

**FILE**

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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**PUCO**

In the Matter of the Application of The East Ohio :  
Gas Company dba Dominion East Ohio for : Case No. 07-829-GA-AIR  
Authority to Increase Rates for its Gas :  
Distribution Service. :

In the Matter of the Application of The East Ohio :  
Gas Company dba Dominion East Ohio for : Case No. 07-830-GA-ALT  
Approval of an Alternative Rate Plan for its Gas :  
Distribution Service. :

In the Matter of the Application of The East Ohio :  
Gas Company dba Dominion East Ohio for : Case No. 07-831-GA-AAM  
Approval to Change Accounting Methods. :

In the Matter of the Application of The East Ohio :  
Gas Company dba Dominion East Ohio for : Case No. 08-169-GA-ALT  
Approval of Tariffs to Recover Certain Costs :  
Associated with a Pipeline Infrastructure :  
Replacement Program Through an Automatic :  
Adjustment Clause, and for Certain Accounting :  
Treatment. :

In the Matter of the Application of The East Ohio :  
Gas Company dba Dominion East Ohio for : Case No. 06-1453-GA-UNC  
Approval of Tariffs to Recover Certain Costs :  
Associated with Automated Meter Reading and :  
for Certain Accounting Treatment. :

**PREFILED TESTIMONY  
OF  
PETER K. BAKER  
SERVICE MONITORING & ENFORCEMENT DEPARTMENT  
RELIABILITY & SERVICE ANALYSIS DIVISION  
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit \_\_\_\_\_

August 1, 2008

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1 1. Q. Please state your name and business address.

2 A. My name is Peter K. Baker. My address is 180 E. Broad Street, Columbus,  
3 Ohio, 43215-3793.

4

5 2. Q. Who is your employer?

6 A. I am employed by the Public Utilities Commission of Ohio.

7

8 3. Q. What is your present position with the Public Utilities Commission of Ohio  
9 and what are your duties?

10 A. I am a section chief in the Reliability and Service Analysis Division of the  
11 Service Monitoring and Enforcement Department. My section analyzes  
12 reliability and service quality performance, and enforces reliability, service  
13 quality, and consumer protection rules for electric, gas, and water utilities.

14

15 4. Q. Would you briefly state your educational background and work history?

16 A. I have bachelor's degrees in Psychology (1967) and Philosophy (1971)  
17 from the University of Oklahoma, and a 1987 bachelor's degree in Business  
18 Administration (with major in Accounting) from Franklin University.  
19 From 1972 to 1986, I was employed by Dowell Division of Dow Chemical  
20 Company (an oil field service operation later called Dowell Schlumberger)  
21 where I functioned as clerk/dispatcher and administrative assistant. In  
22 1987, I joined the PUCO, where I worked as an analyst and coordinator in

1 the Performance Analysis Division of the Utilities Department. In  
2 December of 1994, I was promoted to Administrator in the Consumer Ser-  
3 vices Department (now called the Service Monitoring and Enforcement  
4 Department), and assigned to the Compliance Division (now the Facilities  
5 and Operations Field Division). In that organization, I enforced electric,  
6 gas, and telephone service quality, customer service, and consumer protec-  
7 tion rules. In 1997, I was transferred to the Service Quality and Analysis  
8 Division (now called the Reliability and Service Analysis Division), and in  
9 2000, I was promoted to my current position and duties.

10  
11 5. Q. What is the purpose of your testimony in this case?

12 A. My testimony addresses filed objections relating Dominion East Ohio's  
13 (DEO's) proposal to install automatic meter reading (AMR) devices on all  
14 customer meters and recover associated costs through an AMR Cost  
15 Recovery Charge.<sup>1</sup> More specifically, my testimony addresses The Office  
16 of the Ohio Consumers' Counsel's (OCC's) Objection G, Ohio Partners for  
17 Affordable Energy's (OPAE's) Objections VI, VII, and X, and the Citizens  
18 Coalition's<sup>2</sup> Objection 1.

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<sup>1</sup> DEO's AMR proposal is discussed on pages 41 through 43 of the Staff Report.

<sup>2</sup> "The Citizens Coalition" refers collectively to the Neighborhood Environmental Coalition, The Empowerment Center of Greater Cleveland, the Cleveland Housing Network, and the Consumers for Fair Utility Rates.

1 6. Q. What was OCC's objection to DEO's AMR proposal?

2 A. OCC's primary objection concerned DEO's plan to install AMR devices on  
3 all meters. OCC argued it would be more economical for DEO to restrict  
4 AMR deployment to inside meters.

5  
6 7. Q. How do you respond to this objection?

7 A. I believe OCC's objection fails to consider the many non-quantifiable bene-  
8 fits (for all DEO customers) of monthly meter reading, which full AMR  
9 deployment makes possible. Although DEO's (standard service offer)  
10 commodity rate fluctuates on a monthly basis, DEO currently reads meters  
11 on a bi-monthly basis (every other month). DEO's bi-monthly meter read-  
12 ing does not provide an accurate matching of gas quantities used with  
13 commodity rates charged. This fact is significant because commodity rates  
14 are currently at historic highs, fluctuate widely, and constitute a high per-  
15 centage of the customer's total gas bill.<sup>3</sup>

16  
17 8. Q. How would partial AMR deployment affect DEO customers?

18 A. Partial deployment would essentially create two classes of customers, in  
19 that customers with AMR devices would receive an actual meter reading

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<sup>3</sup> This situation also affects the 60 percent of DEO's Choice customers whose commodity rates fluctuate from month to month.

1 every month while customers without AMR devices would receive no  
2 actual meter reading at all. This situation has to do with the nature of bi-  
3 monthly meter reading. Accordingly, for months when the meter is not  
4 read, the customer receives an estimated bill, and for months when the  
5 meter is read, the customer receives a true-up bill reflecting a blend of  
6 usage for the prior two months. Although bi-monthly meter reading does  
7 reflect actual usage over the two-month period as a whole, it does not  
8 reflect the actual usage for either of those two months taken individually.  
9 By contrast, with full AMR deployment and monthly meter reading, all  
10 DEO customers will receive every month a bill indicating their actual usage  
11 that coincides with that month's commodity rate.

12  
13 9. Q. Does full deployment of AMR devices produce other customer benefits?

14 A. Yes. With full AMR deployment, DEO will not only install data-collector  
15 units in vehicles that drive the meter-reading routes, but will also install  
16 these units in service vehicles and therefore will perform off-cycle meter  
17 readings much more frequently for customers moving in and out during the  
18 interval between regularly-scheduled meter reading dates. Choice custom-  
19 ers also will benefit by receiving an actual meter reading on the date they  
20 switch from one provider to another and thus receive gas bills that accu-  
21 rately reflect the usage from both the old and new supplier. Monthly meter  
22 reading with full AMR deployment also reduces the time it takes to identify

1 defective meters, because it would require only two consecutive months of  
2 zero usage (compared to four months with bi-monthly meter reading) to  
3 trigger a dead-meter investigation. This shorter detection period will result  
4 in fewer back-billing complaints from affected customers. Finally, AMR  
5 eliminates the human errors associated with visually reading the meter dial  
6 and manually recording the reading.

7  
8 10. Q. Does DEO receive operational benefits from full AMR deployment?

9 A. Yes, with full AMR deployment, meter readers will no longer need to walk  
10 the routes, read the meter dials, and physically record the meter readings.  
11 Instead, the meter reader drives the route and automatically records meter  
12 readings that are transmitted by radio signal from the AMR device on the  
13 meter to a data-collection unit in the vehicle. By contrast, if DEO were to  
14 restrict AMR deployment to inside meters, its meter readers would have to  
15 continue walking the majority of routes, because 60 percent of them have a  
16 mixture of inside and outside meters. Another operational benefit is  
17 improved safety because meter readers would no longer need to walk the  
18 routes and enter customer property. Call center expense would also be  
19 reduced because of fewer customer inquiries about meter reading issues  
20 (e.g. high-bill complaints due to estimated bills), meter reading expense  
21 would be reduced because fewer meter readers are needed with full AMR  
22 deployment, and automated detection of meter tampering will decrease lost

1 revenue from unbilled usage. Finally, DEO has a history of meter reading  
2 problems and associated back-billing issues (discussed in Staff witness  
3 Barbara Bossart's testimony), which Staff expects will be eliminated after  
4 full AMR deployment.

5  
6 11. Q. Can you summarize your position with respect to OCC's objection?

7 A. I believe the customer and operational benefits of full AMR deployment  
8 justify recovering its cost through the AMR Cost Recovery Charge as  
9 specified in the Staff Report.

10  
11 12. Q. Does OCC have other concerns?

12 A. Yes, OCC maintains that the AMR Cost Recovery Charge should reflect  
13 not only the savings related to reduced meter reading expenses but should  
14 also reflect other savings related to reduced call center, fraud, theft, and any  
15 other operations and maintenance expenses expected to be reduced in the  
16 future as the result of AMR deployment.

17  
18 13. Q. Do you agree with OCC?

19 A. Yes, I agree that any resulting savings should be reflected in the AMR Cost  
20 Recovery Charge.

1 14. Q. Also relating to the resulting savings, OCC witness Trevor Roycroft main-  
2 tains in his testimony that Staff should have selected a different baseline  
3 year (other than 2007) for calculating savings resulting from AMR deploy-  
4 ment. Do you agree with this position?

5 A. No, I believe that 2007 is the appropriate baseline year. 2007 data is more  
6 reliable since it represents the test year expenses that were subject to audit  
7 in the rate case.  
8

9 15. Q. Mr. Roycroft also argued that DEO's savings estimates should be used in  
10 combination with future comparisons against baseline-year expenses to cal-  
11 culate savings offsets to the AMR Cost Recovery Charge. Do you agree  
12 with this position?

13 A. Yes, I believe DEO should commit to its savings estimates, and I agree  
14 with OCC that if actual savings is less than estimated savings, then the  
15 higher estimate should be used to reduce the AMR Cost Recovery Charge.  
16

17 16. Q. Are you ready to discuss OPAE's objections now?

18 A. Yes, in its Objection VI, OPAE argues that since AMR technology elim-  
19 inates the need for manual disconnection and reconnection of a customer's  
20 gas service, DEO should eliminate charges that relate to service disconnec-  
21 tion and reconnection.  
22



1 17. Q. How do you respond to this objection?

2 A. OPAE's argument is based on a misunderstanding of AMR technology.  
3 Although AMR devices enable remote meter reading, they do not enable  
4 remote service turn-on or turn-off. Since DEO will continue to perform  
5 these activities manually, the Company will still need charges to recover  
6 their cost.  
7

8 18. Q. In its Objection VII, OPAE maintains that DEO's tariff should require  
9 monthly meter readings. Do you agree?

10 A. Although DEO has committed to perform monthly meter readings, it will  
11 not be able to adopt this practice for all customers until it completes the  
12 five-year AMR deployment process. Until that time, I believe it is prema-  
13 ture to include such a requirement in its tariff. I do recommend, however,  
14 that after AMR deployment is complete, DEO should file a revised tariff  
15 containing a monthly meter reading requirement.  
16

17 19. Q. In its Objection X, OPAE maintains that AMR cost recovery should be sub-  
18 ject to the "used and useful" standard. Do you agree?

19 A. Yes, I do.  
20

21 20. Q. The Citizens Coalition, in its Objection 1, expresses concern about custom-  
22 ers being prematurely disconnected for nonpayment (via AMR technology)

1 without receiving sufficient prior notice. How do you respond to this con-  
2 cern?

3 A. As I stated above in my response to OPAE's Objection VI, AMR technol-  
4 ogy does not have the capability to remotely disconnect service, and there-  
5 fore should not cause the premature-disconnection problems that OPAE  
6 describes.

7  
8 21. Q. Is there anything else you wish to discuss?

9 A. Yes, in his Second Supplemental Direct Testimony, Jeffrey Murphy states  
10 that DEO now estimates the cost of system-wide AMR deployment at  
11 \$126.3 million. I want to clarify the Staff's understanding that this cost  
12 estimate is a gross amount, which covers some cost elements which will be  
13 excluded from the calculation of DEO's AMR Cost Recovery Charge.

14 These exclusions are listed as follows:

- 15 ■ The cost of 18,056 AMR devices that were installed before the March  
16 31, 2007 date certain in this rate case;
- 17 ■ The cost of 40,000 AMR devices installed to replace mechanical remote  
18 devices with high failure rates;
- 19 ■ The cost of replacing approximately 82,000 old tin-case meters that are  
20 incompatible with the AMR devices (this cost includes the replacement  
21 meter and its installation);

- 1           ▪ The cost of making any of the estimated 142,000 “discretionary meter
- 2           changes” which may occur in conjunction with the installation of AMR
- 3           devices (this cost includes the replacement meter and its installation);
- 4           and
- 5           ▪ The cost of any routine maintenance performed while on site to install
- 6           an AMR device.

7           All of the costs listed above should be excluded from the AMR Cost

8           Recovery Charge.

9

10   22.   Q.   Does this conclude your testimony?

11       A.   Yes, it does.

## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Peter K. Baker, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 1<sup>st</sup> day of August, 2008.



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