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FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Application of Columbia Gas of Ohio, Inc. for an Adjustment to Rider IRP and Rider DSM Rates.	))))	Case No. 09-1036-GA-RDR

COMMENTS ON THE APPLICATION OF COLUMBIA GAS OF OHIO
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC"), an intervenor in the above-captioned proceeding, hereby files these Comments on the Application of Columbia Gas of Ohio, Inc. ("Columbia" or "Company") to increase the rates it charges customers for systematic repair and/or replacement of 1) customer-owned service lines, and prone to failure risers; 2) cast iron, wrought iron, unprotected coated steel and bare steel pipe in its distribution system; and 3) the installation of Automatic Meter Reading Devices, as initially proposed in Columbia's recent rate case.[1]

Columbia's proposed increase would be collected from customers via the Infrastructure Replacement Program Rider ("Rider IRP"), per the Application that Columbia filed on February 26, 2010. Rider IRP is supposed to provide for the recovery of costs incurred for:

> (a) The future maintenance, repair and replacement of customer-owned service lines that have been determined by Columbia to present an existing or probable hazard to persons and property, and

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[1] *In re Columbia Rate Case ("2008 Columbia Rate Case"),* Case No. 08-72-GA-AIR, et al., Prepared Direct Testimony of Steven Vitale at 7 (March 17, 2008)

> the systematic replacement, over a period of approximately three years, of certain risers prone to failure if not properly assembled and installed. The replacement of customer-owned service lines and prone-to-failure risers was previously approved by the Commission in its opinion and order dated April 9, 2008, in Case No. 07-478-GA-UNC; (b) The replacement of cast iron, wrought iron, unprotected coated steel, and bare steel pipe in Columbia's distribution system, as well as Columbia's replacement of company-owned and customer-owned metallic service lines identified by Columbia during the replacement of all the above types of pipe (referred to as the Ac'celerated Mains Replacement Program or AMRP); and (c) The installation, over approximately a five-year period, of Automatic Meter Reading Devices ("AMRD") on all residential and commercial meters served by Columbia.[2]

Pursuant to the Stipulation and Recommendation ("Stipulation") filed on October 24, 2008, in Case No. 08-72-GA-AIR et al., and the Opinion and Order of the Public Utilities Commission of Ohio ("Commission" or "PUCO") dated December 3, 2008, the Rider IRP rates are subject to increases that customers may have to pay, up to a cap, in each year 2009 through 2013.[3]

In addition, Columbia has filed for the collection of costs related to the implementation of a demand side management ("DSM") program. The program is intended to allow customers to reduce bills through various conservation programs as set forth in Case No. 08-833-GA-UNC.[4]

On November 30, 2009, Columbia submitted a pre-filing notice of its intent to file an Application for approval of an increase in the IRP rider rates and DSM Rider rate. OCC filed its Motion to Intervene in these cases on December 30, 2009. The OCC

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[2] Opinion and Order at 8 (December 3, 2008); See also the Direct Testimony of David Roy at 4 (recovery of AMRD-related costs will first be addressed in February 2010.) (February 27, 2009).

[3] Id. at 9.

[4] *In re DSM Case,* Case No. 08-833-GA-UNC, Application (July 1, 2008), and approved by the Commission in Finding and Order (July 23, 2008).

Motion to Intervene was granted by an Attorney Examiner Entry dated March 5, 2010 ("Entry").

II. RESERVATION OF RIGHTS

At this time, OCC's Comments on the Application are preliminary in nature. OCC reserves the right to file additional comments and to file expert testimony on any matters not resolved by April 5, 2010, in the settlement process set forth in the Attorney Examiner's Entry.

III. BURDEN OF PROOF

The burden of proof regarding the Application rests upon Columbia. In a hearing regarding a proposal that involves an increase in rates, R.C. 4909.19 provides that, "[a]t any hearing involving rates or charges sought to be increased, the burden of proof to show that the increased rates or charges are just and reasonable shall be on the public utility."[5] Inasmuch as the current case arose from Columbia's Rate Case, and is requesting an increase in rates, Columbia in this case bears the burden of proof. Therefore, neither OCC nor any other intervenor bears any burden of proof in this case.

IV. COMMENTS

A. The AMRP Program Is Not Accomplishing Its Intended Goals And Should Be Reviewed Or Cancelled.

The Columbia AMRP is not generating the benefits that were envisioned at the time the program was approved. This failure combined with the other deficiencies described

[5] See also R.C. 4909.18.

below brings the value of Columbia's AMRP program into question, and requires the PUCO to act to restore the balance intended in the Stipulation and Opinion and Order. As part of its Opinion and Order, the Commission ordered the Company to perform a study to assess the impacts of this program no later than November 30, 2012.[6] The Commission's Order stated:

> By no later than November 30, 2012, Columbia shall perform a study to assess the impact of the AMRP program on safety and reliability, the estimated costs and benefits resulting from acceleration of the pipeline replacement activity, and Columbia's ability to manage, oversee and inspect the AMRP program effectively and prudently. The study shall be provided to the stipulating parties and may be considered by the Commission in its review of any Columbia Rider IRP adjustment filing.[7]

In light of the fact that intended benefits are not materializing, OCC recommends that the Commission direct Columbia to more immediately conduct the study in order to determine if the AMRP should be continued in light of its dismal performance to date. While the Order states that the study must be completed no later than November 30, 2012, there is nothing in the Order that precludes the PUCO from requiring that the Study be done sooner if appropriate and necessary.[8] The lack of savings combined with the increased leak rate provides the PUCO with sufficient cause to require Columbia to perform the Study in time to file it no later than November 30, 2010 so that continuation of the AMRP can be litigated as part of Columbia's next IRP review.

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[6] See also Stipulation at 13 (October 24, 2008).

[7] *In re Columbia Rate Case ("2008 Columbia Rate Case")*, Case No. 08-72-GA-AIR, et al., Opinion and Order at 10 (December 3, 2008).

[8] See also Stipulation at 13 (October 24, 2008).

The AMRP was intended to accelerate the physical process of replacing aging pipeline infrastructure.[9] Of importance to Columbia, the AMRP also accelerated recovery of the investment from customers.[10] However, the importance of the AMRP program to residential customers was to be measured in the form of accelerated safety and accelerated savings in the reduction of Operation & Maintenance ("O&M") costs.[11]

Although the AMRP program has accelerated the recovery of costs to Columbia's benefit, the Company has implemented the AMRP program in a manner that has seemingly left the accelerated safety and savings lagging far behind the accelerated cost recovery portion of the program. Not surprisingly, residential customers have borne the brunt of the costs without the accompanying safety and savings that were promised.[12]

The OCC has identified a number of problems with the Columbia AMRP program. First, there are questions regarding the overall safety of Columbia's distribution system.. Comparing Columbia's pipeline safety today to Columbia's pipeline safety at the time the Columbia Rate Case testimony was filed supporting the

[9] *In re Columbia Rate Case ("2008 Columbia Rate Case"),* Case No. 08-72-GA-AIR, et al., Prepared Direct Testimony of Steven Vitale at 7 (March 17, 2008) ("In 2006, Columbia's annual rate of replacement of non-protected bare steel was 1.4%, or approximately 50.6 miles. Extrapolating Columbia's 2006 rate of replacement into the future would result in replacement of its bare steel main inventory in approximately 72 years.").

[10] *In re Columbia Rate Case ("2008 Columbia Rate Case"),* Case No. 08-72-GA-AIR, et al., Prepared Direct Testimony of Larry Martin at 30 (March 17, 2008). ("The first rate recovery mechanism will provide Columbia with the ability to track and recover, on an annual basis, the costs of implementing an Infrastructure Replacement Program ("IRP"), and will be referred to as Rider IRP.").

[11] *In re Columbia Rate Case ("2008 Columbia Rate Case"),* Case No. 08-72-GA-AIR, et al., Prepared Direct Testimony of David A. Roy at 23 (March 17, 2008) ("Columbia will replace deteriorating pipe and enhance the safety of its system by ensuring replacement of facilities with new, longer lasting and safer materials.") See also at 22 ("Columbia expects O&M expenses to decline over time by reducing problematic pipe having corrosion leaks.").

[12] Application at Attachment A (Small General Service Revenue Requirement $28,059,959 compared to total revenue requirement for all classes $31,734,073).

need for the AMRP program[13] there is no evidence that the system is as safe today as it was in 2007 -- let alone safer, in an accelerated manner.

The Columbia bare steel leak rate, the leaks repaired and the back log of leaks to be repaired are all significantly increasing. At the time of the 2008 Columbia Rate Case, the Company's bare steel leak rate was at 0.76.[14] It is currently at 0.96,[15] a 26 percent increase. Likewise, in 2009 Columbia repaired 4,084 leaks compared to 3,583 and 3,357 in 2008 and 2007 respectively,[16] a 22 percent increase since 2007. Finally, the number of open leaks yet to be repaired has significantly increased from 6,145 at the end of 2007 to 9,717 at the end of 2009,[17] a 58 percent increase. All of these statistics paint a picture of a pipeline system that is less safe today than it was two years ago.

While the issue of overall system safety can be debated, the Company's own expert has testified that every leak has the potential to be a risk to public safety. Company witness Roy testified in the rate case as follows:

> Q. If corrosion leaks were to increase in the future, does this increase the risk to public safety?
>
> A. Yes. Every corrosion leak has the potential to become a risk to public safety, and because the unprotected bare steel mains are getting older and the corrosion process is continuous, the risk of an incident occurring is increasing.[18]

[13] *In re Columbia Rate Case,* Case No. 08-72-GA-AIR, et al. Prepared Direct Testimony of Steven Vitale at Attachment SV-1 Comparative Analysis of the Bare and Coated Steel Distribution Piping of Columbia Gas of Ohio, Inc. by Black & Veatch (March 17, 2008).

[14] *In re Columbia Rate Case,* Case No. 08-72-GA-AIR, et al. Prepared Direct Testimony of Steven Vitale at Attachment SV-1 page 2 (March 17, 2008).

[15] Columbia response to Staff Data Request Set 40 No. 003.

[16] Correction to the Prepared Direct Testimony of David A. Roy at 8 (March 17, 2010).

[17] Id.

[18] *In re Columbia Rare Case,* Case No. 08-72-GA-AIR, et al. Prepared Direct Testimony of David A. Roy at 16 (March 17, 2008).

Based on Columbia's own assessment, it is therefore unquestionable that a 58 percent increase in open leaks on Columbia's system places the public at greater risk today than existed at the time of the 2008 Columbia Rate Case. The Company's distribution system cannot therefore be considered safer today with the AMRP in place that it was prior to implementation of the AMRP. Rather, the numbers seem to indicate that Columbia was doing a better job keeping the system safe without the AMRP program than with it.

The increase to the leak rate and the number of leaks repaired and open leaks is troubling in and of itself. However, even more disturbing is whether Columbia's lack of progress in the replacement of its priority pipe[19] -- through the AMRP -- may actually be the primary contributor to the deteriorating system safety. In the 2008 Columbia Rate Case, the Company projected that it would be spending $73 million and replacing 160 miles of priority pipe each year of the AMRP.[20] In reality, Columbia's spending has been much less than anticipated and is going in a downward trend. For the past two years Columbia has spent $39.3 million (in 2008) and[21] $34.0 million (in 2009). And the spending for AMRP projects is projected to be $20.0 million in 2010.[22] Furthermore, consistent with the significant decrease in spending has been a reduction in the priority pipe that was replaced during 2008 and 2009. In 2008, Columbia replaced approximately

[19] *In re Columbia Rare Case,* Case No. 08-72-GA-AIR, et al. Prepared Direct Testimony of David A. Roy at 7 (March 17, 2008) (Columbia considers replacement of unprotected bare steel, cathodically protected bare steel, un-protected coated steel, wrought iron, and cast iron to be priority pipe.).

[20] *In re Columbia Rare Case,* Case No. 08-72-GA-AIR, et al. Prepared Direct Testimony of David A. Roy at 7-8 (March 17, 2008) (Columbia proposes to replace approximately 4,000 miles of priority pipe over 25 years or 160 miles per year).

[21] *In re 2008 Columbia AMRP Case,* Case No. 09-06-GA-UNC, Prepared Direct Testimony of David A. Roy at 4 (February 27, 2009).

[22] *In re 2009 Columbia AMRP Case,* Case No. 09-1036-GA-RDR, Prepared Direct Testimony of David A. Roy at 4 (February 26, 2010).

91.4 miles of priority pipe,[23] and in 2009 Columbia replaced approximately 100.1 miles, significantly less than the projected 160 miles per year.[24]

An additional problem is that the AMRP program is Columbia's failure to generate any O&M savings. In its 2008 Columbia Rate Case pleadings, Columbia assured parties that "Columbia expects O&M expenses to decline over time by reducing problematic pipe having corrosion leaks."[25] Unfortunately, up to this point in the AMRP, there have been no O&M savings to pass back to consumers. The Commission addressed this issue in the recent Dominion East Ohio pipeline infrastructure case, stating:

> In evaluating the arguments of the parties, the Commission is mindful of the goal, articulated in the DEO Distribution Rate Case, of using the O&M baseline savings to reduce the fiscal year-end regulatory assets, **which allows customers a more immediate benefit of the cost reductions achieved as a result of the PIR program** (Staff Ex. 2 at 5). Moreover, the Commission agrees that, if O&M baseline savings are calculated using the methodology suggested by the company, it is possible that consumers will not realize any immediate savings as the result of the PIR program and could incur additional expenses.[26]

One apparent explanation for the failure to recognize reduced O&M expenses is that Columbia has not replaced priority pipe at the rate that was originally contemplated, resulting in more leak repairs, and thus Columbia's consumers are not realizing the benefit of lower O&M expenses from the established baseline. Another explanation

[23] *In re 2008 Columbia AMRP Case,* Case No. 09-06-GA-UNC, Prepared Direct Testimony of David A. Roy at 5 (February 27, 2009) (482,825 feet of Bare Steel and Cast Iron pipe replacements divided by 5,280 feet per mile = 91.4 miles).

[24] *In re 2009 Columbia AMRP Case,* Case No. 09-1036-GA-RDR, Prepared Direct Testimony of David A. Roy at 4 (February 26, 2010), (528,551 feet of Bare Steel and Cast Iron pipe replacements divided by 5,280 feet per mile = 100.1 miles).

[25] *In re Columbia Rate Case,* Case No. 08-72-GA-AIR, et al. Prepared Direct Testimony of David A. Roy at 22 (March 17, 2008).

[26] *In re DEO PIR Case,* Case No. 09-458-GA-RDR, Opinion and Order at 11 (December 16, 2009) (Emphasis added).

could be that Columbia is replacing priority pipe based upon a prioritization other than replacing the pipes with the most leaks first.[27]

Columbia alone has made the decision regarding how much and what pipeline should be replaced and the order of that replacement. Ohio law authorizes the Commission to consider utility management policies and practices when determining just and reasonable rates. R.C. 4090.154 states:

> In fixing the just, reasonable, and compensatory rates, joint rates, tolls, classifications, charges, or rentals to be observed and charged for service by any public utility, **the public utilities commission shall consider the management policies, practices, and organization of the public utility.** The commission shall require such public utility to supply information regarding its management policies, practices, and organization. If the commission finds after a hearing that the management policies, practices, or organization of the public utility are inadequate, inefficient, or improper, the commission may recommend management policies, management practices, or an organizational structure to the public utility. **In any event, the public utilities commission shall not allow such operating and maintenance expenses of a public utility as are incurred by the utility through management policies or administrative practices that the commission considers imprudent.** (Emphasis added).

Having made those decisions, Columbia's management should now be held accountable before residential consumers are required to pay even higher rates without the benefits that were promised.

Historically, the Company has had responsibility for undertaking its capital projects and replacing facilities as necessary in order to provide safe and reliable service

[27] *In re DEO PIR Case,* Case No. 09-458-GA-RDR, Opinion and Order at 10 (December 16, 2009) OCC successfully argued in the DEO case that it was DEO's decision to place transmission projects ahead of the distribution projects which had the greatest negative impact on leak reduction, thereby reducing the amount of baseline savings available for DEO to pass back to consumers.

for its customers and to recover from customers only prudently incurred costs through the rate case process.[28] In approving the Stipulation that authorized the AMRP implementation for Columbia, the Commission has approved this very generous program that provides Columbia an opportunity to accelerate the replacement of its aging infrastructure, and, through the AMRP Cost Recovery Rider, provides for accelerated cost recovery under the alternative regulation statute which substantially removes the regulatory lag present under traditional ratemaking.[29]

Certainly, accelerated cost recovery was an integral part of the AMRP program for Columbia, but in exchange there was a quid pro quo for consumers. It was contemplated that Columbia's system would be safer with the AMRP than without it.[30] As discussed earlier, that is not the case. Also, Columbia's customers expected to see a reduction in O&M expenses which also has not materialized.[31] While the AMRP is only in its second year, Columbia's proposal for 2010 funding for this program to be 41 percent less than the current funding level, suggests that the number of leak repairs will continue to increase, and O&M savings will be pushed further into the future, if ever. Nevertheless, Columbia still expects accelerated cost collection from customers.

Therefore, Columbia should be required to justify continuation of this very expensive and as of yet unproven program, before customers are forced to pay millions of additional accelerated AMRP charges.

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[28] R.C. 4909.18 and R.C. 4909.19.

[29] R.C. 4929.11.

[30] *In re Columbia Rate Case ("2008 Columbia Rate Case")*, Case No. 08-72-GA-AIR, et al., Prepared Direct Testimony of David A. Roy at 8 (March 17, 2008).

[31] Id. at 22.

B. The Commission Should Limit Columbia's Recovery of Costs from Customers In The IRP To The Incremental Accelerated Main Replacements As Directed In The Rate Case Opinion And Order.

Pursuant to the Commission's Order in the 2008 Columbia Rate Case, the PUCO should limit the recovery of AMRP investment to the incremental amount above and beyond what the Company was already spending or planning on spending. The 2008 Columbia Rate Case Opinion and Order stated:

> While we are willing to approve the establishment of the rider, our understanding of the projects to be recovered under the rider are projects that would not otherwise be funded by Columbia's existing capital replacement program (Columbia Ex. 13 at 18.) **Our intent is that Rider IRP should not be used to recover investment costs that would routinely be included in and funded by the company's existing capital replacement program.**[32]

The Commission clearly articulated its intent to limit Columbia's recovery in this proceeding.

In 2007, prior to the current AMRP, Columbia's pipeline replacement expenditures were approximately $19.3 million.[33] This amount can be determined from Columbia's own Rate Case testimony:

> In 2007, specific replacement projects were identified; planned, designed, and constructed that was of similar scope and magnitude as those anticipated for the AMRP. This allowed Columbia to not only retire some old leaking gas mains, but also observe and learn what it can expect to happen with future projects. For 2008, Columbia has increased its capital replacement program by approximately $20 million over what was planned in 2007. Columbia is planning on spending approximately $73 million in 2009 for its capital replacement program. The 2009 capital

[32] *In re Columbia Rate Case ("2008 Columbia Rate Case")*, Case No. 08-72-GA-AIR, et al., Opinion and Order at 14 (December 3, 2008) (emphasis added).

[33] OCC has outstanding discovery to more accurately ascertain the appropriate priority pipe replacement baseline.

> replacement program would be considered the first full year of the AMRP.[34]

In 2008, Columbia spent $39.3 million.[35] Therefore, 2007 expenditures amounted to approximately $19.3 million ($39.3 million - $20 million = $19.3 million). With 2007 serving as the baseline for pre-AMRP expenditure levels, the AMRP recovery should be limited to the $20 million increment beyond what Columbia was previously routinely spending. To include any of the baseline $19.3 million in Columbia's AMRP recovery would allow Columbia to collect funds from customers that were routinely included in and funded by the company's existing capital replacement program. Such collections from customers would be contrary to the Commission's Opinion and Order. The limitation of AMRP-related recovery to the cost of Columbia's incremental investment in excess of the costs that would routinely be included in and funded by the company's existing capital replacement program results in a reduction to the AMRP rate of $0.13 for a residential customer (typically in the SGS Class).

C. The Commission Should Modify The Columbia IRP Rate Consistent With The Following Adjustments.

In addition to the above noted adjustments, OCC recommends the following additional modifications to Columbia's IRP Rider rate.

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[34] *In re Columbia Rate Case ("2008 Columbia Rate Case"),* Case No. 08-72-GA-AIR, et al, Prepared Direct Testimony of David A. Roy at 18 (March 17, 2008).

[35] *In re 2008 Columbia AMRP Case,* Case No. 09-06-GA-UNC, Prepared Direct Testimony of David A. Roy at 4 (February 27, 2009).

1. <u>The Commission Should Recognize Operation and Maintenance Savings.</u>

OCC recommends that the PUCO apply the same methodology used by Staff and approved by the PUCO in the recent Dominion East Ohio Gas Company Pipeline Infrastructure Replacement ("PIR") program case to Columbia's O&M savings calculation. Instead of adding each account together for a net savings amount, the PUCO approved using only the savings amounts and did not adding in any "losses" to the net total.

The PUCO in its Opinion and Order stated:

> Because immediate customer savings were articulated as a goal of the PIR program, the Commission finds that, consistent with Staff's proposal, **the O&M baseline savings should be calculated using only the savings from each category of expenses,** such that O&M savings will total $554,300.64 for the PIR year under consideration in this proceeding."[36]

The impact of this adjustment would be to have O&M Expense savings of $2,719,805 instead of a net increase in O&M Expenses of $1,752,983. The impact on customers would be to reduce the Columbia-proposed $0.48 monthly AMRP charge for a residential customer (SGS Class) to approximately $0.36.[37] The two additional adjustments outlined in the following sections will reduce the proposed monthly AMRP charges further.

[36] *In the Matter f the Application of The East Ohio Gas Company d/b/a Dominion East Ohio to Adjust its Pipeline Infrastructure Replacement Program Cost Recovery Charge and Related Matters,* Case No. 09-458-GA-RDR, Opinion and Order (December 16, 2009) at 11. (Emphasis added).

[37] OCC recognizes that in the event the Commission limits Columbia's AMRP-related recovery to the cost of Columbia's incremental investment in excess of the costs that would routinely be included in and funded by the company's existing capital replacement program, that an adjustment to OCC's proposed Operation and Maintenance Savings recommendation. OCC does not have the data to make the necessary adjustment; however, a pro-rata adjustment can be made to estimate that adjustment.

2. Exclusion of Out of Test Year Expenses

Columbia states that its Application is based upon a test year beginning January 1, 2009, and ending December 31, 2009, and a date certain of December 31, 2009. [38] Columbia's Application includes $26,859 in 2008 AMRP-related expenses that should not be included within the IRP rate calculated for the 2009 test year. This deduction of out-of-test-year expense will result in a reduction of $0.001 in the proposed monthly AMRP charge for residential customer (SGS Class).[39]

3. Exclusion of Costs Related to the Replacement of Plastic Pipe

OCC also recommends that any costs associated with the removal and replacement of plastic pipe be excluded from collection from customers in the Rider IRP mechanism. The Stipulation states Rider IRP will provide for recovery of costs incurred in: "Columbia's replacement of cast iron, wrought iron, unprotected coated steel and bare steel pipe in its distribution system, as well as Columbia's replacement of company-owned and customer-owned metallic service lines identified by Columbia during the replacement of all the above types of pipe."[40] There is and was no expectation of the Parties, pursuant to the Stipulation or the Opinion and Order, that Columbia would collect the costs of the replacement of plastic mains through the IRP Rider that it charges to customers.

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[38] Application at 4 (February 26, 2010).

[39] OCC recognizes that in the event the Commission limits Columbia's AMRP-related recovery to the cost of Columbia's incremental investment in excess of the costs that would routinely be included in and funded by the company's existing capital replacement program, that an adjustment to OCC's proposed exclusion of out of test year expense recommendation. OCC does not have the data to make the necessary adjustment; however, a pro-rata adjustment can be made to estimate that adjustment.

[40] Stipulation at 8 (October 24, 2008).

The Commission, in the Opinion and Order approving the Stipulation, states that "while we are willing to approve the establishment of the rider, our understanding of the projects to be recovered under the rider are projects that would not otherwise be funded by Columbia's existing capital replacement program (Columbia Ex. 13 at 18). Our intent is that Rider IRP should not be used to recover investment costs that would routinely be included in and funded by the company's existing capital replacement program."[41] .It is OCC's position that the AMRP rider should not be the mechanism to collect from customers the costs of replacing old plastic with new plastic mains and services.

Columbia's testimony in this case states: 53,695 feet of plastic pipe has been replaced during 2008 in the course of the IRP and those costs will be recovered through the AMRP Rider.[42] Columbia witness Roy further states that these typically are short sections of plastic main consisting primarily of Priority Pipe and, in some cases, Columbia abandons the plastic main because it is being moved to a different location.[43] The latter scenario does not fit into the ARMP as no metallic mains are being removed in the process -- only lengths of plastic main are being moved because of some main relocation project which is probably a street improvement project dictated by a local government.

In its Application, Columbia does not break out the capital investment and associated costs of replacing its mains and services by pipe composition (cast iron, bare steel, plastic, etc.). Therefore, OCC used the average capital investment and associated costs of the AMRP main replacement projects to estimate the capital investment and

[41] Opinion and Order at 14 (December 3, 2008).

[42] Columbia Direct Testimony of David Roy at 4 (February 27, 2009).

[43] Id. at 5.

associated costs of replacing plastic mains. The removal of the costs associated with new plastic mains that replace the existing plastic mains from the IRP Rider calculation will impact the total expense and annualized return on rate base numbers that makes up the revenue requirement to be collected.

Based on this calculation, OCC proposes to reduce the 2009 AMRP-related revenue requirement by $486,959. This reduction of costs associated with replacing plastic mains will result in a decrease of $0.02 in the proposed monthly AMRP charge for the residential customer (SGS Class.[44]

V. CONCLUSION

The Office of the Ohio Consumers' Counsel respectfully files these Comments on the Columbia Application in conformance with the Stipulation and with the Attorney Examiner's Entry. OCC's recommendations are directed toward producing for Columbia's approximately 1.2 million residential consumers the best result and lowest reasonable rate possible.

The lack of savings combined with the increased leak rate provides the PUCO with sufficient cause to require Columbia to perform a Study to assess the impact of the AMRP program on safety and reliability, the estimated costs and benefits in time to file it no later than November 30, 2010. Therefore, the continuation of the AMRP can be litigated with Columbia's next IRP review.

[44] OCC recognizes that in the event the Commission limits Columbia's AMRP-related recovery to the cost of Columbia's incremental investment in excess of the costs that would routinely be included in and funded by the company's existing capital replacement program, that an adjustment to OCC's proposed exclusion of costs related to the replacement of plastic mains recommendation. OCC does not have the data to make the necessary adjustment; however, a pro-rata adjustment can be made to estimate that adjustment.

Furthermore, consistent with the Commission's Opinion and Order from the Columbia rate case, the PUCO should limit Columbia's AMRP recovery to the costs that exceed the Company's routine capital replacement program prior to the AMRP implementation. This adjustment would reduce the Columbia-proposed AMRP Rate by $0.13 to $0.35 for a residential customer (typically in the SGS Class).

Finally, the Company's proposed AMRP rider rate should be modified to reflect 1) an appropriate level of operation and maintenance savings, 2) recognize the exclusion of out of test period expenses, and 3) recognize the exclusion of costs related to the replacement of plastic mains.

OCC's recommended adjustment to Columbia's proposed AMRP Rider Rate assuming the Commission limits Columbia's AMRP-related recovery to the cost of Columbia's incremental investment in excess of the costs that would routinely be included in and funded by the company's existing capital replacement program:

COH Application (Proposed AMRP Rate):		$0.48
Less: COH Investment Limitation:		$0.13
OCC O&M adjustment (1)	$0.053	
OCC Out of test year adjustment (2)	$0.000	
OCC Plastic Pipe adjustment (3)	$0.010	
Prorated Adjustment Subtotal of (1),(2),(3)		$0.06
OCC recommended AMRP Rider Rate		$0.29

OCC's recommended adjustment to Columbia's proposed AMRP Rider Rate assuming the Commission fails to limit Columbia's AMRP-related recovery to the cost of Columbia's incremental investment in excess of the costs that would routinely be included in and funded by the company's existing capital replacement program:

COH Application (Proposed AMRP Rate):		$0.48
OCC O&M adjustment (1)	$0.122	
OCC Out of test year adjustment (2)	$0.001	
OCC Plastic Pipe adjustment (3)	$0.022	
Adjustment Subtotal		$0.145
OCC recommended AMRP Rider Rate		$0.335

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Office of the Ohio Consumers' Counsel's Comments on the Application* was served via electronic mail to the parties of record identified below, on this 31st day of March 2010.

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