

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

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PREPARED SUPPLEMENTAL DIRECT TESTIMONY  
OF THOMAS J. BROWN, JR.  
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.

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COLUMBIA GAS OF OHIO, INC.

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April 10, 2012

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COLUMBIA GAS OF OHIO, INC.

**PREPARED SUPPLEMENTAL DIRECT TESTIMONY  
OF THOMAS J. BROWN, JR.**

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**INTRODUCTION**

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

2   **A:**   My name is Thomas J. Brown, Jr. and my business address is 200 Civic Cen-  
3           ter Drive, Columbus, Ohio 43215.

4  
5   **Q:**   By whom are you employed and in what capacity?

6   **A:**   I am employed by Columbia Gas of Ohio, Inc. ("Columbia") as Director,  
7           Regulatory Affairs.

8  
9   **Q:**   What is the purpose of your Direct Testimony in this proceeding?

10   **A:**   I am supporting the Stipulation and Recommendation ("Stipulation") filed  
11           in this case on April 10, 2012. I believe the Stipulation represents a fair and  
12           reasonable compromise of the issues in these proceedings and that it should  
13           be adopted and approved by the Public Utilities Commission of Ohio  
14           ("Commission").

15  
16   **THE STIPULATION**

17  
18   **Q:**   Please describe the Stipulation.

19   **A:**   The Stipulation is a comprehensive settlement of all issues in this case. The  
20           major provisions of the Stipulation include:

21           (1)   a recommended Rider IRP revenue requirement of \$68.5 mil-  
22                   lion, which reflects a \$0.8 million reduction to Columbia's ap-  
23                   plication filed February 28, 2012; and,

24           (2)   a recommended Rider DSM revenue requirement of \$14.2 mil-  
25                   lion.

26  
27   **Q:**   Does the Stipulation satisfy the Commission's criteria for evaluating the  
28           reasonableness of a stipulation?

29   **A:**   Yes. The Stipulation satisfies each of the Commission's criteria for evaluating  
30           the reasonableness of a stipulation: the Stipulation is the result of serious  
31           bargaining among capable, knowledgeable parties; the Stipulation benefits  
32           ratepayers and the public interest; and, the Stipulation does not violate any  
33           important regulatory principle or practice.

1 THE STIPULATION IS A PRODUCT OF SERIOUS BARGAINING AMONG  
2 CAPABLE, KNOWLEDGEABLE PARTIES

3  
4 Q. Do you believe the Stipulation filed in this case is the product of seri-  
5 ous bargaining among knowledgeable parties?

6 A. Yes. The Stipulation is the product of an open process in which all parties  
7 were represented by able counsel and technical experts. There were exten-  
8 sive negotiations. The Stipulation represents a comprehensive compro-  
9 mise of the issues raised by parties with diverse interests. The signatory  
10 parties have adopted it as a reasonable resolution of all of the issues. The  
11 Stipulation recommended by the parties for adoption and approval by the  
12 Commission is a fair, balanced and reasonable resolution of this proceed-  
13 ing.

14  
15 Each party to the Stipulation regularly participates in rate proceedings and  
16 other regulatory matters before the Commission, and each party was repre-  
17 sented by similarly experienced and competent counsel.

18  
19 A broad range of interests is represented by the parties including Columbia,  
20 the Staff of the Public Utilities Commission of Ohio ("Staff"), the Office of  
21 the Ohio Consumers' Counsel ("OCC") and Ohio Partners for Affordable  
22 Energy ("OPAE"). The negotiations were conducted based on thorough  
23 analyses of Columbia's applications by the Staff, the OCC and OPAE.

24  
25 As a result of these negotiations, the Stipulation provides that Columbia  
26 should be authorized to implement a revenue increase that is \$0.8 million  
27 lower than that requested in Columbia's application.

28  
29 Q. What were the major issues in this proceeding?

30 A. Columbia, the Staff and the OCC had different positions concerning issues  
31 regarding the costs related to Operations and Maintenance expense savings  
32 associated with the Accelerated Main Replacement Program, the replace-  
33 ment of plastic pipe, and the level of Columbia's capital investment during  
34 2011.

35  
36 Q. Does the Stipulation resolve these issues?

37 A. Yes. The settlement is a "black box" settlement in which the issues were re-  
38 solved by an adjustment without specifying the resolution of each individu-  
39 al issue.

1 **Q. Were all parties to this case included in the negotiations that resulted in**  
2 **the Stipulation?**

3 **A. Yes.**  
4

5 **Q. Which parties have signed the Stipulation?**

6 **A. In addition to Columbia, the Staff, the OCC and OPAE signed the Stipula-**  
7 **tion.**  
8

9 **Q. Are there parties who are not part of the Stipulation?**

10 **A. No.**  
11

12 **THE SETTLEMENT BENEFITS RATEPAYERS AND THE PUBLIC INTEREST**  
13

14 **Q. Does the Stipulation, as a package, benefit ratepayers and the public in-**  
15 **terest?**

16 **A. Yes.**  
17

18 **Q. Will the Stipulation promote safety and reliability?**

19 **A. Yes.** Columbia invested approximately \$210 million in its natural gas dis-  
20 tribution system since 2008 to replace its aging distribution system. This  
21 will eventually result in fewer leaks, fewer outages and reduce the need to  
22 excavate in roads and streets to make repairs. In addition, Columbia has  
23 invested more than \$223 million since 2008 to begin resolving the safety  
24 issues associated with prone-to-failure risers and hazardous customer ser-  
25 vice lines through its systematic replacement program. In addition, Co-  
26 lumbia has invested \$54.9 million since 2009 in the installation of AMRDs  
27 throughout its service territory.  
28

29 **Q. Will the Stipulation enhance customer service?**

30 **A. Yes.** First, the installation of AMRDs will eventually enable Columbia to  
31 read meters on a monthly basis, instead of the bi-monthly schedule cur-  
32 rently utilized. Full deployment of AMRDs in Columbia's Findlay and  
33 Fremont operating areas resulted in the transition from bi-monthly to  
34 monthly meter reading during 2010. Furthermore, the completion of full  
35 deployment of AMRDs in Columbia's Toledo, Norwalk, Lorain, Middle-  
36 burgh Heights and Springfield operating areas during 2010 resulted in the  
37 transition from bi-monthly to monthly meter reading for those customers  
38 in 2011. The move to monthly meter reading eliminates scheduled calcu-  
39 lated bills. Additional customer benefits include: the reduction of meter  
40 access issues, increased meter reading performance, reduction in meter

1 reading and certain call center costs, and the elimination of the \$35 cus-  
2 tomer installation fee.

3  
4 **Q. Will the Stipulation promote energy saving measures?**

5 A. Yes. Columbia's DSM programs will provide residential and small com-  
6 mercial customers easy access to energy saving measures, which will di-  
7 rectly reduce natural gas usage, improving the affordability of natural gas  
8 service.

9  
10 **Q. What is the Stipulation's financial impact on customers?**

11 A. The Stipulation provides for a revenue increase of approximately \$27.1  
12 million or 2.6%, which is \$0.8 million less than what Columbia had re-  
13 quested in its application.

14  
15 **Q. Are there additional financial benefits to Riders IRP and DSM not spe-  
16 cifically quantified in Columbia's application?**

17 A. Yes. These programs promote economic development through job crea-  
18 tion, generation of state and local tax revenues, and increased revenues re-  
19 lated to the associated sales of equipment and materials. Over the past  
20 four years, Columbia has invested approximately \$488 million in labor  
21 and materials related to the IRP. This investment has generated an incre-  
22 mental \$20.3 million in property taxes for local communities. Over 300  
23 jobs have been created and numerous additional jobs are supported by the  
24 IRP.

25  
26 **THE SETTLEMENT DOES NOT VIOLATE ANY IMPORTANT REGULATORY**  
27 **PRINCIPLE OR PRACTICE**

28  
29 **Q. Does the Stipulation violate any important regulatory principle or prac-  
30 tice?**

31 A. No. The Stipulation does not violate any important regulatory principle or  
32 practice.

33  
34 Additionally, the Stipulation is based in large part on the findings and rec-  
35 ommendations of the Staff Report of Investigation, which analyzed Colum-  
36 bia's application and made recommendations for the purpose of ensuring  
37 that the resulting rates, terms and conditions of service comply with sound  
38 regulatory principles and practices. The Stipulation also reflects the concerns  
39 expressed by the OCC and OPAE in their Comments.

1   **Q.    Is the Stipulation consistent with recent Commission decisions involving**  
2       **similar applications of other Ohio gas utilities?**

3   **A.    Yes. I believe the Stipulation is consistent with the Commission orders in-**  
4       **volving similar facility improvement programs for Dominion East Ohio,**  
5       **Vectren Energy Delivery Ohio and Duke Energy Ohio, Inc.**

6  
7   **CONCLUSION**  
8

9   **Q.    Are you recommending that the Commission approve the Stipulation?**

10   **A.    Yes. I believe the Stipulation represents a fair, balanced and reasonable**  
11       **compromise of diverse interests and provides a fair result for customers. I**  
12       **believe that the Stipulation meets all of the Commission's criteria for adop-**  
13       **tion of settlements and that the Commission should promptly issue an or-**  
14       **der approving the settlement.**

15  
16   **Q.    Does this conclude your Prepared Supplemental Direct Testimony?**

17   **A.    Yes, it does.**

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the Prepared Supplemental Direct Testimony of Thomas J. Brown, Jr. was served upon all parties of record by email or hand-delivery this 10<sup>th</sup> day of April 2012.

/s/ Stephen B. Seiple

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