer, Mr. Murphy?

A. Yes, you did. The response was yes.

Q. Can you explain what aspect of the program the company has asked for deferrals?

A. Rider mechanisms by their very nature entail deferrals until the dollars are recovered through the rider.

Q. And has approval of that deferral mechanism been granted yet?

A. No.

Q. Do you have there a document that would be a response to PUCO data request 4.12?

MR. KUTIK: Yes, we have it here.

MR. SAUER: Could you have that marked as Deposition Exhibit 4.

- - - - -

(Thereupon, Deposition Exhibit-4 was marked for identification.)

- - - - -

MR. KUTIK: Just to be clear it's a document entitled AMR Associated Capitalization Costs.

MR. SAUER: That's correct.

Q. Mr. Murphy, do you have what's been marked as Deposition Exhibit 4?

A. Yes.

Q. Are you familiar with this document?

A. I have seen it produced in PUCO data requests. I did not participate in the development of this data however.

Q. Do you know what this document is?

A. It's entitled AMR Associated Capitalization Cost.

Q. Are the capitalizations costs that are shown in this document included in the AMR cost recovery charge proposed by DEO?

A. Yes.

Q. How will these costs be recovered, sir?

A. Through the rider mechanism that has been proposed by DEO.

Q. And are these costs affected by a decision to do anything less than full deployment of the AMR project?

MR. KUTIK: Could you read the question back?

(Record read.)

A. Could you rephrase the question please?

Q. Yes. There are costs shown on this schedule, correct?

A. Yes.

Q. And are these costs estimated based upon full deployment of the AMR project?

MR. KUTIK: Objection. No foundation.

A. I didn't participate in the development of this document.

Q. These are -- well, let's look at the individual inputs to targeted AMR deployment. Do you see that on the first box? And then there's four years coming across?

A. Yes.

Q. Blanket letters to metered customers, and then there's numbers in each of the boxes for each year coming across to a total of 1,160,962 in total?

A. Yes, I see that.

Q. And what are these blanket

letters to metered customers intended to do?

A. I did not participate in the development of this document, so I don't know.

Q. Does the total look like a total number of meters that DEO plans to install, the 1,160,962?

MR. KUTIK: Same objection.

A. It is close, but not identical. There's only four years on this document.

Q. Do you know who prepared this particular document?

A. No.

Q. Do you know a Carrie Pinelli?

A. Yes.

Q. Would she possibly have been the one that prepared it?

A. I don't know.

Q. Does the company intend to send letters to customers whose meters are going to be fitted with the AMR device?

MR. KUTIK: Objection, beyond the scope.

A. Yes.

Q. And is it possible that the blanket letters to metered customers is intended to notify those customers that there will be an AMR device put on their meter?

MR. KUTIK: Objection, no foundation.

A. Yes, it is possible.

Q. And then in the box below there's also a column labeled Blanket Letters to Metered Customers at 37 cents a -- there a dollar associated for each year coming across. Do you see that, total of $429,556?

A. Yes.

Q. Subject to check, if you multiplied 37 cents times the 1,160,962 you'll come up with the 429,556 in total in the second box?

MR. KUTIK: Well, I'm going to object to this line of questions. This witness is not familiar with the document. He said that. He didn't prepare it. I mean, you can take him through the math. I'm not sure what evidentiary value that has.

A. Could you repeat the question please?

Q. Mr. Murphy, are you the director of regulatory affairs?

A. I'm the director of rates and gas supply.

Q. And as a result of that position, aren't you developing rates that have input as to those rates the costs such as the ones that are appearing in the response to PUCO 4-12?

THE WITNESS: Could you repeat that?

(Record read.)

MR. KUTIK: Objection, assumes facts about the document which he's not familiar with. Go ahead.

A. I will develop rates based upon actual costs that are incurred and reviewed by the Public Utility Commission.

Q. Don't you develop rates based on cost estimates also?

A. Not as it relates to this application.

Q. But in other applications?

A. Yes.

Q. And again subject to check, if you do the math that we were talking about earlier the total number of letters being sent to customers in the box that's labeled Individual Inputs to Targeted AMR Deployment, by the 37 cents that's shown in the second box includes a total for metered costs of targeted meters?

MR. KUTIK: Well, that halfhearted attempt to qualify Mr. Murphy still doesn't lay the proper foundation for him to talk about this document since as he's testified he's not familiar with how these figures were derived. But if you can testify, you can testify. Go ahead.

A. Subject to check, I'll agree that the blanket letters to metered customers figure times 37 cents will generate the cost figures in the table at the bottom of the page.

Q. And if you know, if there's less than a full deployment, these costs would go down dependent upon the number of meters that are actually included in the deployment. Would that be a reasonable assumption?

MR. KUTIK: Objection to any testimony with respect to what this shows.

A. If the company sends fewer letters, the cost will be less.

Q. The rate that you were developing is based upon full deployment, correct?

A. Yes, if that's what's approved by the Commission.

Q. If there's less than full deployment, the cost of that deployment goes down accordingly, correct?

MR. KUTIK: Can I have the question read please?

(Record read.)

A. Not necessarily.

Q. Are there costs that aren't dependent on the number of meters, number of AMR devices that are installed?

THE WITNESS: Could you repeat the question please.

(Record read.)

A. Could you rephrase the question please?

Q. I'm just trying to follow up to your not necessarily answer. I'm not sure how that answer applied to the previous question.

MR. KUTIK: What's your question?

Q. If there's less than full deployment, don't the costs associated with that deployment go down accordingly?

MR. KUTIK: And he's answered that question not necessarily.

Q. And I asked what costs aren't dependent upon the number of AMRs that are installed?

A. Costs associated with the

frequency of meter reading.

Q. How does the cost associated with the frequency of meter reading not change based upon the number of meters, AMR meters installed?

A. We currently read meters every other month. If we were to have a partial installation, we may determine that we may need to move to monthly reading for those individuals that do not have AMR devices installed.

Q. Is that because the customers that have AMR devices would have monthly meter readings then?

A. Yes.

Q. And you would be changing your procedures just for consistency purposes?

MR. KUTIK: Objection.

A. We may.

Q. I'm sorry, I didn't hear that response, sir.

A. We may.

Q. It may?

MR. KUTIK: He said we may.

Q. Are there any other costs that you can think of that might not be dependent upon the number of AMR devices that are installed?

A. None that come to mind at the present time.

Q. Okay. The next document that I am looking for is, the heading has Cost Savings of the AMR Deployment Plan for Call Center Operations. Do you see that?

MR. KUTIK: We have it.

MR. SAUER: Can I have that marked as Deposition Exhibit 5.

- - - - -

(Thereupon, Deposition Exhibit-5 was marked for identification.)

- - - - -

MR. KUTIK: It's been marked.

BY MR. SAUER:

Q. Mr. Murphy, have you seen this document, what's been marked as Deposition Exhibit 5? I believe it's a company response to staff data request, may have been 6-11.

A. I don't recall the exact data request, but I have seen the document as part of the discovery responses.

Q. Are you familiar -- do you know what this document is?

A. It's an attachment to a data request entitled Cost Savings of the AMR Deployment Plan for Call Center Operations.

Q. And is it DEO's intent or part of its proposal I should say to offset the AMR cost recovery charge with the cost savings that it will experience in its call center operations?

A. The company did not propose that.

Q. Why not, sir?

A. The primary cost savings are anticipated to be meter reading cost savings.

Q. But there will be cost savings associated from the AMR deployment at the call center, correct?

MR. KUTIK: Objection, beyond the scope.

A. Could you repeat the question please?

(Record read.)

A. I don't know.

Q. Well, the company is planning to offset the AMR cost recovery charge with savings from meter reading, correct?

A. Yes.

Q. Why was that decision made?

A. Those cost savings are readily qualifiable and significant.

Q. Does that mean that any significant and quantifiable cost savings items should also be offset?

A. What cost savings?

Q. Any significant and quantifiable.

MR. KUTIK: Objection, incomplete hypothetical.

A. Could you rephrase the question please?

Q. You just stated that the

meter reading cost savings were offset because they were significant and quantifiable. I just asked if you believe that any cost savings that are significant and quantifiable should be similarly offset.

A. Only if they can be directly tied to the deployment of AMR.

Q. And doesn't the response, company response to staff data request 6-11 that's been marked as Deposition Exhibit 5, doesn't that attempt to quantify savings that the call center will experience as a result of the AMR deployment?

MR. KUTIK: Objection, no foundation with respect to this witness.

A. This document merely represents an estimate of those cost savings.

Q. And if the estimate that's shown here, total AMR savings at the very bottom of the page, $784,000 after full deployment, does that not rise to the level of significant and quantifiable if they're accurate?

MR. KUTIK: Objection, no foundation.

A. These cost savings may not be quantifiable.

Q. Well, it would appear that someone has attempted to quantify them in this document. Is there a problem with the quantification here?

MR. KUTIK: Objection, no foundation with respect to this witness.

A. I don't know.

Q. Mr. Murphy, I believe you said earlier that the company has actually installed some Itron AMRs; is that correct?

A. Yes.

Q. Do you know when that deployment began?

MR. KUTIK: Beyond the scope, objection.

A. I don't know the exact timing.

Q. Do you know how many AMRs have been installed to date?

MR. KUTIK: Same objection.

A. To date there have been over 250,000 devices deployed.

Q. 250,000?

A. Yes.

Q. For all 250,000 AMRs that have been deployed, are those costs associated with that deployment proposed to be recovered through the cost recovery rider?

A. No.

Q. There are some that will be excluded?

A. Yes.

Q. Did you respond, sir? I'm sorry, we've got a bad connection. It's sometimes hard to hear your answers.

For what reason are the AMRs that have been installed not to be included in the AMR cost recovery rider?

MR. KUTIK: Objection, mischaracterizes his previous testimony.

Q. Let me rephrase. You said there had been 250,000 AMRs installed today approximately. How many of those would be subject to recovery through the AMR cost recovery rider?

A. I don't know.

Q. But some of them would not be?

A. That is correct.

Q. And what reasons are there that those that are excluded are being excluded?

A. Some were installed as of the date certain in the current rate case.

Q. So those will be in base rates?

A. Yes.

Q. Okay. Are there other -- do you know how many?

A. No.

Q. And are there any other reasons that the AMR installations to date may not be recoverable through the AMR cost recovery rider?

A. Yes. In our application we indicated that we replace certain units through normal capital budgeting process and seek recovery in the next rate case.

Q. And what was the reason for that decision, sir?

A. Those units are the American and Badger units which do not have as high an accurate read rate as other remote meter index devices.

Q. So the American and Badger are not meters themselves. They are remote index; is that correct?

A. Yes.

Q. And remote index, that's installed where there's an inside meter and that gives the reader access to an outside source to read from?

A. Yes.

Q. And are there other remote devices the company is using that are more accurate?

A. Yes.

Q. Is there any other reason why of the 250,000 AMRs that have been installed to date other than some of them installed at date certain and they're in the rate base or they are

not associated with meter locations that have American and Badger remote devices?
A. Yes.
Q. I'm sorry?
A. Yes.
Q. What would another reason be?
A. In our application we indicate that we will not include the costs associated with any defective remotes that would have been replaced in the normal course of business.
Q. And again do you know how many associated with that reason, sir?
A. No.
Q. And is there any other reason why an AMR device installed would not be recoverable through the AMR cost recovery rider?
A. Yes.
Q. And what would that be?
A. Any devices installed on which the company charged a fee associated with the customer's not providing access or having engaged in tampering or theft.

Q. Okay. And are those the only reasons then for exclusion from recovery of an AMR device installed through the AMR cost recovery rider?
A. Yes.
Q. I'm sorry, did you respond, sir?
A. I apologize. Yes.
Q. It's not your fault. I think we just have a bad connection here.
MR. SAUER: I've got one more document. If you could locate response to comments of Office of the Ohio Consumers' Counsel. It's a pleading that was filed on April 9th of 2007.

- - - - -

(Thereupon, Deposition Exhibit-6 was marked for identification.)

- - - - -

MR. SAUER: Do you have that document?
THE WITNESS: Yes.
MR. SAUER: Can I have that

marked as Deposition Exhibit number 6.

MR. KUTIK: It's been marked. I don't know if you heard me. It's been marked.

MR. SAUER: Okay. Thank you.

BY MR. SAUER:

Q. Mr. Murphy, are you familiar with this document?

A. Yes.

Q. How is it that you're familiar with the document?

A. I reviewed the document as it was being drafted.

Q. Okay. And what is this document, sir?

A. It's a response to comments of the OCC filed in Case Numbers 06-1452 and 06-1453.

Q. And if you could turn to page 7 of that document, about the sixth line down of the first full paragraph there's a sentence that says, DEO estimates that when fully deployed AMR will result in O&M savings that will exceed the estimated annual depreciation, property tax, and return on rate base associated with a system wide AMR deployment.

Do you see that?

A. Yes. Yes.

Q. And what does that mean, sir?

MR. KUTIK: I'll object as beyond is scope. Go ahead.

A. It means that once the AMR program is fully deployed that the O&M savings that will be generated by the program will exceed the revenue requirement associated with the depreciation, property tax, and return on the investments in the AMR program.

Q. Does that mean the AMR cost recovery rider would be zero at that point?

A. It means that it could be negative at that point.

Q. What could be negative?

A. The rider.

Q. Customers could get a credit on their bill, is that what you're saying?

A. Yes, that is possible.

Q. And at what point in -- are you talking about at year five when fully deployed, or at what point is this a possibility?

A. I don't know.

Q. Was there an estimate or a projection that was prepared that led to this statement being included in the pleading?

A. Yes.

Q. So there was a projection that showed at some point a positive rider becoming a negative rider?

A. No, it merely compared the revenue requirement associated with depreciation, property tax, and return to the O&M cost savings that would be generated by the program.

Q. And the O&M cost savings again we're talking about are the meter reading savings?

A. Yes.

Q. No other savings were

contemplated?
A. No.
Q. I'm sorry, did you say there were projections that were prepared that showed this eventuality?
MR. KUTIK: What eventuality?
Q. The AMR rider being negative or credit on customers' bills.
MR. KUTIK: Objection, mischaracterizes his testimony. Go ahead. Objection also, asked and answered. Tell him again.
A. The comparison that we made was the revenue requirement associated with the depreciation, property tax, and return on the rate base associated with the deployment to the O&M cost savings that the deployment would generate.
Q. And again the revenue requirement we speak of is essentially what was done on like what was marked as Deposition Exhibit 3, that table that had revenue requirements from 2008 to 2012, correct?
A. Those revenue requirements

were expressed as unit rates. The revenue requirement referenced in the document that's marked as 6 was in the aggregate.

Q. Okay. And in the aggregate you say there were comparisons made of that revenue requirement to O&M savings from the deployment, correct?

THE WITNESS: Can you repeat that question.

(Record read.)

A. Yes.

Q. And did you look at that in aggregate on an annual basis?

A. Yes.

Q. And you also look at it over a period of time?

MR. KUTIK: Objection.

A. Yes.

Q. Over what period of time did it take before the O&M savings exceeded the revenue requirement for the full deployment?

A. I don't know.

Q. Do you know who would know?

A. I don't have the information in front of me needed to answer that question.

Q. So that you're the only one who can answer the question. You just don't have the information with you?

MR. KUTIK: Objection, mischaracterizes his testimony.

Q. What information would you need to answer the question, Mr. Murphy?

A. A spreadsheet that had been prepared to perform this analysis.

Q. Who prepared the spreadsheet?

A. I did.

Q. Is this a document that you could provide us, Mr. Murphy?

MR. KUTIK: Well, if you can point me to a request that you have made that calls for this document, we'll produce it.

Q. What would that document be called, Mr. Murphy?

A. I don't recall the file name.

MR. SAUER: Okay. We'll look

over our discovery requests and see if this fits into something along the lines of what we've asked for.

Q. Again turning to what's been marked as Deposition Exhibit 6, a little further down in the same paragraph there's a reference to critical mass of customers. Do you see that, Mr. Murphy? It says, The real point is the savings possible through the AMR cannot be fully realized until the technology is deployed system wide or at least reaches a critical mass of customers.

Do you see that?

A. Yes.

Q. And have you defined what critical mass of customers is?

A. No.

Q. Would this same spreadsheet that you were talking about earlier, would that have a similar analysis that is kind of a break even or what that critical mass point might be?

A. No.

Q. Did you do any studies along

those lines that would pinpoint where a break even point or where the critical mass point might be?

A. No.

Q. So can you explain what this sentence in the pleading is saying?

MR. KUTIK: Objection, beyond the scope.

A. It indicates that the savings possible through the AMR deployment cannot be fully realized until the deployment is either completed or reaches a large enough number of customers to generate substantial cost savings.

Q. But the company hasn't done any studies to identify where that level of number of customers is?

MR. KUTIK: Objection, mischaracterizes his testimony.

A. I have not performed that analysis.

Q. Are you saying it's overly speculative at this point?

MR. KUTIK: Objection.

A. No.

Q. Saying it's a number that could be determined then?

A. Yes.

MR. SAUER: Can we go off the record for just a couple minutes?

MR. KUTIK: Why don't we take a little break.

MR. SAUER: I think we may be done.

(Recess had.)

MR. KUTIK: Okay. Back on the record.

BY MR. SAUER:

Q. Had a couple questions before we wrap up here. The first one had to do with Deposition Exhibit 5 which was a response to 6-11 staff request. And I think Mr. Murphy had indicated he wasn't familiar with the document or how it had been prepared, and I don't recall, did you tell me who might be the person that had prepared this or has the understanding that we can inquire about?

A. I don't know.

Q. All right. If the AMR cost recovery rider is implemented as DEO is proposing, what safeguards are in place to ensure that DEO is prudently reducing staff, for example, the meter readers, and other O&M expenditures consistent with the AMR deployment to assure customers are receiving all savings offset in a timely manner?

MR. KUTIK: Can I have that question read please?

(Record read.)

MR. KUTIK: Beyond the scope. Go ahead.

A. The application filed in Case Number 06-1453 indicates that we will provide Commission staff with accounting and billing record details to enable it to evaluate our requested increase or change in the rider rate.

Q. Will that be publicly filed or made available anywhere else?

MR. KUTIK: Again, beyond the scope.

A. We will not file that

information.

Q. Would it be made available to the OCC informally?

A. Yes.

MR. SAUER: I think that's all we have, Mr. Murphy. I appreciate your participation. That's all the OCC has. I don't know if there's anyone else on the call that has a question for you.

MR. KUTIK: Hearing none, we'll assume that there aren't any and we'll exercise our option to review the transcript and sign.

MR. SAUER: Very good.

MR. KUTIK: I guess we're concluded. Thank you.

(Off the record at 10:45 a.m.)

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CEFARATTI GROUP FILE NO. 13642

CASE CAPTION: APPLICATION OF EAST OHIO GAS TO INCREASE RATES

DEPONENT: JEFFREY A. MURPHY

DEPOSITION DATE: JUNE 12, 2008

____

(SIGN HERE)

The State of Ohio,)

County of Cuyahoga,) SS:

Before me, a Notary Public in and for said County and State, personally appeared JEFFREY A. MURPHY, who acknowledged that he/she did read his/her transcript in the above-captioned matter, listed any necessary corrections on the accompanying errata sheet, and did sign the foregoing sworn statement and that the same is his/her free act and deed.

IN TESTIMONY WHEREOF, I have hereunto affixed my name and official seal at ________________, this ______ day of ____________, A.D. 2008.

__________________ __________________

Notary Public Commission Expires

ERRATA SHEET

PAGE LINE CORRECTION AND REASON

CERTIFICATE

State of Ohio) SS.:
County of Geauga)

I, Kimberly K. Giel, a Notary Public within and for the State of Ohio, duly commissioned and qualified, do hereby certify that the within named witness, was duly sworn to testify the truth, the whole truth and nothing but the truth in the cause aforesaid; that the testimony then given by the witness was by me reduced to stenotypy in the presence of said witness; afterwards transcribed, and that the foregoing is a true and correct transcription of the testimony so given by the witness.

I do further certify that this deposition was taken at the time and place in the foregoing caption specified.

I do further certify that I am not a relative, counsel or attorney for either party, or otherwise interested in the event of this action.

I am not, nor is the court reporting firm with which I am affiliated, under a contract as defined in Civil Rule 28 (D).

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of June, 2008.

Kimberly K. Giel

Kimberly K. Giel, Notary Public
within and for the State of Ohio

My commission expires July 11, 2011.

Nc

DEPOSITION EXHIBIT
1
Murphy

FILE 9

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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 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**

APPLICATION

The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO" or "Company") respectfully requests: (1) pursuant to Section 4929.11, Ohio Revised Code, approval of tariffs to recover, through an automatic adjustment mechanism, costs associated with the deployment of automated meter reading ("AMR") equipment throughout DEO's system; and (2) pursuant to Section 4905.13, such accounting authority as may be required to permit the deferral of those costs for subsequent recovery through the automatic adjustment mechanism. In support of its Application, DEO states:

1. DEO is an Ohio corporation engaged in the business of providing natural gas service to approximately 1.2 million customers in northeast, western and southeast Ohio and, as such, is a natural gas company as defined by R.C. 4905.03(A)(6), and a public utility as defined by R.C. 4905.02.
2. In Case No. 05-602-GA-ORD, the Commission enacted certain minimum gas service standards ("MGSS"), which take effect January 1, 2007. One of these rules, Rule 4901:1-13-04(G)(1), Ohio Administrative Code ("O.A.C."), will require natural gas companies to obtain an actual reading of each customer's

meter at least once every twelve months, and also make reasonable attempts to obtain actual meter readings every other month. Under the Commission's rule, a meter reading obtained through remote index equipment does not qualify as an "actual" meter read.

3. Presently, 43% of the nearly 1.3 million meters in DEO's system, or approximately 556,000, are located inside customers' premises. In order to read these inside meters, the Company equipped 373,000 of them with remote meter index equipment. As discussed above, however, meter readings obtained through remote index equipment do not qualify as an actual meter read. Consequently, DEO is uniquely challenged to comply with Rule 4901:1-13-04(G)(1).

4. Although meter readings obtained through remote index equipment do not qualify as an actual meter reading, readings obtained through electronic means, such as automated meter reading equipment, "shall be considered actual readings." Rule 4901:1-13-04(G), O.A.C. DEO therefore proposes to replace all of its remote meter index devices with automated meter reading ("AMR") devices and to install AMR equipment on all of its other meters over a five-year period. Such a program would provide the following benefits to DEO's customers:

    a. AMR provides the most cost-effective way for DEO to comply with the MGSS on a long-term basis. Because the Company's cost of reading meters is ultimately recovered in base rates, a more cost-effective meter reading solution will result in lower rates over time.

    b. All of DEO's approximately 400,000 Standard Service Offer customers and approximately one-third of its 800,000 Energy Choice customers pay monthly variable commodity rates that can change substantially from one month to the next. Under the MGSS, the Company is only required to attempt to obtain actual meter readings every other month, meaning that customers will receive at least six estimated bills each year. The monthly meter reading made possible by AMR would enable DEO to apply each month's commodity rate to actual consumption for that month, resulting in a better match between billing and consumption.[1]

c. Monthly actual meter readings would provide more accurate information for use in transferring service at a premise from one customer to another, eliminate call volume associated with estimated meter reads, improve call center average speed of answering customer calls, and avoid the need for large numbers of customers to schedule appointments to have a meter reader obtain the annual read required under the MGSS.

d. Because AMR reads are obtained by employees who drive along a route recording reads through mobile data collectors installed in their vehicles, customers would no longer have to cope with unwanted or inconvenient intrusions onto their property or into their home or business.

In summary, the installation of AMR equipment system-wide will enable DEO to meet the MGSS meter reading requirements in a very cost-effective manner while also providing the additional customer benefits described above.

[1] AMR will also eliminate the problem of multiple consecutive estimates that must be used when repeated efforts to obtain an actual meter read fail. Even if an actual read is obtained once every twelve months, the Company does not have the data points needed to develop an accurate estimate for the eleven months between actual reads. As a result, the actual usage for those intervening months may occur in a much different pattern than that reflected on the bills. Given the access issues caused by the large number of inside meters on DEO's system, consecutive estimates pose a considerable problem for the Company and its customers.

5. DEO estimates the cost of system-wide AMR deployment using Itron encoder-receive-transmitter ("ERT") devices to be between $100 million and $110 million. Absent timely recovery of the associated depreciation, property taxes and return on rate base investment, DEO would fund the program through its normal capital budgeting process, which would accommodate a fifteen- to twenty-year systemwide deployment.

6. As an alternative to a fifteen- to twenty-year deployment, the instant Application, if approved, would enable DEO to increase its capital spending considerably to accommodate a five-year deployment schedule. Under a five-year schedule, the Company would install 250,000 ERT units per year beginning in January 2008. The pace of deployment for ERT devices in 2007 is discussed below.

7. The Company's existing remote index equipment consists of Hexagram, Badger and American devices. The Company has performed a statistical evaluation of its existing remote meter index equipment and found that, while the Hexagram remote devices installed on nearly 319,000 of its meters perform very well, with a defect rate of only 1.8%, the American and Badger devices installed on approximately 54,000 meters from 1977 to 1984 have much higher defect rates of 9.5% and 21.4%, respectively. As a result, DEO will replace the American and Badger units through its normal capital budgeting process and seek recovery of the associated cost in the context of its next base rate case.[2] The Company will commence replacement of the American and Badger devices in the first quarter of

[2] DEO will not include the cost associated with any defective meters or remotes that would have been replaced in the normal course of meter exchange activity in amounts to be recovered via the AMR Cost Recovery Charge. As in the case of the American and Badger replacements, the Company will seek recovery of such costs in future rate cases.

2007 with the intent of substantially completing those replacements within two years.

8. In its application seeking Commission approval of tariff changes needed to comply with the MGSS, filed concurrently with this Application, DEO requests approval of a provision requiring customers that have had service terminated for non-access, and those that have engaged in fraudulent practice, tampering or theft of service, to pay for the installation of an AMR device on the meter(s) serving their premise. DEO will treat such payments as a contribution in aid of construction ("CIAC") and will not seek recovery of such dollars either through the charge requested herein or through subsequent rate cases.

9. DEO's objective in its AMR program is to provide more accurate usage data and monthly meter reading at the earliest possible date consistent with an economic deployment of AMR devices. In so doing, the Company will have to evaluate the efficiency of a "shop-by-shop" conversion (that is, a series of conversions moving from one service area to the next as service areas are converted) versus a systemwide conversion with an initial focus on inside meters. DEO will consult with Commission Staff to determine the most appropriate way to deploy AMR across its system. The Company plans to move to monthly meter reading system-wide as soon as enough meters are AMR-equipped to make this possible. Once a sufficient number of meters are so equipped, DEO will manually read the remaining meters until all of its meters are equipped with ERT devices. As an alternative, and pending consultation with Commission Staff, DEO could

transition to monthly meter reading on a shop-by-shop basis as service areas are converted.

10. In order to recover the costs of the AMR program, DEO proposes the following:

    a. The Company will initially record as a regulatory asset the depreciation, incremental property taxes, and post in-service carrying charges associated with its AMR program costs, excluding those costs associated with replacement of American and Badger remote index devices and any CIAC recovered from customers that have had service terminated for non-access or those that have engaged in fraudulent practice, tampering or theft of service.

    b. DEO will compare its annual meter reading operating and maintenance ("O&M") expense to a 2006 base year. Any savings relative to that base year will be used to reduce the year-end regulatory asset in order to provide customers the benefit of any meter reading cost reductions achieved as a result of the AMR deployment.

    c. The regulatory asset amount net of the preceding meter reading O&M savings will be recoverable via an AMR Cost Recovery Charge applicable to all customer class rate schedules on which ERT devices are installed. (DEO's largest transportation accounts already have AMR installed at the customers' expense.) Because the cost of an ERT device installed on a meter is the same regardless of usage, the AMR Cost Recovery Charge is properly applied as a fixed charge per month rather than a volumetric charge. There will be no difference in the charge across customer classes because the cost of the unit is identical for over 99% of the units to be installed.

d. In February of each year, DEO will file an application in this docket with schedules supporting the proposed AMR Cost Recovery Charge based on the costs accumulated through December of the prior year, as adjusted for the associated excise tax obligation, and bills rendered over the prior year.[3] DEO will provide Commission Staff with sufficient accounting and billing record details to enable it to analyze and audit the schedules. In order to facilitate a timely review of the application, the Company will file a pre-filing notice containing estimated schedules ninety days prior to the application. The estimated schedules will contain a combination of actual and projected data for the calendar year to be reflected in the February application.

e. When DEO files its next base rate case, the revenue requirement will reflect updated test year operating expenses and date certain net plant. Once rates approved in the case go into effect, AMR-related capital investments made prior to date certain will be reflected in base rates along with updated test year expenses for meter reading O&M and property taxes. Post rate case, the AMR Cost Recovery Charge will use test year O&M and date certain gross plant as the basis upon which to calculate

[3] The schedules will include the original costs, accumulated reserve for depreciation and deferred taxes associated with the plant additions, the corresponding annual depreciation and incremental property tax expenses as well as the meter reading O&M savings and any CIAC used to reduce the amount to be recovered by the AMR Cost Recovery Charge. Until such time as DEO files a base rate case, the post in service carrying charges will be accrued at the embedded cost of long-term debt held by DEO's parent company, Consolidated Natural Gas Company, which is in turn a wholly-owned subsidiary of Dominion Resources, Inc.

future AMR Cost Recovery Charges. In its next rate case, DEO will seek approval of an AMR Cost Recovery Charge that will provide more timely recovery of the depreciation, incremental property taxes and associated rate of return of subsequent program expenses along with any amounts unrecovered at the point an updated AMR Cost Recovery Charge goes into effect. The rate of return assigned to the recovery of subsequent net capital expenditures will be set at the rate of return authorized in the proceeding by the Commission.

11. While the initial year's AMR Cost Recovery Charge can only be determined after actual costs and billing determinants are known, it appears that the initial charge will amount to less than $0.25 per month per customer. Increases to the rate thereafter are not expected to be linear (*i.e.,* the rate increases another $0.25 each year until the maximum level is reached in year 5) because the number of units installed and the amount of meter reading O&M costs savings and CIAC used to reduce the amount to be recovered will not occur evenly over the five-year deployment.

WHEREFORE, the Company respectfully requests that the Commission, pursuant to R.C. 4905.13 and 4929.11, approve the Company's Application for approval of tariffs to institute an automatic adjustment clause to recover costs associated with AMR deployment; for approval of the accounting treatment discussed herein; and for all other necessary and proper relief.

Respectfully submitted,

Mark A. Whitt
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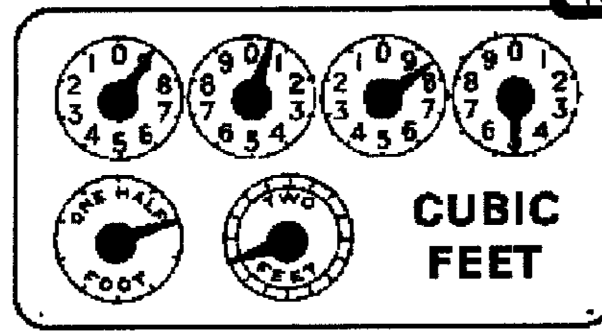
ATTORNEYS FOR THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO

DEPOSITION
EXHIBIT
2
Murphy 6/12/06

Dominion
It all starts here.℠



Financial Summary

	Description	Deployment Cost	1st Year Net Income	Steady State Net Income (Yrs 4-6)	Unlevered IRR	Unlevered NPV (9.4% ; 15yrs)	Payback (Yrs)
Full Deployment A-3 Year Installation	Full deployment; 1.3M meters	$94.8 M	$3.8M	$3.5M	12.32%	10,980,926	7
Full Deployment 3 Year Installation	Full deployment; 1.3M meters	$102.8 M	$3.6M	$2.3M	9.18%	(868,013)	7.6
Inside Meters A- 3 Year Installation	Partial deployment, All 560K inside meter locations, plus 111K outside meters	$59.5 M	$4.5M	$4.1M	22.27%	22,690,245	2.4
Inside Meters 3 Year Installation	Partial deployment, All 560K inside meter locations, plus 111K outside meters	$65.4 M	$4.4M	$3.2M	17.40%	18,436,996	4.7
Inside Meters Network 3 Year Installation	Partial deployment, All 560K inside meter locations, plus 111K outside meters	$85.1 M	$3.8M	$2.2M	11.08%	5,524,764	5.9

1. NPV and IRR rates unlevered
2. Stead[illegible]te EBIT approximates year 4-6 benefits

DEPOSITION EXHIBIT 3 Murphy 12/12/08

The East Ohio Gas Company d/b/a Dominion East Ohio
Case No. 07-0829-GA-AIR
Response to Data Requests

Requesting Party:
PUCO

Data Request Set:
Peter Baker

Question Number:	**Subpart:**
02	13

Request Date:	**Due Date:**
10/17/2007	11/02/2007

Topic:
AMR

Question:
Based on information provided in response to the above requests and in the Company's application in Case No. 06-1453-GA-UNC, please estimate the amount of the AMR Cost Recovery Charge after each of the first five years that costs are collected for such recovery. Utilize the schedule provided in response to Item 8 above, and assume that no costs will be funded through the over-accrued depreciation reserve.

Answer:
Based on the schedule provided in Item 9 and an estimate of the customer communication and appointment scheduling expenses that would be included in the program cost, the estimated AMR Cost Recovery Charges are as follows:

The preceding table reflects the impact of annual rate cases being filed in 2009 and beyond. As stated in the application requesting approval of the rider, the Company will include AMR investments in rate base in subsequent rate cases, which will reduce the amount to be recovered via the AMR Cost Recovery Charge. In addition, there are no meter reading savings reflected in the figures, which would serve to further reduce the rate.

Preparer Of Response:	**Date Prepared:**
Jeff Murphy	11/01/2007 03:17:13 PM EDT

Attachments:
No

BRUCE HAYES - missing table Peter Barker No. 2 Subpart 13

From: <Melanie.M.Moneypenny@dom.com>
To: <watkins@occ.state.oh.us>
Date: 5/27/2008 3:58 PM
Subject: missing table Peter Barker No. 2 Subpart 13

Here is the response you requested Sarah.

Have a great day,
Melanie

Melanie Moneypenny
Regulatory and Pricing Analyst
Dominion East Ohio
(216) 736-5336
Tie Line 8-650-5336
Melanie M Moneypenny/Energy/5/Dom@VANCPOWER
----- Forwarded by Melanie M Moneypenny/Energy/5/Dom on 05/27/2008 03:55 PM -----

Dominion

The East Ohio Gas Company d/b/a Dominion East Ohio
Case No. 07-0829-GA-AIR

Response to Data Requests

Requesting Party:
PUCO
Data Request Set:
Peter Baker

Question Number:	**Subpart:**
02	13

Request Date:	**Due Date:**
10/17/2007	11/02/2007

Topic:

AMR

Question:

Based on information provided in response to the above requests and in the Company's application in Case No. 06-1453-GA-UNC, please estimate the amount of the AMR Cost Recovery Charge after each of the first five years that costs are collected for such recovery. Utilize the schedule provided in response to Item 8 above, and assume that no costs will be funded through the over-accrued depreciation reserve.

Answer:

Based on the schedule provided in item 9 and an estimate of the customer communication and appointment scheduling expenses that would be included in the program cost, the estimated AMR Cost Recovery Charges are as follows:

Year	Cumulative Revenue Requirement	Assumed Rate Case Date Certain	Resulting AMR Cost Recovery Charge
2008	$0.35		$0.35
2009	$0.53		$0.53
2010	$0.83	2008	$0.48
2011	$1.19	2009	$0.66
2012	$1.15	2010	$0.32

The preceding table reflects the impact of annual rate cases being filed in 2009 and beyond. As stated in the application requesting approval of the rider, the Company will include AMR investments in rate base in subsequent rate cases, which will reduce the amount to be recovered via the AMR Cost Recovery Charge. In addition, there are no meter reading savings reflected in the figures, which would serve to further reduce the rate.

Preparer of Response:	Date Prepared:
Jeff Murphy	11/29/2007

Attachments:

Attach here-->

DEPOSITION EXHIBIT 4 Murphy 4/12/08

DOMINION EAST OHIO
Case No. 07-0829-GA-AIR
Attachment PUCO-4.12, PUCO Staff Data Request #4, Subpart 12

AMR Associated Capitalization Costs

Individual Inputs to Targeted AMR Deployment					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Totals**
Blanket Letters to Metered Customers	226408	249450	273823	411281	**1160962**
Letters to Targeted Customers	54856	98789	177840	294237	**625722**
Incomming Calls Due to Targeted Letters	42692	77348	109156	189432	**418628**
West Agents to Train/ Incremental	7	7	6	14	**34**
Employees to Handle Work Queues	2	2	2	3	**7**
Analyst to Manage Ltr Process	1	1	1	1	**1**
Phone Bills	$29,884	$54,144	$76,409	$132,602	**$293,039**
Total Targeted Meters	**98,258**	**130,355**	**180,353**	**355,065**	**764,031**

Total per Meter Cost of Targeted Meters					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Totals**
Blanket Letters to Metered Customers @$.37	$83,771	$92,297	$101,315	$152,174	**$429,556**
Letters to Targeted Customers @ $.37	$20,297	$36,552	$65,801	$108,868	**$231,517**
Incoming Calls Costs 400-Second Avg Handle Time @ $.55 per min	$156,616	$283,751	$400,439	$694,931	**$1,535,737**
West Agents to Train/ Incremental @ $3K each	$21,000	$21,000	$18,000	$42,000	**$102,000**
Employees to Handle Work Queues @ $76K w/ Benefits	$152,000	$152,000	$152,000	$228,000	**$684,000**
1 Analyst and 1 Agent to Manage Ltr Process @ $136.3K w/ Benefits	$136,300	$136,300	$136,300	$136,300	**$545,200**
Phone Bills @ $.70 per call	$29,884	$54,144	$76,409	$132,602	**$293,040**
Total Year Cost	$599,868	$776,043	$950,263	$1,494,875	**$3,821,049**
Total Targeted Meters	98,258	130,355	180,353	355,065	**764,031**
Capitalized Cost per Meter	**$6.11**	**$5.95**	**$5.27**	**$4.21**	**$5.00**

DEPOSITION EXHIBIT 5 Murphy 6/12/08

Cost Saving of the AMR Deployment Plan for Call Center Operations

Assumptions

1. The largest cost saving comes from installing ERT indexes on inside meters.
2. Based on several years of statistical data, customers with inside meters call us 1.036 times per year on average, while customers with outside meters call us .65 times per year on average for billing and meter service related inquiries.
3. When ERT devices are installed on the inside meters, inside-meter call patterns will more closely resemble outside-meter call patterns. (Many calls from customers with inside meters relate to bills that resulted from estimated reads. Estimated reads generally result from lack of access to the meter. Because DEO will be able to obtain "actual" reads on ERT meters, as well as outside meters, the cause of many calls from inside-meter customers will be eliminated.) One behavior pattern that will not change is the call volume patterns related to required DOT inspection.
4. Dominion East Ohio has 1,290,000 meters; 43% are located inside, and 57% are located outside.
5. In addition to the behavioral changes of the customers with inside meters, billing calls related to high bill complaints will decrease as well as handle times around those bills. This reduction will decrease the call volume for the billing related calls by 10% based on sample call data.
6. Dominion will reduce the number of letters sent to customers with inside meters requesting access to read their meters.
7. Dollars saved are at the end of full deployment and in today's dollars.

Call Volume Impacts/ Customer Communications

1. Inside Meters Call Reduction: This equates to 556,000 customers (with inside meters), calling at an average of 1.036 times per customer per year, or 576,033 calls. Change in behavior results in 556,000 customers calling .65 times per year. This represents an overall yearly reduction of 216,633 calls. Installation of ERT devices will not preclude the need to gain access to carry out DOT inspections, however; thus, DOT inspections will still require an estimated 91,173 customer calls per year. This results in a net reduction in calls for inside meters of 123,460.
2. Bi-monthly Reads to Monthly Call Reduction: Last year, Dominion handled 418,459 billing calls in Ohio from customers with outside meters. Assuming a call volume equivalent (handle times and reduced volume) reduction of 10%, we expect to experience an additional reduction of 41,846 calls.
3. **Total Call Volume Reduction: 165,306 calls**
4. **Total Letter Communication Volume Reduction: 81,986 letters**

Cost Savings Results from Reductions Above

1. Cost Savings associated with call volume reduction is 10 FTEs for a total savings of $657,945 including benefits.
2. Phone bill savings would amount to $99,183.
3. Letter savings $30,334.
4. **Total AMR annual savings $784,472 after full deployment with monthly meter reading schedule**

COI-1391128v1

FILE

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PUCO

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 Certain Waivers of Chapter 4901:1-12, Ohio Administrative Code.	)	Case No. 06-1452-GA-UNC
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

DEPOSITION EXHIBIT 6 Murphy

RESPONSE TO COMMENTS OF OFFICE OF THE OHIO CONSUMERS' COUNSEL

The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO"), pursuant to Rule 4901-1-12(B)(1), Ohio Administrative Code, submits the following response to the comments of the Office of Ohio Consumers' Counsel ("OCC").

I. INTRODUCTION

DEO's request for a temporary waiver of Rule 4901:1-12 (Case No. 06-1452) and request for approval of tariffs to recover costs associated with deployment of automated meter reading ("AMR") through an automatic adjustment mechanism (Case No. 06-1453) were filed to address new regulations enacted as part of the Minimum Gas Service Standards ("MGSS"). The MGSS rules require LDCs, among other things, to obtain actual meter readings at least once per year and make reasonable attempts to obtain actual reads every other month. DEO proposes to meet those requirements by installing AMR devices throughout its system. AMR deployment would occur on a 5-year schedule, and certain associated costs would be recovered through an

COI-1368976

automatic adjustment mechanism; *i.e.*, a rider.[1] In conjunction with AMR deployment and the meter reading plan submitted to Commission Staff pursuant to Rule 4901:1-12-04(G)(1)(a)-(c), DEO requests a waiver of the MGSS rules to permit it to continue treating reads taken by remote index devices as actual reads. Once the AMR deployment is complete, DEO will be able to obtain an actual meter read from every meter, every month, using fewer resources than it does currently to read its meters every other month.

In its comments to DEO's Applications, OCC acknowledges that "A system-wide deployment of AMR could benefit DEO and residential ratepayers." (OCC Comments, p. 8.) OCC, however, raises two objections. First, OCC objects to DEO's request for a waiver of Rule 4901:1-13-04(G)(1) to allow meter readings taken from remote index equipment to count as actual reads. OCC contends that a waiver is unnecessary because DEO points to "only" 5,090 meters that DEO has been unable to access for an actual read in the past 12 months. However, OCC's representation of the 5,090 figure is based on a misunderstanding of the data provided to it by DEO. Absent a waiver allowing it to treat readings from remote index equipment as actual reads, DEO must plan on attempting to read another 373,000 inside meters already equipped with remote index devices, and many of those would go unread despite DEO's best efforts to obtain an actual read. DEO has aptly demonstrated a legitimate need for the requested waiver.

Second, although generally supportive of the idea of a system wide deployment of AMR, OCC objects to DEO's proposal to deploy AMR on a 5-year schedule and to recover certain costs associated with the deployment through an automatic adjustment mechanism. OCC argues that DEO should deploy AMR as part of the Company's normal 15-20 year capital budgeting

[1] In its Application filed in Case No. 06-1453-GA-UNC, DEO requests recovery of the depreciation, incremental property taxes and post in-service carrying charges associated with the program as offset by meter reading savings generated by the program. Such recovery mirrors the treatment that would be provided in a base rate case with the only difference being that recovery commences when the units are placed in service rather than at some later point when the costs are reflected in rates and charges established in a base rate case.

process and recover the costs in base rates. The problem with this approach is that without an accelerated deployment, the benefits of AMR are substantially diminished and could be delayed by more than a decade. Significant cost savings and customer benefits would be realized from AMR only when the system is fully or nearly-fully deployed. Additionally, with a 15-20 year piecemeal deployment, customers will begin to pay for AMR through base rates long before receiving the full direct benefit available from a system-wide deployment. An accelerated deployment with cost recovery through a rider better matches the costs of AMR with the benefits. An accelerated deployment is reasonable, cost effective and should be approved.

For these reasons, the Commission should reject OCC's comments and approve DEO's Applications pursuant to their terms.

II. RESPONSE

A. Waiver Request Application (Case No. 06-1452)

DEO's application requests 7 specific waivers of certain provisions of the MGSS rules. The only waiver request that OCC objects to is the request for a temporary waiver of Rule 4901:1-13-04(G)(1).[2] This rule requires LDCs to make reasonable attempts to obtain actual meter reads every other month, and imposes an affirmative obligation to obtain an actual read at least once every 12 months. Readings taken by electronic means, such as through AMR, are considered "actual reads" under the rule. Readings taken by mechanical remote index devices do not count as actual reads. As stated in the Application, approximately 373,000 meters in DEO's service area are equipped with remote index devices. (Application, p. 1.) DEO's Application

[2] OCC's understanding of the limited scope of DEO's requests for temporary waivers of Rules 4901:1-13-05(A) (new service installations) and 4901:1-13-05(C) (notification of unmet appointments) is correct. Additionally, OCC does not oppose the request for temporary waivers of Rules 4901:1-13-05(A)(3) (pressure test requirement), 4901:1-13-09(C) (disconnect notice for fraudulent practices) and 4901:1-13-04(D) (notification of meter test results). OCC takes no position on the request for waivers of rules applicable to commercial customers; i.e., Rules 4901:1-13-04(G)(3) and 4901:1-13-11(B)(26) concerning small commercial customer payment plans.

requests a temporary waiver of Rule 4901:1-23-04(G)(1) to permit DEO to treat readings from these remote index devices as actual reads.

OCC objects to the requested waiver because "the alleged problem of not obtaining at least one actual meter reading per year from inside meters is not nearly as significant as the Company has portrayed it to be." (OCC Comments, p. 5.) OCC bases this statement on a misinterpretation of data submitted by DEO. As indicated, of DEO's 556,000 accounts with inside meters, 373,000 are equipped with a remote index. In compiling the data that the OCC requested concerning the number of meters with no actual reads in the previous 12 months, DEO, consistent with the approach in its waiver request, considered reads from remote index devices as actual reads. Thus, the 5,090 inside meters with no actual read in the past 12 months were essentially from the population of 183,000 inside meters *not* equipped with a remote index device.[3] Although DEO does get an actual read on many of the 373,000 inside meters equipped with a remote index device as a result of customer service orders, meter replacements and DOT inspections, nearly 210,000 of those meters have not had an actual read within the past 12 months. As a result, the problem is over 40 times as large as OCC's comments would suggest.

Consequently, if DEO's request for a waiver is denied, DEO will face the difficult and costly task of attempting actual bi-monthly and annual reads not only from the 183,000 meters without remote index devices, but also from the 373,000 meters that are equipped with these devices. The population of inside meters with a remote index device (373,000) is roughly twice as large as the population without a remote index (183,000). By extrapolation, the number of remote index equipped meters that DEO would not be able to access (all other things being equal)

[3] DEO does not mean to imply that OCC intentionally misrepresented the data provided by DEO in any way. DEO attributes the mistaken interpretation of the data to a simple misunderstanding or, perhaps, miscommunication between DEO and OCC.

would be twice as large – around 10,000. Adding these additional 10,000 meters to the approximately 5,000 meters referenced by OCC would result in almost 15,000 meters that potentially would not be read at least once annually. That represents more meters than many small gas companies have on their entire system.

As explained in DEO's Application, requiring DEO to obtain actual reads for all 556,000 inside meters poses a significant short-term problem for the Company and potentially significantly higher cost to customers. A short-term, cost-effective solution is to permit the Company to treat remote index reads as actual reads. This will enable to the Company to focus its initial efforts during the AMR deployment on the 183,000 inside meters not equipped with a remote index. A long-term solution, discussed below, is the system-wide deployment of AMR. The program will also enable the Company to proactively and methodically replace aging remote index devices, whose batteries will need replacements in the years ahead, with state-of-the-art AMR devices.

B. AMR Cost Recovery Application (Case No. 06-1453)

OCC correctly acknowledges that "A system-wide deployment of AMR could benefit DEO and residential ratepayers." (OCC Comments, p. 8.) The Commission has likewise noted that it "generally supports the introduction of AMR technology by the utilities in Ohio" and "encourages all gas and natural gas companies to include the introduction of AMR technology in their plans to comply with [Rule 4901:1-13-04]." (May 16, 2006 Entry on Rehearing in Case No. 05-602-GA-ORD, p. 16.) One of the most obvious benefits of AMR is that this technology allows customers to receive accurate price signals every single month. Currently, bi-monthly meter reading effectively results in 12 estimated reads per year, even though the meter is read every other month. In months where the meter is not read, customers' bills reflect an estimate of usage. When the meter is read the next month, the bill for that month is essentially a true-up bill in that it reflects cumulative actual usage minus cumulative estimated usage from the prior month. Thus, even an "actual" read every other month does not accurately measure consumption. And without an accurate measure of consumption, customers lack accurate price signals that are needed to guide decisions about shopping for suppliers or engaging in conservation measures. Given the volatility of natural gas prices, even a single mcf billed in one month that should have been billed in another can impact bills by more than a year's worth of anticipated first year rider costs, as would have been the case when DEO's Standard Service Offer price rose from $5.641 in October 2006 to $8.693 in November 2006. AMR is the only feasible, cost-effective way to read every meter, every month, so that all customers consistently receive accurate price signals and obtain the benefit of conservation measures on a real-time basis.

AMR also solves the problems associated with multiple consecutive estimated reads of inside or no-access meters. Even if DEO were able to access inside meters only once every 12 months (thereby complying with Rule 4901:1-13-04(G)(1)), the accounts would still receive far too many consecutive estimates. Furthermore, the estimated bills that are generated are not likely to be very accurate because there are not enough actual data points to develop good estimating algorithms. In many ways, the problem of multiple consecutive estimates is more pronounced than the failure to gain access because many more accounts are affected. For example, while 5,090 inside meters with remote devices were not read within the past 12 months, fully 105,564 other accounts in that group had fewer than 2 reads within the last year. AMR would eliminate both the non-access and consecutive estimate problems. Effectively addressing those problems will also provide important ancillary benefits in such areas as call center performance that will improve when call center representatives no longer have to field calls from customers questioning their estimated bill or requesting a meter read when they have received multiple consecutive estimated bills.

While not disputing the benefits of AMR, OCC claims that DEO "has provided little or no cost benefit analysis to justify accelerated deployment of AMR meters to all of its customers." (OCC Comments, p.8.) Apparently, OCC's position is that a system-wide deployment over a 15 to 20-year period with cost recovery through base rates would be acceptable, but an accelerated deployment over 5 years with costs recovered through a rider would not. But OCC's cost/benefit argument misses the point. DEO estimates that when fully deployed, AMR will result in O&M savings that will exceed the estimated annual depreciation, property tax and return on rate base associated with a system-wide AMR deployment. OCC does not dispute that there will be a savings. The real point is that the savings possible through AMR cannot be fully realized until the technology is deployed system-wide, or at least reaches a "critical mass" of customers. Until that time, DEO would still need to retain additional meter readers to continue its efforts to obtain actual readings on those accounts where the AMR devices have not yet been installed. Under OCC's approach, savings from implementation of AMR would not be fully realized until the end of the 15 to 20 year deployment. In addition, many of the efficiencies of a more rapid and methodical deployment over 5 years will be lost if the company moves to the piecemeal installations that will occur over a much longer time frame.

An additional problem with a 15 to 20 year deployment, coupled with cost recovery in base rates, is that customers would begin paying for AMR long before receiving the full benefit of the technology. A longer deployment schedule would necessarily dictate a more piecemeal approach in which DEO would convert meters to AMR one small area or neighborhood at a time. Even though all customers would pay for AMR through base rates, some customers would not receive the benefit of AMR for up to 20 years. In contrast, under a 5-year deployment with rider recovery, there is greater symmetry between when the costs are incurred and the benefits received. And, the cost would be minimal: less than $.25 cents per customer per month initially, rising to at most $1.00 per customer per month later in the deployment until the larger cost savings, which are credited against the amounts to be recovered via the rider, or inclusion of the cost in base rates reduces the rider to zero. An accelerated deployment with rider recovery is inherently fairer to ratepayers than a long-term deployment with recovery in base rates.

III. CONCLUSION

DEO's request for a waiver of Rule *4901:1-13-04(G)(1)* and *request for a rider* to recover the costs associated with a system wide, 5-year deployment of AMR are reasonable and will provide substantial benefits to ratepayers. The Commission should approve both Applications.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Response to Comments of Office of The Ohio Consumers' Counsel was sent by regular U.S. Mail to the following this 9th day of April, 2007:

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