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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** for Approval of Tariffs to Adjust its Automated Meter Reading Cost Recovery Charge and Related Matters.	: : : : :	Case No. **11-5843-GA-RDR**

PREFILED TESTIMONY
OF
KERRY J. ADKINS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO
UTILITIES DEPARTMENT
ACCOUNTING AND ELECTRICITY DIVISION

STAFF EX. ____

April 27, 2012

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

A. My name is Kerry J. Adkins and my business address is 180 East Broad Street, Columbus, Ohio 43215-3793.

2. Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utilities Commission of Ohio (Commission or PUCO) as a Public Utilities Administrator 2 in the Accounting and Electricity Division of the Utilities Department. In that capacity, I manage and participate on Commission Staff (Staff) teams that review natural gas, electric, and water utilities' applications for recovery of certain costs associated with infrastructure replacement programs. In addition, I serve on Staff teams that review utility applications in base rate proceedings and perform other related duties as assigned.

3. Q. Please briefly describe your educational background and work experience.

A. I received a B.A. degree from Ohio Northern University and a Master of Public Administration degree with concentrations in regulatory policy and fiscal administration from The Ohio State University. I began my employment with the PUCO in 1989 as a Researcher II in what was then the Consumer Services Department's Nuclear Division. Since that time, I have held a number of analyst and management positions at the Commission. I was assigned to my present position in January 2008. Prior to my employment with the PUCO, I was employed as the Administrative Deputy to the Mayor of Whitehall, Ohio.

4. Q. Have you previously testified before the Commission?

A. Yes. I have testified before the Commission in several rate and enforcement proceedings and customer complaint cases.

5. Q. What is the purpose of your Testimony in this proceeding?

A. I am supporting certain recommendations made in the Staff Comments that were filed in this case on April 6, 2012. Specifically, I am supporting Staff recommendations that: (1) the Commission should require the Dominion East Ohio Gas Company (DEO) to file testimony in support of future applications to modify its Automated Meter Reader (AMR) Cost Recovery Charge; and (2) the Commission should direct DEO to modify its operation and maintenance (O&M) savings calculation in order to comply with the Commission's Opinion & Order in Case No. 09-1875-GA-RDR.

6. Q. Why is the Staff recommending that DEO file testimony in support of future applications to adjust the AMR Cost Recovery Charge?

A. In this case, DEO filed a pre-filing notice that included detailed schedules with nine months of actual cost data and subsequent application that updated the cost data to a full twelve months of actual data. In addition, for the most part, DEO supported the Staff's investigation with thorough and prompt replies to Staff data requests. However, the Company did not file testimony in support of its Application in this case. The Staff believes that DEO should file testimony that details the purpose of the application; fully explains the data contained in the application and any attached schedules or exhibits; reviews the Company's implementation progress; and, discusses in detail any policy matters, such as meter reading or call center savings. The Staff believes such testimony will facilitate review of the Company's applications by the Staff and intervening parties, especially in light of the compressed review period associated with the AMR Cost Recovery Charge applications. The applications in these cases are generally filed on February 28 of each year and comments by the Staff and intervening parties are traditionally due towards the end of March. This leaves the Staff and intervening parties only about one month to complete their reviews. Testimony filed with the applications could forestall a round of data requests by the Staff or interrogatories from the intervening parties and generally expedite their reviews.

7. Q. Turning to the Staff recommendation concerning DEO's calculation of meter reading O&M savings, what are meter reading savings in context of the AMR Cost Recovery Charge?

A. Meter reading O&M savings are the costs for meter readers (which the Staff defines broadly to include any supervisors or support personnel) and related supporting items that are built into the Company's base rates that will no longer be needed as the Company completes installation of the AMR devices and begins utilizing vehicles to collect customer meter readings remotely. Before AMRs were installed and vehicles were used to remotely take readings, numerous meter readers would walk meter reading routes in order to manually obtain readings. After the AMR Program, the majority of the meter readers will no longer be needed and they will be transferred elsewhere in the Company or released. However, the annual expenses associated with the meter readers who will no longer be performing that function will still be included in DEO's base rates. Since the Company's base rates will not be reset until its next base rate case, if the avoided meter reader expenses are not passed back to customers through reductions to the AMR Cost Recovery Charge, then customers would continue to pay for meter readers no longer providing that service in the base rates in addition to a rider that reimburses DEO for installing AMR devices. Reducing the AMR Cost Recovery Charge by the amount of avoided meter reading O&M expense prevents customers from paying twice for meter reading services.

8. Q. How are the meter reading O&M savings calculated?

A. In Case No. 09-038-GA-RDR, the parties reached a stipulated agreement that, among other things, established a baseline of meter reading expenses that are built into the Company's base rates. The Commission adopted the stipulation and the baseline for computing the O&M savings was set at $8,684,137, with $7,747,418 attributed to "Net Labor" (Labor Expense + Payroll Taxes and Benefits + Labor Allocations) and the remaining $936,719 for "Other" related incidentals (Materials & Supplies + Outside Services + Utilities – Wireless + Vehicle Expenses + Other Miscellaneous). In the annual AMR Cost Recovery Charge applications, the Company provides a schedule where it subtracts its annual total meter reading costs for the year from the total baseline amount. The resulting meter reading O&M savings are then used to reduce the annual revenue requirement.

9. Q. Is the timing of when O&M savings are realized and reflected in the AMR Cost Recovery Charge important?

A. Yes. In its original application seeking authority to implement the AMR Program and in subsequent documents in various forums, DEO has maintained that it must achieve a "critical mass" in AMR installations in order to begin monthly meter readings and ultimately reroute meter routes for drive-by collection.[1] In the Automated Meter Reading Plan that it filed as Exhibit B to its application in Case No. 10-2853-GA-RDR (2011 AMR Plan),[2] DEO defined this critical mass as achieving 95% AMR deployment in the area served by a local shop. In other words, the Company indicates that it must install AMR devices on 95% of all meters served by a local shop before it can reroute the meter-reading routes and transfer or release meter readers, and thereby generate meter reading O&M savings.

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1 For example see *In re DEO Rate Case*, Case No. 07-829-GA-AIR (Second Supplemental Testimony of Jeffery A. Murphy at 22) (June 23, 2008) or *In re DEO AMR Cost Recovery Charge Application*, Case No. 09-1875-GA-RDR (Direct Testimony of Vicki H. Friscic at 9) (April 5, 2010).

2 *In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Adjust its Automated Meter Reading Cost Recovery Charge to Recover Costs Incurred in 2010*, Case No. 10-2853-GA-RDR (*AMR Plan*) (DEO Application Exhibit B at 5) (February 28, 2011).

Based on the Company's descriptions, it is apparent that when critical mass is reached in a local shop has a direct impact on when and how much meter reading O&M savings will be realized. Any acceleration in AMR installations towards achieving critical mass sooner will result in greater O&M savings being passed on sooner. Concomitantly, any slow down in AMR installations will reduce and delay O&M meter reading O&M savings. Furthermore, the effects of even a small amount of acceleration or delay in installations are magnified towards the end of the Program because that is when the greatest O&M savings were expected to be realized.

10. Q. Can you illustrate this point in context of DEO's AMR program and annual AMR Cost Recovery Charge filings?

A. Take for example a delay in installations that prevented one or more local shops from achieving the 95% critical mass target in 2010. As a result, DEO could not have rerouted those shops in 2010 and transferred or released a number of the meter readers in those shops. Therefore, the meter reading O&M savings that would be reported in the 2011 recovery case would be less than it otherwise would have been without the delay and the AMR charge that customers would pay from May of 2011 through April of 2012 would be higher than it otherwise would have been. Customers would miss out on savings for an entire year and ultimately pay a higher AMR Cost Recovery Charge. Furthermore, this problem could compound in the following years. If DEO did not catch up on the delayed 2010 installations in 2011, then other shops may be delayed in reaching critical mass. This means the 2012 AMR rate would be higher than it otherwise should have been and, again, customers will be forced to pay more money. The fact that AMR rates are set only once per year means customers will not see the full benefit of meter reading savings until the Company has converted all meters on its system to remote reading and has reduced the amount of meter reader to expected levels under the AMR Program for an entire year. As a result, installation delays can have a dramatic and long-lasting impact on the AMR rates that customers will pay.

Acceleration of AMR installations, on the other hand, has the opposite effect. If DEO had accelerated AMR installations it would have reached critical mass sooner in more local shops. It would have avoided more meter reading O&M expenses sooner and passed back more O&M savings to customers. As with delays, any acceleration in AMR installations and resulting savings would be most visible towards the end of the program when most savings were expected to be realized. If DEO were to have completed AMR Program just two months sooner, then the resulting savings increase would be sizable. In each of those final two months, the meter reading savings would be the full avoided costs from having approximately two thirds fewer meter readers than were in place prior to the onset of the AMR Program.

11. Q. Regarding meter reading O&M savings, what did the Commission find in its Opinion & Order in Case No. 09-1875-GA-RDR?

A. On page 7 of the Order, the Commission states that it "...finds that DEO should be installing the AMR devices such that savings will be maximized and rerouting will be made possible in all of the communities at the earliest possible time."[3] Also on page 7, the Commission "...finds that, in its 2011 filing, DEO should demonstrate how it will achieve the installation of the devices on the remainder of its meters by the end of 2011, while deploying the devices in a manner that will maximize savings by allowing rerouting at the earliest possible time."[4]

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[3] *In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Adjust its Automated Meter Reading Cost-Recovery Charge and Related Matters*, Case No. 09-1875-GA-RDR (Opinion and Order at 7) (May 5, 2010) (09-1875 Order).

[4] 09-1875 Order at 7.

12. Q. From the Commission's findings the 09-1875 Order, what does the Staff believe that DEO was required to do concerning meter reading O&M savings?

A. The Staff believes that that the Commission required DEO to do three things:

1. Complete installation of all AMR devices by the end of 2011;

2. Deploy the AMR devices in such a manner that will maximize savings by allowing rerouting at the earliest possible time; and,

3. File a plan in its 2011 AMR Cost Recovery Charge application demonstrating how it will complete AMR installations by the end of 2011 in such a manner that will maximize savings.

13. Q. Did DEO complete installation of the AMR devices by the end of 2011?

A. No. In response to Staff Data Request (DR) 11, DEO indicated that by the end of 2011 it still had 9,530 devices to install.

14. Q. Did DEO deploy the AMR devices in such a way as to maximize savings as directed by the Commission?

A. No. As noted above, DEO did not complete installation of all AMR devices by the end of 2011 as anticipated by the Commission. In addition, the Company states in the response to DR-11 that it had not rerouted three of its eleven local shops and did not expect to do so until the first or second quarter of 2012. In response to Staff DR-5, the Company identified the three shops that were not rerouted in 2011 as the Western, Wooster, and Youngstown shops. According to data contained in the DR-11 response, the three shops that were not rerouted cover 345,218 meters or 27% of DEO's total meter population.[5] By not completing all AMR installations and not rerouting three of the 11 local shops in 2011, DEO was not in a position to transfer or release meter readers that would have no longer been needed had it completed the

[5] *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Adjust its Automated Meter Reading Cost Recovery Charge and Related Matters*, Case No. 11-5843-GA-RDR (DEO Response to Staff DR No. 11, Ex. B, at 2) (March 7, 2012) (2012 AMR Update Plan).

installations and rerouting. As a result, the meter reading savings that the Company reported for 2011 were not as high as they could or should have been, which means that customers will pay a higher AMR Cost Recovery Charge. Similarly, the delays in 2011 could spill over into 2012, thus potentially reducing meter reading savings that will be reported in 2013 when DEO applies for recovery of 2012 expenses.

15. Q. How should DEO have deployed the AMR devices in a manner to maximize meter reading savings?

A. DEO could have deployed the AMR devices and maximized savings if it would have accelerated installation of the AMR devices in a manner that ensured it reached critical mass in its local shops sooner. The sooner that the Company rerouted its local shops, the sooner it could transfer or release meter readers and thus achieve greater savings for customers since the cost of the meter readers would have been avoided for a longer period of time.

16. Q. Did DEO accelerate installation of the AMR devices or alter its installation practices subsequent to the Commission's Order in the 09-1875 case that directed the Company to install the AMR devices in such a way to maximize savings and demonstrate that the AMR Program will be completed in 2011?

A. No, the Company did not accelerate AMR installations after the Commission's Order in Case No. 09-1875-GA-RDR was issued on May 5, 2010. In fact, its rate of deployment compared to 2009 (the installation year at issue in the 09-1875 case) actually slowed in 2010 and further still in 2011. In 2009, the Company installed 332,135 AMRs. However, in 2010, it installed 257,020 (75,115 fewer than 2009) and only 243,617 in 2011, while leaving 9,530 AMRs uninstalled. As to whether or not the Company modified its installation practices in order to maximize savings in accordance with the Commission's Order, the Staff could find no evidence that it did. This point is discussed later in my testimony during the discussion of the plan that DEO filed in Case No. 10-2853-GA-RDR pursuant to the Commission's 09-1875 Order.

17. Q. Can DEO reasonably argue that its AMR installations were delayed because many of the AMR installations in 2010 and 2011 were on harder to access inside meters and that it was limited by its Staff-supported policy of not disconnecting customers during the coldest months since disconnection and the threat of disconnection are useful tools to gain customer cooperation for access?

A. No. DEO knew how many inside meters were in its system when it first advocated adoption of the AMR Program and when it initially developed its implementation plans. In addition, it had a full five years to work its plan. Similarly, the Company's policy of not disconnecting customers during the coldest months precedes its AMR Program. Furthermore, Staff alerted DEO of the need to aggressively schedule and complete installation of AMR devices on inside and hard-to-access meters prior to the winter months in the Staff Comments filed in Case No. 10-2853-GA-RDR.[6] I would further note that DEO had the resources, under its AMR implementation plan, to install at least 332,135 AMRs in a year because it did so in 2009. Moreover, the Company originally estimated that it would install 317,000 AMRs in 2010 and 386,000 in 2011.[7] Thus, it appears that DEO initially believed it had the ability to gain access to the hard-to-access meters in the latter years of the program while successfully completing the program by the end of 2011. .

18. Q. Did DEO file a plan in its 2011 AMR Cost Recovery Charge application demonstrating how it will complete AMR installations by the end of 2011 in such a manner that will maximize savings?

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6 *In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Adjust its Automated Meter Reading Cost Recovery Charge to Recover Costs Incurred in 2010*, Case No. 10-2853-GA-RDR (Staff Comments at 7) (March 30, 2011) (Case No. 10-2853 Staff Comments).

7 *In re DEO Rate Case*, Case No. 07-829-GA-AIR, *et al*, (DEO response to Staff Data Request No. 2, Subpart 7 at 1) (November 2, 2007).

A. DEO filed a plan in its 2011 Application (2011 AMR Plan) that the Company said "describes the steps, notices and measures that [DEO] will take to achieve the installation of the [AMR] devices on the remainder of the meters for active accounts by the end of 2011 and to provide customer benefits associated with the AMR program at the earliest possible time." The 2011 AMR Plan, however, does not include any description of plans for DEO to alter its then existing AMR deployment practices or accelerate AMR installations in order to reach critical mass sooner and maximize meter reading savings.

19. Q. Did the Staff comment on DEO's Plan?

A. Yes. In Comments filed on March 30, 2011 in Case No. 10-2853-GA-RDR, the Staff noted that the 243,783 active meters that still needed to have an AMR installed at the end of 2010 was well below DEO's installation rate for any of the three previous years. Therefore, the Staff indicated that DEO should be able to install AMRs on all remaining meters in its system in 2011. The Staff further commented that it believed the critical path towards implementing AMRs on all remaining active meters in 2011 was gaining access to inside and other hard-to-access meters. The Staff noted that the process for gaining access to the inside and hard-to-access meters could be time consuming. Staff also noted that this issue may be compounded by DEO's policy of halting disconnections (which could be used to compel customers to arrange for access) in cold weather. Therefore, Staff recommended that DEO begin implementing its meter access procedures in order to install AMRs on inside and hard-to-access meters well before the onset of cold weather.

20. Q. What does it mean that DEO did not complete AMR installations in a manner to maximize O&M savings?

A. Customers will pay more money because DEO did not realize all the savings in 2011 that it could have. Also, there is a potential that the implementation delays through 2011 could cause the 2012 meter reading savings reported in next year's AMR recovery application to be less than what they otherwise should be. This means that customers wouldn't see the full benefit of avoided costs resulting from the AMR Program until May of 2014 when the AMR Cost Recovery Charge is set after a full year of savings is realized in 2013.

21. Q. Given the Staff's position that DEO did not complete installation of the AMR devices in such a way to maximize meter reading O&M savings, what do you recommend?

A. The Commission should increase the meter reading O&M savings amount in the 2011 revenue requirement calculation from the Company recommended $3,511,695 to $5,008,960 to reflect that DEO should have completed AMR installations at least four months earlier in 2011 and that rerouting and transfer or release of all meter readers except those needed for remote meter reading should have occurred at least three months earlier. The Staff recommended minimum savings level is based on 36 meter readers being retained for all of 2012. However, the actual number of readers is expected to be less than 36 as the Company reroutes the final three local shops and transfers or releases additional readers. The Staff attempted to determine the final number of meter readers that DEO will retain in 2012 and refine its estimate of 2012 meter reading savings via DR- 12 that Staff issued on April 18, 2012. However, on April 25, 2011, DEO's counsel provided notice to the Staff that DEO objected to Staff DR No. 12 and that it would not respond to the request.

22. Q. How did the Staff calculate the $5,008,960 in 2011 meter reading savings that it is recommending?

A. The first step was to estimate what DEO's annual meter reading savings would be in the 2013 recovery year for 2012 expenses. Exhibit KA-1 attached to my testimony presents the details of this calculation. However, for ease of understanding, I will summarize the Staff's calculation. The Staff divided the $8,684,137 baseline meter reading expenses (from the approved stipulation in Case No. 09-038-GA-RDR) included in DEO's base rates by 116 meter readers (again, using this term expansively to include any supervisors or support personnel) included in the baseline (from DEO's response to Staff DR No. 11 in this case) to arrive at a fully loaded annual cost per meter reader that is included in the baseline. This calculation resulted in $74,863 per meter reader per year. The Staff then subtracted the 36 meter readers that DEO indicated were still in the meter reading cost center at the end of 2011 from the 116 readers in the baseline to arrive at 80 total meter readers transferred or released through the end of 2011. Next, Staff multiplied the 80 meter readers transferred or released through 2011 by the $74,863/meter reader/year cost in the baseline to arrive at the minimum $5,989,060 in avoided meter reading expense that is expected in DEO's 2013 recovery application based on retaining 36 meter readers throughout 2012.

23. Q. How did the Staff use the estimate of DEO's expected 2013 minimum meter reading savings based on 36 meter readers throughout 2012 to arrive at the $5,008,960 recommended meter reading savings for the 2011 installation year?

A. Exhibit KA-2 attached to this testimony provides a detailed calculation, but I can summarize the Staff's methodology. First, the Staff assumed that DEO kept the same AMR installation pace that it employed in 2009 instead of slowing its pace. The Staff also assumed that DEO would continue the same pattern of AMR deployments it used in 2009 for 2010 and 2011. This process showed that had DEO kept its 2009 pace and deployment pattern, it would have completed installation of AMRs on all active meters in its system in early August of 2011. Staff then allowed a two month transition period in August and September for conversion to monthly meter readings[8] prior to full rerouting and transfer or release of meter readers commencing in September. This means that had DEO kept its 2009 AMR installation pace, it could have experienced three months of full meter reading O&M savings. As a result, the Staff divided estimated meter reading savings expected to be reported in 2013 by 12 to get a monthly estimate of the total meter reading savings that should be available at the end of the Program. This quotient equaled $499,088/month which the Staff then multiplied by three months to arrive at $1,497,264 in additional savings that DEO should have realized in 2012 had it not slowed the AMR installation pace through

[8] DEO's 2011 AMR Plan indicates that only 95 % as opposed to 100% AMR installations is necessary to commence conversion to monthly meter reads and ultimately remote reading. Therefore, the Staff assumes that with only 4,010 AMRs to install in August 2011 under the Staff's calculation methodology, then all of August and September 2011 would be available for the transition to monthly meter readings prior to fully rerouted remote readings in October through December.

2011. This amount was then added to the $3,511,695 in savings that the Company reported in its Application in this case to arrive at the Staff recommended $5,008,959 meter reading savings for 2012.

24. Q. How is the Staff's calculation of estimated O&M savings different from the approach for imputing O&M savings that the Office of the Ohio Consumers' Counsel (OCC) posited and the Commission rejected in Case No. 09-1875-GA-RDR ?

A. The OCC's recommendation for O&M savings in the 09-1875 case was based on an estimate the Company provided in its 07-829 rate case of meter reading savings that the Company projected that it would realize in 2012, the recovery year following the final AMR installation year of 2011. The OCC maintained that since DEO's AMR installations had reached 58% of the total meters, then the Company should have reported 58% of the $6 million projected savings at the end of the Program as the meter reading savings in the 09-1875 case. Addressing the OCC's recommendation, the Commission found that "...OCC's argument that [DEO's reported savings] should be replaced by imputed or surrogate savings based on the percentage of the total AMR installations completed lacks merit."[9] In addition, the

[9] 09-1875 Order at 7.

Commission stated that "[t]he stipulation in the DEO Distribution Rate Case clearly states that AMR installation costs would be offset only by quantifiable savings."[10] Lastly, the Commission found that "[OCC's recommendation] depends upon assumptions and estimates that are not quantified."[11]

Unlike OCC's imputed savings calculation, the meter reading savings calculation recommended by Staff in this case are actual, quantifiable, and verifiable. First of all, the Staff's calculation of meter reading savings is not based the DEO's AMR completion percentage compared to an estimate of savings if installations were 100% complete. Secondly, the numbers used in the Staff's calculations come directly from a Commission approved stipulation, or they were supplied by the Company, or they were derived using actual quantifiable numbers supplied by the Company. The baseline meter reading expenses that are included in DEO's base rates come from the approved stipulation in Case No. 09-038-GA-RDR. The fact that 116 total meter readers (including supervisors, etc.) were included in the baseline and that 36 meter reading employees (that Staff includes in the term "meter readers) were in the meter reading cost center at the end of 2011 comes from Exhibit B of the Company's response to Staff DR 11 in

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[10] *Id.*

[11] *Id.*

this case. The Staff's use of 36 meter readers to compute the 2012 meter reading savings for recovery in 2013 is based on what the Company reported for the end of 2011, but the actual number of meter readers in 2012 is likely to be lower as DEO completes rerouting of the final three local shops. In spite of this likelihood, the Staff conservatively stayed with the known 36 meter readers, which, if anything, understates the meter reading savings that DEO should report in its application for recovery of 2012 expenses. In addition, the fact that 95% AMR installations in a local shop constitutes critical mass for rerouting and the that Company converts an area to monthly meter reading prior to rerouting comes from Exhibit B of the Company's application in Case No. 10-2853-GA-RDR. Lastly, the Staff's estimation that had DEO completed AMR installations and reached a "critical mass" in deployments in August of 2011 instead of slowing deployment of AMR devices (contrary to the Commission's 09-1875 Order), is based on the Company's 2009 deployment rate and historical deployment pattern. The rest of the Staff's calculation is simply math.

25. Q. How does the Staff's recommendation to increase the meter reading O&M savings for 2012 and the expected savings level for 2013 compare with the estimate of meter reading O&M savings in 2012 that DEO provided in Case No. 07-829-GA-AIR?

A. In response to a Staff data request in the 07-829 rate case, DEO estimated that it would achieve $6,000,000 in meter reading O&M savings in 2012. For all of the reasons stated in Staff witness Baker's testimony in this case, the Staff believes that DEO's estimate was an annual estimate of the meter reading expenses that it expected to avoid in the 2011 installation year and report as O&M savings in the 2012 recovery year. The Staff's recommended $5,008,959 in meter reading savings for the 2012 recovery year is less than the $6,000,000 than the Company estimated for 2012. The most likely explanation for the difference is that the Company originally estimated that it would have fewer meter readers in 2011 than the Staff used in its calculation or that DEO projected that it would transfer or release meter readers earlier in the year. The Staff's calculated amount of $5,989,060 for the expected meter reading savings that should be reported in DEO's 2013 recovery application is right in line with DEO's 6,000,000 estimate. However, recall that the Staff believes that DEO will actually be able to avoid even more meter reading expenses in 2012 than the Staff's estimate, because all local shops will be rerouted and converted to remote readings. For example, if the Company transferred or released five additional meter readers at the beginning of 2012, then under Staff's recommended approach the meter reading savings that would be reported in the 2013 recovery application would grow from $5,989,060 to $6,363,355.

26. Q. What impact will the Staff recommended increase to DEO's proposed meter reading savings have on the AMR Cost Recovery Charge rate that DEO proposed in this case?

A. Exhibit KA-3 attached to my testimony shows the impact of replacing DEO's proposed $3,511,695 meter reading savings with the Staff recommended $5,008,960 in savings in the revenue requirement for 2011. The Staff recommended meter reading savings would reduce the proposed AMR Cost Recovery Charge from the Company recommended $0.54 to $0.43. Exhibit KA-4 presents the same calculation in conjunction with the Staff recommendation to remove the cost of 9,530 AMRs as discussed in Staff witness Fadley's testimony. Due, however, to the relatively small adjustment associated with the removal of the 9,530 AMRs and the effects of rounding, the AMR Cost Recovery Charge stays at $0.43 in Exhibit KA-4.

27. Q. What happens if the Commission does not accept the Staff's recommendations?

A. Customers will pay more because the2012 AMR Cost Recovery Charge will be higher. There is a also a strong likelihood that the meter reading

O&M savings in 2013 will be less than it should be because the Company does not intend to reroute three of its local shops until the first or second quarter of 2012. Lastly, customers may not receive the full promise of meter reading savings until May of 2014 after DEO has had a full year of avoided meter reading O&M expenses in 2013.

28. Q. Does this conclude your Prepared Direct Testimony?

A. Yes, it does. However, I reserve the right to submit supplemental testimony as described herein, as new information subsequently becomes available or in response to positions taken by other parties.

CERTIFICATE OF SERVICE

I certify a true copy of the foregoing **Prefiled Testimony of Kerry J. Adkins**, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served upon the following parties via electronic mail this 27th day of April, 2012.

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Staff Exhibit KA-1

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO (DEO)
AUTOMATED METER READING ESTIMATED COST RECOVERY CHARGE
CASE NO. 11-5843-GA-RDR

Staff Estimated 2012 Annual Meter Reading Savings for 2013 Recovery Based on Retention of 36 Meter Readers

Breakout of Meter Reading O&M Expenses

Description		2007 Adjusted Baseline Totals[1]
Net Labor Expenses	$	7,747,417.79
Subtotal Other	$	936,718.85
Total Meter Reading Expenses	**$**	**8,684,136.64**

[1] 2007 Adjusted Baseline Totals from approved Stipulation in Case No. 09-038-GA-UNC

Staff's Calculation Details			Source
A) Total Meter Reading Expenses included in DEO's Base Rates:	$	8,684,136.64	09-038-GA-UNC Settlement
B) Total # of Meter Reading Employees in 2007 Baseline Totals:		116	11-5843-GA-RDR, Application Exhibit B
C) Average Cost for Meter Reading Operations per Employee:	$	74,863.25	Line A / Line B
D) Total # of Meter Reading Employees as of 12/31/2011:		36	11-5843-GA-RDR, Application Exhibit B
E) Reduction in Meter Reading Employees from 2007 thru 2011:		80	Line B - Line D
F) Annual Savings (avoided costs) from Reduced Employees:	$	5,989,059.75	Line C x Line E

Staff's Calculated Annual Meter Reading Savings based on Retention of 36 Meter Readers:	**$**	**5,989,059.75**

Staff Exhibit KA-2

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO (DEO)
AUTOMATED METER READING ESTIMATED COST RECOVERY CHARGE
CASE NO. 11-5843-GA-RDR

Staff Calculation of Meter Reading O&M Savings for 2011 Installation Year

Total Project AMR Installs as of 12/31/2009:	742,721	(11-5843-GA-RDR, Exhibit B AMR Plan Update)
Total Project AMR Installs as of 12/31/2011:	1,243,358	(11-5843-GA-RDR, Exhibit B AMR Plan Update)
Total AMR Installs Remaining on Active Meters as of 12/31/2011:	9,530	(11-5843-GA-RDR, Exhibit B AMR Plan Update)

Table 1: 2009 Installation Plant Additions

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Totals
Installation Plant Additions	1,086,268.06	968,269.28	1,196,632.68	991,180.10	866,800.59	947,202.85	484,944.44	654,034.09	749,808.52	513,256.02	541,932.23	491,673.37	9,492,002.23
Additions % by Month	11.44%	10.20%	12.61%	10.44%	9.13%	9.98%	5.11%	6.89%	7.90%	5.41%	5.71%	5.18%	100.00%
# of Meters by Month	38,010	33,881	41,871	34,682	30,330	33,144	16,969	22,885	26,237	17,959	18,963	17,204	332,135

Table 2: Calculated Meter Installs by Month based on Actual 2009 Installation Allocations

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Totals
2010	17,991	22,989	41,805	21,278	19,846	33,144	16,969	22,885	26,237	17,959	18,963	17,204	277,270
2011	38,010	33,881	41,871	34,682	30,330	33,144	16,969	4,010					232,897

The Commission's order in Case No. 09-1875-GA-RDR was issued May 5, 2010. As such, the Meter Installs by month in the above chart reflect actual installs as submitted by DEO for Jan-2010 through May 2010. Part of the Comission's Order was that DEO should complete installation of all remaining AMR devices in 2011 while deploying the devices in such a manner that will maximize savings by allowing rerouting at the earliest possible time. Therefore, Staff calculated meter installs for June-2010 through Aug-2011 (shaded months) based upon DEO's actual install rates achieved in calendar year 2009.

Staff's Calculation Details		**Source**
A) Completion of the Installation Deployment Phase:	August 2011	Table 2, Staff Exhibit KA-2
B) Two-month Conversion Period to Monthly Meter Reads:	August and September 2011	Staff estimate
C) Number of Months of Full Reader Reductions and Re-routing:	3	October, November, and December 2011
D) Monthly Savings (avoided costs) from Reduced Employees:	$ 499,088.31	Staff Exhibit KA-1 Line F / 12
E) Additional Savings from Completing the Installations in August:	$ 1,497,264.93	Line D x Line C
F) Meter Reading Savings Reported in DEO's Application:	$ 3,511,695.32	Exhibit A, Schedule 1, Line 21 DEO Application
G) Staff Recommended Meter Reading Savings:	**$ 5,008,960.25**	Line E + Line F

STAFF EXHIBIT KA-3

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO

AUTOMATED METER READING ESTIMATED COST RECOVERY CHARGE

CASE NO. 11-5843-GA-RDR

Revenue Requirement (Staff Adjusted) - Meter Reading Savings Adjustment ONLY

Reference(s):
Case No. 11-5843-GA-RDR Company Application Schedules

Prepared by: R Fadley
Staff Exhibit KA-3
Page 1 of 1

Line No.		As Approved 12/31/10	2011 Activity	Staff Adjusted Totals through 12/31/11
1	Return on Investment			
2	Plant in Service			
3	Additions	$73,802,421.11	$16,529,399.32	$90,331,820.43
4	Retirements	0.00	0.00	0.00
5	Total Plant in Service	73,802,421.11	16,529,399.32	90,331,820.43
6	Less: Accumulated Provision for Depreciation			
7	Depreciation Expense	4,275,538.96	2,710,304.01	6,985,842.97
8	Cost of Removal	0.00	0.00	0.00
9	Original Cost Retired	0.00	0.00	0.00
10	Total Accumulated Provision for Depreciation	4,275,538.96	2,710,304.01	6,985,842.97
11	Net Regulatory Asset - Post-In-Service Carrying Cost	4,206,291.86	1,134,837.24	5,341,129.10
12	Net Deferred Tax Balance - PISCC	(1,472,202.15)	(397,193.04)	(1,869,395.19)
13	Deferred Taxes on Liberalized Depreciation	(7,817,219.85)	(11,935,108.15)	(19,752,328.00)
14	Net Rate Base	$64,443,752.01	$2,621,631.36	$67,065,383.37
15	Approved Pre -Tax Rate of Return (ROR)			11.36%
16	Annualized Return on Rate Base			$7,618,627.55
17	Operating Expense			
18	Incremental Annual Depreciation Expense			2,710,304.01
19	Annualized Amortization of PISCC			173,181.29
20	Incremental Annual Property Tax Expense			757,434.25
21	Reduction in Meter Reading Expense			(5,008,960.25) [1]
22	Reduction in Call Center Expense			0.00
23	Annualized Revenue Requirement			$6,250,586.85
24	Number of Bills			14,416,940
25	AMR Cost Recovery Charge			**$0.43**

Notes:

[1] Staff adjusted Meter Reading Savings by $1,497,264.93.

STAFF EXHIBIT KA-4

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO

AUTOMATED METER READING ESTIMATED COST RECOVERY CHARGE

CASE NO. 11-5843-GA-RDR

Revenue Requirement (Staff Adjusted) - O&M Adjustment ONLY

Reference(s):
Case No. 11-5843-GA-RDR Company Application Schedules

Prepared by: R Fadley
Staff Exhibit KA-4
Page 1 of 1

Line No.		As Approved 12/31/10	2011 Activity	Staff Adjusted Totals through 12/31/11
1	Return on Investment			
2	Plant in Service			
3	Additions	$73,802,421.11	$16,529,399.32	$90,331,820.43
4	Retirements	0.00	0.00	0.00
5	Total Plant in Service	73,802,421.11	16,529,399.32	90,331,820.43
6	Less: Accumulated Provision for Depreciation			
7	Depreciation Expense	4,275,538.96	2,710,304.01	6,985,842.97
8	Cost of Removal	0.00	0.00	0.00
9	Original Cost Retired	0.00	0.00	0.00
10	Total Accumulated Provision for Depreciation	4,275,538.96	2,710,304.01	6,985,842.97
11	Net Regulatory Asset - Post-In-Service Carrying Cost	4,206,291.86	1,134,837.24	5,341,129.10
12	Net Deferred Tax Balance - PISCC	(1,472,202.15)	(397,193.04)	(1,869,395.19)
13	Deferred Taxes on Liberalized Depreciation	(7,817,219.85)	(11,935,108.15)	(19,752,328.00)
14	Net Rate Base	$64,443,752.01	$2,621,631.36	$67,065,383.37
15	Approved Pre -Tax Rate of Return (ROR)			11.36%
16	Annualized Return on Rate Base			$7,618,627.55
17	Operating Expense			
18	Incremental Annual Depreciation Expense			2,710,304.01
19	Annualized Amortization of PISCC			173,181.29
20	Incremental Annual Property Tax Expense			757,434.25
21	Reduction in Meter Reading Expense			(5,008,960.25) [1]
22	Reduction in Call Center Expense			0.00
23	Annualized Revenue Requirement			$6,250,586.85
24	Number of Bills			14,416,940
25	AMR Cost Recovery Charge			**$0.43**

Notes:

1 Staff adjusted Meter Reading Savings by $1,497,264.93.