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Office of the Ohio Consumers' Counsel

Your Residential Utility Consumer Advocate

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October 19, 2010

Ms. Renee J. Jenkins, Secretary
Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street, 11th Floor
Columbus, Ohio 43215-3793

Re: *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio to Adjust its Pipeline Infrastructure Replacement ("PIR") Program Cost Recovery Charge and Other Related Matters,* Case No. 10-733-GA-RDR, Stipulation and Recommendation filed October 12, 2010.

Dear Ms. Jenkins:

The Office of the Ohio Consumers' Counsel ("OCC") would like to state its position with regard to the Stipulation and Recommendation ("Stipulation") that was filed on March 19, 2010, to resolve the issues in the above-referenced case. The Stipulation and Recommendation has been signed by Dominion East Ohio ("Dominion") and the Staff of the Public Utilities Commission of Ohio ("PUCO" or "Commission." OCC neither supports nor opposes the Stipulation in these proceedings. However, for the clarity of the record, OCC will state its reasons for deciding to neither support nor oppose this Stipulation. It should be noted that OCC's non-opposition to the Stipulation is specific to this case and is not in any way intended as applicable to, or precedent for other cases or matters where these issues may arise.

Of significant importance to the OCC in pipeline replacement cases, such as this case, are the immediate operation and maintenance ("O&M") cost savings that are to be passed back to consumers. Interestingly, it was Dominion that first raised the issue of savings, when it filed for the approval of the PIR Program.[1] In the Company's Application in Case 08-169, Dominion cited the $8.5 million in O&M savings that Duke's customers have realized during the first five-years of the Duke Program.[2] Parties were led to believe that the opportunity for significant immediate O&M expense savings -- like the $8.5 million in savings achieved by Duke in the first five years of its program-- would exist as a result of the implementation of the PIR Program. The Commission Order recognized that commitment by Dominion in the 2009 PIR Case:

[1] *In Re Dominion PIR Application,* Case No. 08-169-GA-UNC, Application at Paragraph 6, page 3 (February 22, 2008). ("Dominion also anticipates *significant benefits from a reduced incidence of leak repair expenses,* and like Duke will credit savings in avoided O&M costs to customers.").

[2] Id.

> In evaluating the arguments of the parties, the Commission is mindful of the goal, articulated in the [Dominion] 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). * * *. **Because immediate customer savings were articulated as a goal of the PIR program,** * * *.[3]

However, OCC has concerns that Dominion does not view immediate O&M cost savings in the same light. In fact, the Company insists that O&M cost savings, let alone immediate O&M cost savings, is not a priority for Dominion in its PIR Program. Dominion witness McNutt stated in his testimony: "More importantly; however, immediate cost savings was never represented by [Dominion] as the primary goal of the PIR Program. Nor did [Dominion] ever suggest that it would sacrifice long-term benefits of the PIR Program -- primarily customer and system safety -- to achieve short-term savings."[4]

Dominion's disinterest in achieving O&M Savings can be readily seen by the meager savings that Dominion has actually passed back to consumers. In the 2009 PIR Case, Dominion passed back to consumers approximately $554,000.[5] In the present case, Dominion will pass back to consumers approximately $258,000.[6] OCC is concerned that if past experience continues in future PIR proceedings, the amount of O&M cost savings to be passed back to consumers by Dominion will be grossly inadequate on its face and in comparison to the Duke case that Dominion pointed to as a model.

In order to achieve the immediate O&M cost savings that the PUCO has acknowledged, and that Dominion stated it would at the time it sought approval of the PIR Program -- the Commission should order the Parties to develop a mechanism for calculating O&M cost savings that will guarantee a minimum O&M Savings level based upon dollars spent or per mile of pipeline replaced. By adopting such a metric, the Commission can assure that consumers, in future PIR proceedings, will receive the benefit of the PIR Program that was expected when the PIR Program was approved.[7]

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[3] *In re 2009 PIR Case,* Case No. 09-458-GA-RDR, Order at 11 (December 16, 2009) (emphasis added).

[4] Direct Testimony of Timothy McNutt at 9 (August 31, 2010).

[5] *In re 2009 PIR Case,* Case No. 09-458-GA-RDR, Order at 11 (December 16, 2009).

[6] OCC Comments at 6 (September 24, 2010).

[7] See also Staff Comments at 8 (September 24, 2010) ("Staff has a keen interest in seeing the Company achieve actual operation and maintenance savings from this program and believes that achievement of such savings should be a consideration in the evaluation of whether the annual PIR recovery should continue after the initial five-year period.")

Therefore, OCC is neither supporting nor opposing the Stipulation that was filed in these proceedings.

Very truly yours,

Joseph P. Serio
Counsel of Record
Assistant Consumers' Counsel

cc: Parties of Record