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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	Case No. 09-1875-GA-RDR
The East Ohio Gas Company d/b/a	)	AMR Annual Filing For
Dominion East Ohio to adjust its	)	Calendar Year 2009
Automated Meter Reading Cost	)	
Recovery Charge and related Matters.	)	

COMMENTS
AND
RECOMMENDATIONS

SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION

March 29, 2010

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** to adjust its Automated Meter Reading Cost Recovery Charge and related Matters.	)))))	Case No. 09-1875-GA-RDR AMR Annual Filing For Calendar Year 2009

Alan R. Schriber, Chairman
Ronda Hartman Fergus, Commissioner
Valerie A. Lemmie, Commissioner
Paul A. Centolella, Commissioner
Cheryl Roberto, Commissioner

To the Honorable Commission:

In accordance with the Stipulation adopted in *In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio for Authority to Increase Rates in Case 07-829-GA-AIR et al., and for Automated Meter Reading,* Case Nos. 06-1453-GA-UNC and 09-38-GA-UNC, the Commission's Staff has conducted its investigation in the above-referenced matter and hereby submits its findings in these Comments to the Commission.

In accordance with the Commission's March 5, 2010 Entry in Case No. 09-1875-GA-RDR, the Staff timely submits its Comments.

These Comments contain the results of the Staff's investigation and do not reflect the views of the Commission nor is the Commission bound in any manner by the representation and/or recommendations set forth herein.

Respectfully submitted,

Utilities Department	Service Monitoring and Enforcement Department
Jodi J. Bair	
Jodi J. Bair, Director	**John Williams**, Director

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COMMENTS AND RECOMMENDATIONS

SUBMITTED ON BEHALF OF THE STAFF OF THE PUBLIC UTILITIES COMMISSION

BACKGROUND

The East Ohio Gas Company d/b/a Dominion East Ohio (DEO or Company) 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 communities.

On October 15, 2008 in the Opinion and Order in Case No. 07-829-GA-AIR et al., the Commission approved DEO's request to establish an automated adjustment mechanism to recover the costs associated with an Automated Meter Reading (AMR) program.

The establishment of the AMR rider, where rates are established each year, will continue until the effective date of the rates set in the Company's next base rate case.

The rider is designed to recover expenditures associated with the Company's AMR program, which covers the five-year installation of AMR equipment on each of the nearly 1.3 million meters in its system. This is accomplished by attaching an AMR device to the customer's existing meter. DEO intends to substantially complete its AMR installations by 2011. The Staff, by way of an annual filing by DEO to adjust the AMR rates, will review the viability of such rates.

As a part of the annual filing, a pre-filing notice is to be issued in November of each year, and will consist of nine months of actual and three months of projected data for the calendar year with a date certain December 31. By February 28 of the following year, the Company will file an application updating to a full year of actual data.

Unless the Staff finds DEO's filing to be unjust or unreasonable, or if any other party files an objection that is not resolved by DEO, the Staff will recommend Commission approval of the Company's application, with the increase in the AMR rider taking effect with the first billing cycle following the Commission order.

On December 19, 2008, DEO filed its first AMR application in Case No. 09-38-GA-UNC to recover costs incurred during calendar years 2007 and 2008.

On May 6, 2009 in the Opinion and Order in Case No. 09-38-GA-UNC, the Commission approved an AMR rider rate of $0.30 per month per customer.

On November 30, 2009, DEO filed a notice of intent to file an application in Case No. 09-1875-GA-UNC to adjust the existing AMR rider rate for costs incurred during calendar year 2009, along with preliminary schedules 1 through 11 supporting an estimated AMR revenue requirement based on nine months of actual data from the period

January 1, 2009 through September 30, 2009, and three months of projected data for the period October 1, 2009 through December 31, 2009.

On March 01, 2010, DEO updated its application to include a full year of actual data through December 31, 2009, along with supporting schedules 1 through 11 seeking the Commission approval of an AMR rider rate of $0.49 per month per customer.

SCOPE OF STAFF'S INVESTIGATION

The scope of the Staff's investigation was designed to determine if the Company's filed exhibits justify the reasonableness of the revenue requirement used as a basis for the annual adjustment to the AMR rider. The Staff's Comments summarize Staff's exceptions to the Company's rate filing, generally explain the basis or bases for each exception, and provide recommendations to correct those exceptions.

The Staff reviewed and analyzed all of the documentation filed by the Company and traced it to supporting work papers and to source data. As part of its review, the Staff issued data requests, conducted investigative interviews, and performed independent analyses when necessary. When investigating the Company's operating income, the Staff reviewed expenses associated with depreciation, amortization of post in-service carrying charges, property taxes, and reduction in operation and maintenance expenses.

For rate base, the Staff reviewed and tested the Company's plant accounting system to ascertain if the information on AMR assets contained in the Company's plant ledgers and supporting continuing property records represented a reliable source of original cost data. The testing included the selection of transactions for detailed review.

Finally, the Staff reviewed post in-service carrying costs and the related deferred income tax effect. The Staff also reviewed the calculation of the deferred taxes on liberalized deprecation.

COMPANY'S PROPOSED RECOVERY

The Company proposes a revenue requirement calculation to support its AMR cost recovery charge. The AMR rider is based on an annualized revenue requirement and the number of bills issued to customers on applicable rate schedules between December 31, 2008 and December 31, 2009. The Company requests that the Commission adjust its AMR cost recovery charge to $0.49 per month per customer and such adjusted AMR rate should become effective in May 2010.

The Company's calculation is consistent with the Stipulation adopted by Commission in Case No. 09-38-GA-UNC and includes the following:

- Original Cost and Accumulated Reserve for post 3/31/07 (date certain, Case No. 07-829-GA-AIR) AMR property
  - AMR property was used and useful on December 31, 2009
  - Capital expenditures for new equipment were limited to new AMR devices and related equipment

- Post In-Service Carrying Costs (PISCC) were calculated on net plant additions and Company's embedded cost
  - PISCC was recorded in unique sub-accounts of Account 182.3, Other Regulatory Assets
  - PISCC was calculated from the date that the applicable assets are used and useful (post-3/31/07) until the next effective date of AMR rider
  - PISCC was based on Company's embedded interest cost approved in the last case.

- Calculation of deferred taxes on liberalized depreciation

- Proper annual depreciation expense

- Gross-up of 8.49% rate of return assigned to the recovery of AMR net capital expenditures

- Reduction in operation and maintenance expenses resulting from the AMR program

- Incremental property taxes associated with net AMR plant additions

- An AMR revenue requirement that was allocated to each class based on the respective class' actual number of bills

The Company's AMR revenue requirement of $7,194,450 for AMR net plant additions capitalized from the program's inception through the date certain of December 31, 2009, is allocated to the rate classes using the number of customer bills for the twelve months ended December, 2009. A monthly charge of $0.49 should be applicable to all customers receiving service under the following rate schedules:

General sales service
Large volume general sales service
Energy choice transportation service
Large volume energy choice transportation service
General transportation service
Transportation service for schools

Implementation Progress

During 2009, DEO installed 332,135 AMR devices, a 19 percent increase over the number of AMRs installed during 2008. The table below indicates DEO's AMR installations during the years 2006 through 2009.

DEO AMR Installations			
Year	Annual	Cumulative	% of Total Meters
2006	524		
2007	131,480	132,004	10 %
2008	278,582	410,586	32 %
2009	332,135	742,721	58 %

The table also indicates that after completing three full years of its five-year AMR program, DEO has installed AMRs on 58 percent of its projected total of 1,272,502 meters. This implies that during the remaining two years of the program, DEO's annual AMR installations should average approximately 267,000 meters, a quantity that DEO has exceeded during each of the last two years. Based on this performance, Staff is confident that DEO will be able to complete the AMR installation program on schedule. In its original application for approval of the AMR rider, DEO committed to convert its customers from a bi-monthly (every two months) meter reading to monthly meter reading.[1] Prior to conversion, DEO must combine several existing meter routes into a much larger route that can be read by a van equipped with a meter reading data collector instead of a walking meter reader. DEO uses "Route Smart" software to determine the most efficient routing that has the least impact on customer billing cycles. DEO has implemented monthly meter reading in those areas of its service territory where AMR installations are nearly 100 percent complete. These areas now include Marietta, Eastlake, and Willowick in the northwest portion of Cleveland, and seven routes in Lima.

As of year-end 2009, DEO had converted 33,300 of its customers to monthly meter reading. During 2010, as more areas achieve near 100-percent AMR saturation, Staff expects DEO to accelerate its route reorganization to substantially increase the number of customers that receive a monthly meter reading.

OPERATING EXPENSE SAVINGS CALCULATION

On May 6, 2009 Opinion and Order in Case No. 09-38-GA-UNC, the Commission approved the AMR stipulation where the parties agreed to use 2007 as a baseline from which meter reading and call center savings will be determined. Such quantifiable savings shall be credited to amounts that would otherwise be recovered through the AMR cost recovery charge.

For the current AMR application, DEO utilized the 2007 baseline and the 2009 actual costs to calculate both the call center expense savings and the meter reading expense savings.

The current AMR application also reflects the following conditions:

- The cost of contractor-performed inside-meter inspections has not been charged to meter reading expense;
- The cost of inside-meter inspections performed by meter readers (other than in conjunction with a regular meter reading visit) has not been charged to meter reading expense;
- The call center expense has not been netted against meter reading expense in calculating Operating Expense savings for the AMR Cost Recovery Charge; and

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[1] See paragraph 9 on pages 5 and 6 of DEO's December 13, 2006 Application in Case No. 06-1453-GA-UNC.

- If the savings calculation results in a cost increase (either for meter reading or call center expense), then such increase will have no effect on the calculation of the AMR cost recovery charge.

The AMR cost recovery charge yields no 2009 call center expense saving but it does yield a 2009 meter reading expense saving of $680,659 which is reflected in DEO's application. The Staff believes that DEO's calculation of the AMR operating expense savings is consistent with the AMR stipulation adopted by the Commission in Case No. 09-38-GA-UNC. The Staff recommends approval of the $680,659 saving amount.

STAFF'S EXCEPTIONS AND RECOMMENDATIONS

The Staff has completed its investigation of the Company's proposed AMR rider. As a result of its investigation, the Staff has determined that the Company's calculation of the AMR revenue requirement as reflected in the updated filing is supported by adequate data and information and the revenue requirement is properly allocated to the various customer classes in accordance with the terms and conditions of the Stipulation adopted by the Commission in Case No. 09-38-GA-UNC except for the following recommended adjustment:

1. The Company utilized an estimated tax rate to annualize property tax expense. The Staff recommends that the latest known tax rate be utilized in the calculation of the property tax expense.

With the adoption of the above recommendation, the Staff recommends the approval of a monthly charge of $0.47 for all applicable customers. The Staff also recommends that the adjusted AMR rider be implemented in the first billing cycle of the month following the Commission's decision.

CERTIFICATE OF SERVICE

I certify a copy of the foregoing was served on the parties of record by electronic mail and regular U.S. mail, postage prepaid, by serving their attorneys on March 29, 2010.

Stephen A. Reilly

PARTIES OF RECORD:

Mark A. Whitt, Counsel of Record
Christopher T. Kennedy
Joel E. Sechler
Carpenter, Lipps & Leland, LLP
280 Plaza Suite 1300
280 North High Street
Columbus, Ohio 43215
whitt@carpenterlipps.com
kennedy@carpenterlipps.com
sechler@carpenterlipps.com

Attorneys for The East Ohio Gas Company
d/b/a Dominion East Ohio

Joseph P. Serio, Counsel of Record
Larry S. Sauer
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street
Columbus, Ohio 43215-3485
serio@occ.state.oh.us
sauer@occ.state.oh.us

Attorneys for The Ohio Consumers' Counsel