BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Application of	)	
Columbia Gas of Ohio, Inc. for an	)	Case No. 11-5803-GA-RDR
Adjustment to Rider IRP and Rider DSM Rates.	)	

OHIO PARTNERS FOR AFFORDABLE ENERGY'S COMMENTS

Ohio Partners for Affordable Energy ("OPAE") hereby respectfully submits to the Public Utilities Commission of Ohio ("Commission") these comments on the above-referenced application made by Columbia Gas of Ohio, Inc. ("Columbia") for an adjustment to Columbia's Rider IRP and Rider DSM rates. These comments are filed in accordance with the Commission's Entry of March 7, 2012 in this docket.

OPAE's primary concern in this case is the very low level of operation and maintenance ("O&M") cost savings given the level of investment that Columbia has now made in the Accelerated Main Replacement Program ("AMRP"). Columbia addressed this issue in its response to the Staff of the Commission's Data Request No. 50(a). Columbia gave three reasons why it has not experienced significant O&M savings in the first four years of the AMRP.

The first reason given by Columbia is that the percentage of priority pipe replaced over the first four years has not been enough to significantly impact leakage rates. Columbia states that overall leakage rates have not been significantly impacted by IRP work to date. Columbia also states that it has retired 10% of priority pipe, but the pipe remaining in the ground has continued to experience corrosion at the same or increasing rates. Columbia further states that while the intent of the agreed-upon savings mechanism is to capture O&M savings from a decrease in the number of corrosion-related leaks, there are also non-corrosion leaks. Columbia believes that non-corrosion leaks are contributing to higher than assumed costs. Thus, the level of priority pipe replacement over the last four years has not resulted in the reductions in leakage rates that would reduce leak repair costs. Columbia Response to Staff Data Request No. 50(a) at 3.

The second reason why Columbia claims it has not experienced significant O&M savings in the first four years of the AMRP is that Columbia had increasing leak repair costs during the years 2007-2009. Columbia argues that the baseline level for leak repair costs from the last rate case did not capture the peak in leak repair costs; in other words, Columbia underestimated leak repair costs for the initial years of the program. Columbia argues that since 2009, there has been a reduction in repair costs but the reduction has not been significant enough to result in Columbia passing back any savings under the currently agreed upon O&M methodology. Columbia Response to Staff Date Request No. 50(a) at 5.

Third, Columbia states that there are other factors impacting the O&M savings calculation that limit the ability to capture savings. Test-year expense levels, some of them projected, from the last rate case represent what Columbia has currently in rates for O&M activities. The test year of the last rate case consisted of costs incurred during the twelve months ending September 2008. Thus, the comparison of 2008 actual expenses to the test year left little room for any meaningful savings in 2008. Columbia also states that it has more full time employees in 2011 than it had in 2007. Columbia also points to the costs of labor, materials, and fuel as factors that offset any savings. Columbia concluded that the O&M savings benefit of the AMRP will not come until significant levels of priority pipe have been replaced and that inflation will make achieving any savings in the early years of the program more difficult. Columbia Response to Staff Data Request 50(a) at 6.

Columbia witness Belle states that, using the methodology agreed to in Case No. 09-1036-GA-RDR, there was an O&M savings of $164,854 in 2011 associated in the replacement of priority pipe (mains and service expense savings). Belle at 7. Columbia witness Martin also testifies that the combined revenue requirement for this 2011 rider proceeding recognizes $2.5 million of O&M savings; however, the automatic meter reading device (“AMRD”) program expense savings amount to $2.3 million of that savings, while the mains and service expense savings for the AMRP are only $164,854. Martin at 8; Belle at 7. Therefore, it appears that the AMRD deployment has produced nearly all of the O&M savings and that the AMRP O&M savings are minimal and insignificant.

In approving Rider IRP and the AMRP and AMRD programs, the Commission stated that Rider IRP would reflect the actual annual savings of O&M expenses as an offset to the costs that are otherwise eligible for recovery through Rider IRP. *Columbia Gas of Ohio*, Case Nos. 08-72-GA-AIR, et al. Opinion and Order (December 3, 2008) at 9. The Commission also noted that the AMRP program is an accelerated replacement program that establishes a rider to recover the costs of projects that would not otherwise be funded by Columbia’s existing capital replacement program already funded through base rates. Rider IRP does not recover routine investment costs or increases in the costs of labor, materials, and fuel for routine capital investments. The Commission also stated that its approval of Rider !RP should not be viewed as an indication that the Commission would otherwise approve the recovery of such replacement costs through a rider or that the recovery of such costs in future cases through a rider will be authorized. Opinion and Order at 14.

In addition, the Commission found that no later than November 30, 2012, Columbia shall perform a study to assess the impact of the AMRP program on safety and reliability. The Commission would then consider the costs and benefits resulting from the acceleration of the pipeline replacement activity, and Columbia's ability to manage, oversee, and inspect the AMRP program effectively and prudently. Opinion and Order at 10.

Given the extremely low level of O&M savings, it appears that the benefits of the AMRP program for ratepayers have been oversold. Through the rider, ratepayers pay annually the costs of the accelerated program; without the savings benefits, ratepayers are paying for a program that provides them little if any accelerated benefit. Columbia will perform its study by November 30, 2012. In the meantime, the Commission should recognize that the savings benefits of the AMRP program have not materialized for ratepayers and should question the reasonableness of the AMRP program and Rider IRP going forward. The Commission should also recognize that cost elements of the AMRP program are generally already included in base rates. While those costs may have increased, they should not be included in the rider to offset savings produced by the accelerated program. If costs such as labor, materials, and fuel have increased, Columbia should file a new base rate case to recover its increased costs. Columbia should not offset cost increases such as these against savings produced by the AMRP program.

Respectfully submitted,

/s/Colleen L. Mooney
Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay, OH 45840
Telephone: (419) 425-8860
Or (614) 488-5739
FAX: (419) 425-8862
cmooney2@columbus.rr.com

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments was served electronically upon the persons identified below on this 28th day of March 2012.

/s/ Colleen L. Mooney
Colleen L. Mooney

SERVICE LIST

Stephen B. Seiple
Brooke Leslie
Columbia Gas of Ohio, Inc.
200 Civic Center Drive
P. O. Box 117
Columbus, Ohio 43216-0117
sseiple@nisource.com
bleslie@nisource.com

Joseph P. Serio
Larry S. Sauer
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
serio@occ.state.oh.us
sauer@occ.state.oh.us

William Wright
Stephen Reilly
Attorney General's Office
Public Utilities Commission Section
180 E. Broad Street, 9th Floor
Columbus, Ohio 43215-3793
william.wright@puc.state.oh.us
stephen.reilly@puc,state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

3/28/2012 3:07:26 PM

in

Case No(s). 11-5803-GA-RDR

Summary: Comments electronically filed by Ms. Colleen L Mooney on behalf of Ohio Partners for Affordable Energy