

**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) Case No. 11-5843-GA-RDR
Meter Reading Cost Recovery Charge and)
Related Matters.)

**OHIO PARTNERS FOR AFFORDABLE ENERGY'S
POST-HEARING BRIEF**

Introduction

Ohio Partners for Affordable Energy ("OPAE") hereby respectfully submits to the Public Utilities Commission of Ohio ("Commission") this post-hearing brief in the application of The East Ohio Gas Company d/b/a Dominion East Ohio ("Dominion") for approval of tariffs to adjust its automated meter reading ("AMR") cost recovery charge. The Commission's Opinion and Order in Case No. 10-2853-GA-RDR approved Dominion's current AMR cost recovery charge. Opinion and Order (April 27, 2011). Any costs recovered from ratepayers must be fair and reasonable and any cost savings realized by Dominion with the deployment of AMR technology must be fully shared with Dominion's ratepayers. Cost savings are an offset to costs that are recovered under the AMR cost recovery charge.

A. Dominion's five-year accelerated cost recovery period ended December 31, 2011.

Dominion witness Vicki H. Friscic testified that Dominion's first application for accelerated cost recovery for the installation of AMR devices was made in Case No. 06-1453-GA-RDR. Dominion began installing the devices at the end of 2006, but its date certain in its then pending base rate case was March 31, 2007, so that devices installed before that date were included in rate base and were not

part of the accelerated cost recovery. Tr. at 91. After March 31, 2007, however, the costs incurred for the AMR devices were under the accelerated cost recovery plan. Tr. at 92. Thus, the five-year accelerated cost recovery plan began with 2007. Tr. at 93. Devices were installed in 2006 and 2007, and accelerated cost recovery for the devices installed in 2007 began in 2008. Tr. at 68.

Staff witness Robert P. Fadley testified that the five-year accelerated cost recovery period ended at the end of 2011. Tr. at 201. After the five years ending December 31, 2011, Dominion had no authorization to include costs in an accelerated cost recovery program. Mr. Fadley testified that the annual rider to recover costs on an accelerated basis spanned five years, commencing at the beginning of 2007 and ending at the end of 2011. Tr. at 205. After December 31, 2011, the Commission's authorization for Dominion to recover costs on an accelerated basis through a rider was concluded.

B. The Commission should adopt the Staff's inventory adjustment to reflect the termination of the accelerated cost recovery program at the end of 2011.

As of December 31, 2011, Dominion still had 9,530 active meters that had not been retrofitted with an AMR device. Dominion adjusted its ending inventory balance down to reflect the 9,530 devices that were left to be installed. However, Staff witness Hadley testified that because the five-year installation phase had ended, the Staff further adjusted the ending inventory down to zero. Staff Ex. 6 at 4. The Staff adjustment reduced the additions to plant in service by \$375,200, and reduced the revenue requirement by \$46,623, resulting in a reduction of the rider rate from \$0.54 to \$0.53. Staff Ex. 6 at 6.

Dominion has no authorization to include installation costs incurred after 2011 in the rider being authorized in this proceeding. Therefore, it would be inappropriate to allow Dominion to recover on the costs of the remaining devices in this year's rider or in any rider filing made after this one. While the Staff encourages Dominion to complete the program and equip 100% of its customers with the devices, in order for Dominion to recover the costs, Dominion would need authorization from the Commission. Because the authorization for the rider for the devices has ended, Dominion's only options are to recover any remaining costs through another recovery mechanism such as its Capital Expenditure Program or through a base rate proceeding. Staff Ex. 6 at 5.

C. Dominion disregarded the Commission's orders by failing to complete the program by the end of 2011.

In its Opinion and Order in Case No. 09-1875-GA-RDR, the Commission stated, at 7, that Dominion "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 time." The Commission also stated 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." Id. In short, Dominion was ordered to complete the installation of all AMR devices by the end of 2011, and to deploy the AMR devices in a manner that would maximize savings by rerouting at the earliest possible time. Dominion was also ordered to file a plan in its 2011 AMR Cost Recovery Charge application demonstrating how it would complete AMR installations by the end of 2011 in a manner that would maximize savings. Staff Ex. 9 at 10. In sum, the

Commission ordered Dominion to install the devices by the end of 2011 and to do so in a manner that would maximize savings. Tr. at 236.

Dominion did not alter its installation practices subsequent to the Commission's Order in Case No. 09-1875-GA-RDR. Dominion did not accelerate AMR installations after the Commission's Order was issued on May 5, 2010. In fact, the rate of deployment actually slowed in 2010 and slowed further still in 2011. The Staff could find no evidence that Dominion modified its installation practices in order to maximize savings in accordance with the Commission's Order. Staff Ex. 9 at 13.

Staff witness Adkins testified that if Dominion had maintained the same deployment schedule in 2011 as it used in 2009 and part of 2010, it could have been finished by the end of 2011. Dominion installed 332,000 AMR devices by the end of 2009. However, Dominion did not maintain the same schedule and actually slowed installation in 2010 and 2011. Tr. at 259. Mr. Adkins testified that "you definitely do not maximize savings by slowing installation." Tr. at 259. Dominion "took its foot off the gas and installed fewer AMRs in 2010 and fewer still in 2011, leaving 9,530 uninstalled." Tr. at 261. Moreover, Dominion had not rerouted three of its eleven local shops and did not expect to do so until the first or second quarter of 2012. Id. at 11. The three shops that were not rerouted cover 345,218 meters or 27% of Dominion's total population. As a result, the meter reading savings for 2011 were not as high as they should have been, which means that customers would pay a higher AMR cost recovery charge. The delays in 2010 and 2011 could also spill over to 2012, thus reducing the savings that will be reported in the future.

There is also no valid excuse for these failures. While Dominion is expected to claim that it became harder to access certain meters as installation

continued, Dominion should have aggressively pursued getting to its hard-to-access meters. Tr. at 264. In 2011, the number of devices left to install was well below the installation rates of the previous three years. Thus, Dominion should have been finished by the end of 2011. Tr. at 265. Dominion knew how many inside or hard-to-access meters were in its system when the AMR program was initially proposed. In addition, Dominion had a full five years to work out its plan to fully complete the installations by the end of 2011.

Moreover, the Staff had warned in 2011 that Dominion was behind schedule. In its 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 device installed at the end of 2010 were well below Dominion's installation rate for any of the three previous years. The Staff stated that Dominion should be able to install AMRs on all remaining meters in its system in 2011. The Staff noted that there were hard-to-access meters but that Dominion did not implement new procedures in order to install AMRs on hard-to-access meters. Staff Ex. 9 at 16. The Staff found Dominion's plan to finish installations by the end of 2011 to be "deficient." Tr. at 266. Dominion had years (since 2006) to contact customers and to contact them again to work with them to complete the installations. Dominion could have gotten inside homes for inspections and other reasons. There are other ways of accessing meters besides contacting the customer directly. Tr. at 298.

Thus, with regard to the difficult-to-access meters, Staff witness Hadley stated that Dominion had five years to gain access to the meters and had tools to ensure cooperation through safety inspections or even through disconnection of gas service. Dominion had ample time and has no excuse not to have finished

installation on schedule at the end of 2011 as ordered by the Commission. Staff Ex. 6 at 5.

- D. Because Dominion failed to follow Commission orders and complete installation of the devices by the end of 2011, Dominion failed to deliver the promised operation and maintenance (O&M) savings to customers; therefore, an amount must be added to the O&M savings for 2011 (and later for 2012) to compensate customers for Dominion's failure to deliver the savings.**

Staff witness Baker testified that the 2011 Operation and Maintenance ("O&M") savings were given by Dominion as \$2,950,000 as a result of 317,000 AMR installations in 2010. Staff Ex. 7 at 3-4. Likewise, the \$6,000,000 estimate of O&M savings for 2012 by Dominion reflects a 2012 application for recovery of 2011 costs. The \$900,000 O&M savings for 2009 was for installations in years 2008 and 2007. The \$1,300,000 O&M savings for 2010 represented savings from installations in 2009. These are all annual O&M savings numbers, and not cumulative savings. Staff Ex. 7 at 3.

Staff witness Adkins testified that Dominion should modify its O&M savings calculation in order to comply with the Commission's Opinion and Order in Case No. 09-1875-GA-RDR. A majority of Dominion's meter readers will no longer be needed, but the annual expenses associated with meter readers will still be in Dominion's base rates. Because Dominion will not reset its base rates until it files a 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 will continue to pay for meter readers that no longer read meters in addition to paying the rider that reimburses Dominion for installing the 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. Staff Ex. 9 at 4-5.

The Staff calculated \$5,008,960 in 2011 meter reading savings. Staff Ex. 9 at 17. This includes an additional \$1,497,264 in savings that Dominion should have realized in 2012 if it had not slowed the AMR installation pace through 2011. The \$1,497,264 was added to the \$3,511,696 in savings that Dominion reported in its application in this case to arrive at the Staff recommended \$5,008,595 meter reading savings for 2012. Id. at 18-20. The Staff pointed out that Dominion itself had estimated that it would achieve \$6,000,000 in meter reading O&M savings in 2012. Staff Ex. 9 at 23. The Staff's recommended \$5,008,959 in meter reading savings for the 2012 recovery year is less than the \$6,000,000 than Dominion estimated for 2012. Id. at 23.

There will continue to be O&M savings realized through the rider until Dominion's next base rate case. Although there will be no further costs for installations collected through the rider, there will be proceedings annually until Dominion's next base rate case in order to capture for ratepayers the O&M savings. Tr. at 202. In the 2013 reporting year, there will also be the O&M savings resulting from the 2012 installations. Tr. at 282.

The Staff proposes \$5,008,960 in savings rather than the \$3,511,695 meter reading savings suggested by Dominion. The Staff's proposed savings would reduce the proposed AMR cost recovery charge from Dominion's recommended \$0.54 to \$0.43 (including the Staff recommendation to remove the cost of 9,530 AMRs from the inventory). Staff Ex. 9 at 24. If the Staff's recommendation is not adopted, customers will pay more in the 2012 rider and there is also a strong likelihood that the meter reading O&M savings in 2012 will be less than they should be because of Dominion's failure to reroute three of its

local shops until the first or second quarter of 2012. Customers will not receive the full promise of meter reading savings until May 2014 after Dominion has had a full year of avoided meter reading O&M expenses in 2013. Staff Ex. 9 at 25.

Conclusion

The Commission should find that Dominion's accelerated AMR cost recovery program for the installation of AMR devices ended December 31, 2011. After that date, Dominion has no authority to continue its accelerated cost recovery rider, nor to recover the costs associated with the installation of AMR devices on an accelerated basis. The Commission should, therefore, adopt the Staff's proposed adjustment to the device inventory to reflect the end of the accelerated cost recovery program. The Commission should also find that Dominion disregarded the Commission's orders in Case No. 09-1875-GA-RDR to complete the program by the end of 2011. The Commission should find that, after Dominion was ordered to complete the program by the end of 2011, Dominion actually slowed installations of the devices and did not adhere to its own installation schedule. Although Dominion may offer excuses for its failure to comply with the Commission's orders, none of these excuses are valid or acceptable. Therefore, in addition to the inventory adjustment, the Commission must also adjust the O&M cost savings to be realized by customers for the cost recovery periods of 2011, 2012, and beyond to reflect the savings that customers would have realized if Dominion had properly followed Commission orders and completed installation of the devices by the end of 2011.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Post-Hearing Brief was served electronically upon the following persons on this 6th day of June 2012.

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