

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

**INITIAL BRIEF
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

BRUCE J. WESTON
OHIO CONSUMERS' COUNSEL

Joseph P. Serio, Counsel of Record
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
(614) 466-9565 – Telephone
serio@occ.state.oh.us

June 6, 2012

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. BURDEN OF PROOF.....	3
III. ARGUMENT	5
A. Dominion Failed to Accelerate AMR Deployment in a Manner that Maximized Cost Savings for Customers as Required by the PUCO’s May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR.	6
B. Dominion’s claim--that it Would Take 15-20 Years to Install AMR Devices Absent a Plan for Accelerated Deployment and Cost Recovery from Customers--was Exaggerated.....	14
C. Dominion’s Bulk Purchase of AMR Devices Did Not Save Customers Any Costs and in Fact Added Costs for Customers.	16
IV. CONCLUSION	18

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

**INITIAL BRIEF
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION.

This case was initiated by The East Ohio Gas Company d/b/a Dominion East Ohio Gas Company (“Dominion” or “the Company”) with a Pre-filing Notice (“PFN”) on November 30, 2011. The Company followed the PFN with its Application on February 28, 2012, which requested an Automated Meter Reading (“AMR”) Cost Recovery Charge Rider of \$0.54 per month, per customer.¹ Pursuant to a March 30, 2012 Entry (“March 30 Entry”) by the Attorney Examiner in this docket² the Office of the Ohio Consumers’ Counsel (“OCC”), Ohio Partners for Affordable Energy (“OPAE”)³ and the Staff of the Public Utilities Commission of Ohio (“Commission” or “PUCO”) filed Comments on March 30, 2012.

OCC and OPAE stated in their Comments:

¹ DEO Ex. No. 10 (Application) (February 28, 2012) at 1.

² March 30 Entry at 2. (The Attorney Examiner granted OCC’s Motion for One week Continuance to the Procedural Schedule).

³ OCC and OPAE filed Joint Comments.

Based on OCC's and OPAE's review, OCC and OPAE have no comments to this particular application [2011 Dominion Application] or on Dominion's proposed AMR Rider Rate reduction [from \$0.54 to \$0.42]⁴ for residential customers.⁵

In their Comments, OCC and OPAE noted that in AMR cases, prior to the 2011 AMR Application, the level of Meter Reading operations and maintenance ("O&M") cost savings has been a contentious issue.⁶

The Commission Staff did raise O&M cost savings as an issue. The Commission Staff stated in Comments:

The Staff believes that DEO has not "deployed the AMR devices in a manner that will maximize savings by allowing rerouting at the earliest possible time" as directed by the Commission and that, as a result, its proposed O&M savings in this case are inadequate.⁷

Although OCC and OPAE made the "no comment" statement, OCC and OPAE also specifically reserved their rights to address other issues that might arise. OCC and OPAE specifically stated that they reserved the right "to address any issues raised by the Commission Staff or any other party in this proceeding."⁸

The issues that were first raised in Staff's Comments could not be resolved, so the evidentiary hearing was held on May 2, 2012. Because the OCC and OPAE reserved the right to address any issues that might arise, when the PUCO Staff raised an O&M cost savings issue, OCC and OPAE were now entitled to address that issue in this Brief.

⁴ Staff Ex. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 17, 24, and Staff Ex. No. 9A (Errata to Prefiled Testimony of Kerry Adkins) (May 2, 2012).

⁵ Joint Comments by OCC and OPAE, (April 6, 2012) at 3.

⁶ *In re 2008 Dominion AMR Case*, Case No. 09-1875-GA-RDR, OCC Comments (April 10, 2009) at 2-6. See also *In re 2009 Dominion AMR Case*, Case No. 09-1875-GA-RDR, OCC Comments (March 29, 2010) at 5. See also *In re Dominion 2010 AMR Case*, Case No. 10-2853-GA-RDR, OCC Comments (March 30, 2011) at 5-8.

⁷ Staff Comments (April 6, 2012) at 12.

⁸ *Id.* at 2.

OCC and OPAE participated in the evidentiary hearing on the basis that they had reserved their right to address any issues raised by Commission Staff or any other party in this proceeding.⁹ OCC and OPAE advocated at hearing that the Commission Staff had raised some compelling issues in the Comments filed on April 6, 2012 that warrant Commission consideration. OCC is submitting this Initial Brief pursuant to the schedule established by the Attorney Examiner.

II. BURDEN OF PROOF.

The burden of proof regarding the Application and the AMR cost recovery rider in this case rests solely upon Dominion. In a hearing regarding a proposal that involves an increase in rates, R.C. 4909.19 provides that, “[a]t any hearing involving rates or charges sought to be increased, the burden of proof to show that the increased rates or charges are just and reasonable shall be on the public utility.”¹⁰ The AMR program is an outgrowth of Dominion’s 2007 Rate Case, and the Company acknowledged it has the burden of proof at hearing.¹¹ Therefore, neither OCC, OPAE nor the Staff bear any burden of proof in this case.

Moreover, OCC has included this language on the Company’s burden of proof in the Comments OCC filed in each of Dominion’s prior AMR cases. Dominion has never disputed that it has the burden of proof.

In this case, Dominion must prove that its proposed AMR Rider is just and reasonable or else the proposed increase should be rejected or modified. In order to meet

⁹ Joint Comments by OCC and OPAE (April 6, 2012) at 2.

¹⁰ Also see R.C. 4909.18.

¹¹ Tr. at 112.

its burden of proof, Dominion must demonstrate in this case that its management decisions pertaining to the AMR program generally -- and the timing of AMR device deployment specifically -- as well as the resulting AMR expenditures are reasonable. It is imperative Dominion meets its burden of proof because of the financial ramifications of those decisions and the resulting costs that are ultimately charged to customers. In addition to proving the reasonableness of its expenditures, Dominion also has the burden in this case of proving that the Company complied with the PUCO's directive from the 09-1875-GA-RDR May 5, 2010 Opinion and Order to maximize O&M cost savings.

In Dominion's 2009 AMR Case (09-1875-GA-RDR), the Commission, while not accepting OCC's surrogate O&M cost savings argument, did place a burden on Dominion going forward to demonstrate that its AMR installations were being done in a manner that would maximize O&M savings. The Commission stated:

While the evidence in this case supports [Dominion's calculation, the Commission finds 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 possible time.** Therefore, the Commission expects that [Dominion's] filing in 2011, for recovery of 2010 costs, will reflect a substantially greater number of communities rerouted. The Commission anticipates that, by the end of 2011, it will be possible to reroute nearly all of [Dominion's] communities. **To that end, the Commission finds that, in its 2011 filing, [Dominion] 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.**¹²

The PUCO was clearly putting Dominion on notice that business as usual was not sufficient and that the Company needed to make the necessary changes to maximize O&M cost savings. Instead of heeding that notice, Dominion merely continued its plan.

¹² *Id.* (emphasis added) citing Case No. 09-1875-GA-RDR, Opinion and Order (May 5, 2010) at 7.

III. ARGUMENT

Having reserved this right to participate in this proceeding, OCC makes the following recommendation for the PUCO in this case, as further detailed below:

1. The Commission should increase the level of meter reading O&M cost savings in this case from \$3,511,695.32¹³ to \$5,139,971¹⁴ as recommended by Staff witness Adkins in his direct testimony and cross-examination in this proceeding. This would reduce the AMR Cost Recovery Charge from the Company proposed \$0.54 to \$0.42 per customer per month.¹⁵
2. The Commission should clarify that the quantification and review of meter reading O&M cost savings as referenced in the Company response to Staff Data Request 02 subpart 12 in Case No. 07-829-GA-AIR, the amounts listed per year are annual amounts and not cumulative amounts.
3. The Commission should notify Dominion that the O&M cost savings reported in next year's AMR proceeding should reflect maximum cost savings for both meter reading and call center O&M costs, inasmuch as Dominion completed more than 99% of the AMR installations in calendar year 2011, and the Company has claimed that any remaining uninstalled meters would not negatively impact O&M cost savings.¹⁶ The PUCO should notify the Company that the absence of call center O&M cost savings to date does not nullify the Company's burden of proving in next

¹³ DEO Ex. No. 10 (Application) (February 28, 2012) at Exhibit A, Schedule 1.

¹⁴ Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 17, and Staff Ex. No. 9A (Errata to Prefiled Testimony of Kerry Adkins) (May 2, 2012).

¹⁵ Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 17, 24, and Staff Ex. No. 9A (Errata to Prefiled Testimony of Kerry Adkins) (May 2, 2012).

¹⁶ DEO Ex. No. 2 (Direct Testimony of Carleen Fanelly) (April 27, 2012) at 8.

years AMR filing that the lack of call center O&M cost savings equal to the estimated savings of \$765,000 is reasonable.¹⁷

In this case, there is no dispute that Dominion alone controlled the timing and deployment location of AMR installations.¹⁸ The timing and deployment location of AMR installations is a critical component of any potential AMR-related meter reading O&M cost savings, because those cost savings are tied to the Company achieving a critical mass in any community or meter reading area.¹⁹ Therefore, OCC urges the Commission to pay particular attention to the Company's deployment actions before the May 5, 2010 Commission Order in Case No. 09-1875-GA-RDR and its actions going forward after the Order. To the extent the Company's actions in deploying AMR devices did not change, the Company cannot meet its burden of proving that it took steps to maximize O&M cost savings as required by the PUCO's May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR.

A. Dominion Failed to Accelerate AMR Deployment in a Manner that Maximized Cost Savings for Customers as Required by the PUCO's May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR.

In the Opinion and Order from Case No. 09-1875-GA-RDR, the PUCO made a ruling and specifically put Dominion on notice that it needed to prove in future AMR cases that the Company was maximizing cost savings for customers. The PUCO stated:

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.* * *** To that end, the Commission finds that, in its 2011 filing, **DEO should demonstrate how it will achieve the installations of the devices on the remainder of its meters by the end of 2011, while**

¹⁷ Case No. 09-1875-GA-RDR, Opinion and Order (May 5, 2010) at 8, footnote 3.

¹⁸ Tr. at 30.

¹⁹ Tr. at 18-20.

deploying the devices in a manner that will maximize savings by allowing rerouting at the earliest possible time.²⁰

Through this language, the PUCO was clearly putting Dominion on notice that business as usual was not sufficient and that the Company needed to make the necessary changes to maximize O&M cost savings. If a continuation of the status quo was sufficient, there would have been no need for the PUCO's directive.

Instead of heeding that notice, Dominion merely continued its plan.

The Commission issued this directive to Dominion in part because in the 09-1875-GA-RDR proceeding, the OCC had challenged the level of Meter Reading and Call Center O&M cost savings. In the 09-1875-GA-RDR Case, OCC argued that the level of meter reading and call center O&M cost savings achieved should be similar to the percentage of customers that had an AMR device installed on their meter, thus permitting automatic meter reading and eliminating the need for numerous meter reading employees.²¹ Although the PUCO rejected the OCC's argument, the Commission did express a desire to see O&M cost savings maximized for customers.

In this case, PUCO Staff, through the testimony of Kerry Adkins, argues that the Company failed to maximize cost savings.²² Mr. Adkins testified that Dominion failed to maximize cost savings because the Company did not complete installation of all AMR devices by the end of 2011 and accordingly because the Company had not rerouted all of its shops in 2011.²³ Mr. Adkins explained that the failure to reroute the three shops meant that Dominion was not able to reduce the number of needed meter readers until

²⁰ Case No. 09-1875-GA-RDR, Opinion and Order (May 5, 2010) at 7.

²¹ 09-1875-GA-RDR, Opinion and Order (May 5, 2010) at 5-9.

²² PUCO Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 11-12-13.

²³ *Id.* at 11.

2012.²⁴ This is important because a bulk of the meter reading O&M costs savings come about from the need for fewer meter readers who could then read meters automatically rather than via walking routes.²⁵

Mr. Adkins also testified that Staff found no evidence that the Dominion 2011 AMR Plan -- which was filed by Dominion in February 2011 with the Application in Case No. 10-2853-GA-RDR -- contained any provision that would explain how Dominion planned to change or modify its installation process to comply with the PUCO's Order. Mr. Adkins stated:

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 means sooner and maximize meter reading savings.²⁶

Mr. Adkins conclusion was supported by the testimony of Company witness Friscie who on cross-examination acknowledged that the 2011 DEO Meter Reading Plan (DEO Ex. No. 4) discussed a two-prong strategy to complete installation of all AMR devices in order to maximize savings.²⁷ Ms. Friscie acknowledged that the same two-prong strategy was used prior to the PUCO Order in Case No. 09-1875-GA-RDR.²⁸ In fact, the 2011 DEO Meter Reading Plan specifically notes that Dominion planned to “**continue** to use a two-prong strategy for the remaining AMR installations.”²⁹

Mr. Adkins also noted that the Staff could find no evidence that Dominion actually modified its installation plan in order to maximize savings as directed by the

²⁴ *Id.*

²⁵ *Id.* at 11-12.

²⁶ *Id.* at 15.

²⁷ Tr. at 126.

²⁸ *Id.*

²⁹ DEO Ex. No. 4 (Dominion AMR Plan) at 1-2; Tr. at 126. (Emphasis added).

PUCO's May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR.³⁰ In fact, Mr. Adkins pointed out that the Company's installation rate for AMR's actually slowed in 2010 with 257,020 installations compared to 332,135 in 2009. The Company attempted to explain away this slow down (from 332,135 meters in 2009 to 257,020 meters in 2010) by claiming that the 2009 installation numbers were inflated due to the inclusion of AMR units on outdoor meters that were more easily accessible.³¹ However this explanation was flawed because it does not respond to the PUCO's directive to demonstrate how O&M cost savings will be maximized going-forward. This explanation is also lacking for two reasons. First there is no evidence in the record to support Ms. Friscic's claim for the additional 2009 AMR installations. The Company did not provide any evidence that supports Ms. Friscic's claim, instead we simply have the breakdown of the number of meters installations per month and year.

The second flaw in Ms. Friscic's explanation is that Dominion was able to complete additional installations in 2009 because it focused on easy to access outdoor meters. That means that Dominion did not put a focus on installing AMR devices on the more difficult to access indoor meters until after over two years of accelerated deployment, or 2010 at the earliest. Thus, the Company did not focus on the very indoor meters that were the impetus for the Company's request for a 5-year waiver from the Minimum Gas Service Standards ("MGSS") in Case No. 06-1452-GA-UNC.³² Dominion knew that the indoor meters were more difficult to access as evidenced by the Company's inability to read indoor meters on a regular basis, yet the Company focused on easy to

³⁰ Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 13.

³¹ Tr. at 48.

³² Staff Ex. No. 1 (Dominion Application in Case No. 06-1452-GA-UNC) (December 13, 2006).

access meters in 2009. Even more alarming is that the Company readily acknowledged that the hard to access indoor meters was not a new issue in 2011 but that it had existed in prior years.³³

Again the Company's explanation is inconsistent because Ms. Friscic noted that the Company installed 132,000 AMR devices on meters in 2007 even before the Company had PUCO authorization to accelerate deployment and cost recovery. Ms. Friscic noted that the Company installed that number of meters in 2007 in an attempt to address MGSS concerns.³⁴ Thus, the Company installed 132,000 meters in 2007 to address MGSS concerns but then focused on easy to access meters until 2010. The Company's actions do not match the Company's explanation.

In response to questions from OCC, Dominion witness Ms. Fanelly admitted that DEO Ex. No. 4 (filed February 28, 2011 in Case No. 10-2853-GA-RDR), Staff Ex. No. 4 (update of DEO Ex. 4 filed February 28, 2012 in Case No. 11-5843-GA-RDR) and the Meter Reading Plan attached to her testimony were all developed and submitted after the May 5, 2010 PUCO Opinion and Order in Case No. 09-1875-GA-RDR.³⁵ She also admitted that the Company had a similar AMR installation plan prior to the May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR (submitted in July 2007 as part of the MGSS).³⁶

When asked what the Company did different after the May 5, 2010 Opinion and Order compared to what was being done before, Ms. Fanelly did not point to any

³³ Tr. at 50.

³⁴ Tr. at 56.

³⁵ Tr. at 141.

³⁶ Tr. at 142.

differences but rather argued that having rerouting 310,721 accounts in 2010 compared to only 25,284 in 2009 was proof in and of itself of maximized cost savings.³⁷ Although it is true that rerouting more accounts in 2010 resulted in greater O&M cost savings than the year before, there is absolutely no evidence that the increased O&M cost savings were achieved because of any change in the Company's installation plans. Instead the greater O&M cost savings were the result of more time. Thus, this increased level of O&M cost savings would have been achieved regardless of the PUCO's May 5, 2010 Opinion and Order. The Company did not point to any additional steps taken to maximize O&M cost savings.

When given the opportunity to show what specific actions the Company took in response to the PUCO's directives to maximize O&M cost savings the Company did not - or could not -- point to any specific objective differences. This is evidence that the Company failed to comply with the PUCO's May 5, 2010 directive in the Opinion and Order in Case No. 09-1875-GA-RDR.

Ms. Fanelly did argue that Dominion eliminated installations on inactive accounts (24 months or longer) to speed up O&M cost savings.³⁸ However in making this claim, Ms. Fanelly could not quantify any correlation between the Company's actions and any maximized O&M cost savings.³⁹ In fact, Ms. Fanelly did not even know how many inactive accounts were bypassed in 2010 in an attempt to maximize savings.⁴⁰

³⁷ Tr. at 144.

³⁸ Tr. at 146.

³⁹ Tr. at 148.

⁴⁰ Tr. at 148.

Ms. Fanelly claimed that a second change was prioritizing active accounts ahead of inactive accounts as a means of maximizing O&M cost savings.⁴¹ However, yet again, Ms. Fanelly could not provide any qualifications or impact that this “change” had on maximizing O&M cost savings for customers.⁴²

Ms. Fanelly also argued that a letter the Company developed to inform customers who had not previously cooperated that they risked shut-off if they did not grant access was an attempt to maximize cost savings.⁴³ Ms. Fanelly claimed this letter was different than the “no access process” that was submitted to the PUCO in the MGSS docket in 2007.⁴⁴ This modified letter notified customers that routes would no longer be read manually so these customers who had ignored prior notifications would no longer get bi-monthly meter readings.⁴⁵

Yet this claim that the letter helped maximize O&M cost savings is contradicted by the fact that the Company knew it had problems with hard to access indoor meters in 2006 when it first raised the issue of AMR installation and did not respond with a new notification letter until almost four years later, sometime after May 5, 2010. It is clear the Company was content to let the problem exist and did not take steps to ensure that the indoor meters -- at the heart of the MGSS issue -- had AMR devices installed on them until the last possible minute. Rather than maximizing savings, this action merely put off the problem as long as possible before it was dealt with.

⁴¹ Tr. at 148.

⁴² Tr. at 148-149.

⁴³ Tr. at 150-151.

⁴⁴ Tr. at 151.

⁴⁵ Tr. at 151.

Finally, Ms. Fanelly raised the issue of how Dominion dealt with customers who have multiple meter manifolds as an item that Company handled differently after the May 5, 2010 Opinion and Order in the 09-1875-GA-RDR case as proof that the Company was maximizing O&M cost savings.⁴⁶ She noted that the Company revised its policy on how to deal with installations of AMRs on customers with multiple meter manifolds.⁴⁷ Again, despite the claim of this change, Ms. Fanelly could not quantify the impact -- if any -- of this change. It is also worth noting that even though the Company was aware of the meter manifold issue since the start of the AMR program⁴⁸ it did not approach Staff to make any changes until August 2011.⁴⁹ The inability to be able to quantify any benefit from this change combined with the fact that the Company waited over 3 ½ years⁵⁰ to make it renders this change irrelevant in light of the PUCO's directive to maximize O&M cost savings for customers.

Finally Ms. Fanelly also acknowledged that the Company was using the same two-prong strategy on AMR device installation prior to, and after the PUCO's May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR.⁵¹

Because the Company merely continued the same approach to AMR installations after the PUCO's May 5, 2010 Opinion and Order, it failed to take steps to maximize O&M cost savings. Moreover, any of the changes that Company witness Fanelly mentioned failed to meet the PUCO's directive because they merely addressed issues that

⁴⁶ Tr. at 146.

⁴⁷ Tr. at 146.

⁴⁸ Tr. at 154.

⁴⁹ Tr. at 154.

⁵⁰ Time calculated from January 1, 2008 to August 2011 – if we accept for sake of argument – the Company claim that the calculated program did not begin until January 1, 2008. (See Tr. at 36.)

⁵¹ Tr. at 152.

had been known since the start of the AMR program or because the Company could not quantify any actual benefit from the resulting action. It is clear that the Company did not maximize O&M cost savings for customers, as directed by the PUCO.

Accordingly, OCC recommends that the PUCO adopt the recommendation of Staff witness Adkins to increase the level of meter reading O&M cost savings from \$3,511,695 to \$5,139,971.⁵² This would in turn protect customers by reducing the AMR Cost Recovery Charge from the Company's proposed \$0.54 to \$0.42 per customer per month.⁵³

B. Dominion's claim--that it Would Take 15-20 Years to Install AMR Devices Absent a Plan for Accelerated Deployment and Cost Recovery from Customers--was Exaggerated.

A premise underlying the current AMR program is Dominion's claim that it would have taken 15-20 years to complete installation of the AMR devices on all meters under the Company's normal capital budget process.⁵⁴ The Company argued that an accelerated deployment program--with an accelerated cost recovery from customers--would benefit customers because they would have the benefit of AMR devices much sooner than otherwise would be the case.⁵⁵

In its Application in Case No. 06-1453-GA-UNC (DEO Ex. No. 3), the Company noted that:

⁵² Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 17, and Staff Ex. No. 9A (Errata to Prefiled Testimony of Kerry Adkins) (May 2, 2012). See also Tr. at 301.

⁵³ *Id.* at 24, Tr. at 301.

⁵⁴ See DEO Ex. No. 3 (Dominion Application in Case No. 06-1453-GA-UNC) (December 123, 2006) at 4; DEO Ex. No. 1 (Direct Testimony of Vicki Friscic) (April 27, 2012) at 2; Staff Ex. No. 2 (May 24, 2007 Entry in Case No. 06-1452-GA-WVR) at 4; and Staff Ex. No. 7 (Staff Report in Case No. 07-829-GA-AIR) (May 23, 2008) at 42.

⁵⁵ DEO Ex. No. 3 (Application in Case No. 06-1453-GA-UNC) (December 13, 2006) at 2, 3, 5, 6.

Absent timely recovery of the associated depreciation, property taxes and return on rate base investment, DEO would fund the entire program through its normal capital budgeting process, which would accommodate a fifteen– to twenty-year system wide deployment.⁵⁶

Despite these claims, it now appears that the Company’s estimate of 15-20 years may have been exaggerated. In this case Company witness Friscie noted that the Company was able to install 132,000 AMR devices in 2007 under what was **not** an accelerated installation schedule.⁵⁷ Company witness Fanelly acknowledged that at the pace of AMR installations from 2007, the Company could have completed its 1.2 million AMR devices in only 10 years -- not 15 or 20.⁵⁸ In light of these admissions, that AMR deployment, without a program of accelerated cost recovery from customers, could have been done in only ten years, the Commission should view any O&M cost savings with a more critical eye. The question for the PUCO is whether “accelerating deployment from a 10-year period to a five-year period justified the AMR Rider. When the lack of O&M cost savings is added to this mix, it should give the PUCO reason to re-evaluate the reasonableness of the AMR program for the Company’s customers.

The PUCO and utility customers should be able to rely on Company representations when evaluating a proposal that involved over a hundred million dollars.⁵⁹ It now appears that Dominion exaggerated the length of time to deploy AMR devices absent an accelerated cost recovery mechanism at the same time that the Company is attempting to justify O&M cost savings that are below the levels estimated

⁵⁶ *Id.* at 4.

⁵⁷ Tr. at 22, 27, 96, 136. See also DEO Ex. No. 1 (Direct Testimony of Vicki Friscie) (April 27, 2012) at 10.

⁵⁸ Tr. at 164.

⁵⁹ DEO Ex. No. 1 (Direct Testimony of Vicki Friscie) (April 27, 2012) at 9.

before the program began. And the expected cost savings for customers were an important aspect to the resolution of the AMR program in Case No. 07-829-GA-AIR. This action provides the PUCO even greater grounds to accept the Staff's recommendation to increase the O&M cost savings for customers from \$3,511,695 to \$5,139,971,⁶⁰ and in turn reduce the AMR Cost Recovery Charge from the Company's proposed \$0.54 to \$0.42 per customer per month.⁶¹

C. Dominion's Bulk Purchase of AMR Devices Did Not Save Customers Any Costs and in Fact Added Costs for Customers.

An issue in this case is a question of whether the Company saved customers money by purchasing the 1.2 million Encoder-Receiver-Transmitter ("ERT") devices in bulk rather than on an as-needed basis.⁶² The Company has noted that the bulk purchase enabled the Company to get a 2.5% discount from the sales price, which amounted to an alleged savings of \$793,890.⁶³ Although the Company has claimed this discount as a benefit, the issue has not been previously litigated⁶⁴ and there has been no PUCO decision on whether Dominion's actions were prudent.⁶⁵ However in claiming this savings for the customers, the Company did not take into account the carrying charges associated with 100,000 AMR devices being included in the Company's costs from year to year.⁶⁶ Even more alarming is that the Company did not do any calculation when

⁶⁰ Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 17, and Staff Ex. No. 9A (Errata to Prefiled Testimony of Kerry Adkins) (May 2, 2012). See also Tr. at 301.

⁶¹ *Id.* at 24, tr. at 301.

⁶² Tr. at 119.

⁶³ DEO Ex. No. 1 (Direct Testimony of Vicki Friscie) (April 27, 2012) at 10-11.

⁶⁴ Tr. at 119.

⁶⁵ *Id.*

⁶⁶ Tr. at 69. See also DEO Ex. No. 1 (Direct Testimony of Vicki Friscie) (April 27, 2012) at 12.

making the bulk purchase to compare the carrying cost to the discount.⁶⁷ Instead, the Company merely “**assumed**” that the 2.5% bulk purchase discount would be a benefit and left it at that.⁶⁸

In order to determine if the Company’s bulk purchase plan actually produced any savings for customers, the carrying costs associated with the 100,000 AMR inventory has to be weighed against the claimed savings. Ms. Friscic noted that the cost of each AMR device was approximately \$39.00 or \$40.00 per unit.⁶⁹ Thus, a carryover inventory of 100,000 devices would have a cost of \$3,950,000 - \$4,000,000. Ms. Friscic also acknowledged that the carrying costs to be used in a calculation is the 11.36% as listed in Dominion’s Application Exhibit A, Schedule 1 in this case.⁷⁰ When the carrying cost rate of 11.36%⁷¹ is multiplied by that amount of carryover inventory, the resulting carrying cost is \$448,720 per year.⁷² Thus, two years of carrying costs more than offsets the initial bulk purchase discount.

Staff Comments in Dominion’s 2010 AMR case (Case No. 10-2853-GA-RDR) note that Dominion was authorized to carry an inventory of 100,000 units as agreed to in Case No. 09-38-GA-UNC.⁷³ Thus, Dominion carried the 100,000 unit excess inventory in 2010, 2011 and 2012. At a cost of \$448,720 per year, the three-year cost of the inventory is \$1,346,160, which exceeds the claimed savings from the bulk purchase

⁶⁷ Tr. at 71.

⁶⁸ Tr. at 71-72. (Emphasis added).

⁶⁹ Tr. at 70.

⁷⁰ Tr. at 70.

⁷¹ Tr. at 70.

⁷² 100,000 meters x \$39.50 cost per unit = \$3,950,000. \$3,950,000 x 11.36% carrying cost = \$448,720 (annual carrying costs).

⁷³ DEO Ex. No. 9 (Staff Comments in Case No. 10-2853-GA-RDR) (March 30, 2011) at 8.

discount of \$793,890⁷⁴ by \$552,270.⁷⁵ OCC recommends that the PUCO further reduce the Staff's recommended \$0.42 AMR Cost Recovery Charge to reflect this additional cost, which should be excluded from the Company's collections from customers.

IV. CONCLUSION

This case represents yet another dispute between Dominion and the signatory parties (Staff, OCC and OPAE) as to the accelerated AMR installation, cost recovery and O&M cost savings plan. In order to properly evaluate this case, it is important not to lose sight of the fact that the accelerated aspect of the case involved all three areas: installation, cost recovery for Dominion and O&M cost savings for customers. The underlying Stipulation was reasonable because of the delicate balance between the three areas.

Unfortunately, the accelerated O&M cost savings aspect of the Stipulation (to benefit customers) has continually lagged behind the Company's focus on accelerated cost recovery (to benefit shareholders). In this case, Staff has demonstrated that Dominion failed to adhere to the PUCO's directive in the May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR that the Company take steps to maximize O&M cost savings for customers. Rather than set out a plan to change its approach, Dominion was content to continue the plan that was in place prior to the PUCO's Opinion and Order.

Staff witness Adkins demonstrated that Dominion failed to comply with the PUCO's Opinion and Order. He quantified a recommended increase in O&M cost

⁷⁴ Dominion Ex. No. 1 (Friscie direct Testimony) (April 27, 2012) at 10-11.

⁷⁵ \$448,720 (annual carrying cost) x 3 years = \$1,346,160 (total carrying costs). \$1,346,160 (total carrying costs) - \$793,890 (bulk purchase discount) = \$552,270 overcharge.

savings from \$3,511,695 to \$5,139,971, to benefit customers.⁷⁶ This led to his reducing the AMR Cost Recovery Charge that customers pay from the Company proposed \$0.54 to \$0.42 per customer per month, to reflect Dominion's failure to complete the AMR installation and automated readings on a timely basis. OCC recommends that the \$0.42 AMR Cost Recovery Charge be further reduced to reflect the \$552,270 overcharge from the carrying costs associated with the 100,000 AMR unit inventory that exceeded the bulk purchase discount from purchasing AMR's in bulk rather than as needed.

OCC also recommends that the PUCO should clarify that the quantification and review of meter reading O&M cost savings should be based on annual amounts rather than cumulative amounts as claimed by the Company. Instead the PUCO should indicate that the amounts from the Company response to Staff Data Request 02 subpart 12 in Case No. 07-829-GA-AIR, as defined by Staff witness Baker⁷⁷ are annual amounts.

Finally, OCC recommends that the Commission should advise Dominion that the O&M cost savings requested in next year's AMR proceeding should reflect maximum cost savings for both meter reading and call center O&M costs, inasmuch as Dominion completed more than 99% of the AMR installations in calendar year 2011, and the Company has claimed that any remaining uninstalled meters would not negatively impact O&M cost savings.⁷⁸ The PUCO should advise the Company that the absence of call center O&M cost savings to date does not nullify the Company's burden of proving in

⁷⁶ Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 17, and Staff Ex. No. 9A (Errata to Prefiled Testimony of Kerry Adkins) (May 2, 2012). See also Tr. at 301.

⁷⁷ Staff Ex. No. 7 (Direct Testimony of Pete Baker) (April 27, 2012) at 3-6.

⁷⁸ DEO Ex. No. 2 (Direct Testimony of Carleen Fanelly) (April 27, 2012) at 8.

next year's AMR filing that the lack of call center O&M cost savings equal to the estimated savings of \$765,000 is reasonable.⁷⁹

Respectfully submitted,

BRUCE J. WESTON
OHIO CONSUMERS' COUNSEL

/s/ Joseph P. Serio

Joseph P. Serio, Counsel of Record
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel

10 West Broad Street, Suite 1800

Columbus, Ohio 43215-3485

(614) 466-9565 – Telephone

serio@occ.state.oh.us

⁷⁹ Case No. 09-1875-GA-RDR, Opinion and Order (May 5, 2010) at 8, footnote 3.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Initial Brief of the Office of the Ohio Consumers' Counsel* was served via Electronic Mail upon the following persons on this 6th day of June, 2012.

/s/ Joseph P. Serio

Joseph P. Serio
Assistant Consumers' Counsel

SERVICE

William Wright
Chief, Public Utilities Section
Public Utilities Commission of Ohio
180 East Broad Street 6th Fl
Columbus, Ohio 43216
William.wright@puc.state.oh.us

Mark A. Whitt
Melissa L. Thompson
Whitt Sturtevant LLP
PNC Plaza, Suite 2020
155 East Broad Street
Columbus, Ohio 43215
whitt@whitt-sturtevant.com
thompson@whitt-sturtevant.com

Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
P.O. Box 1793
Findlay, OH 45839-1793
Telephone: (419) 425-8860
cmooney2@columbus.rr.com

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

6/6/2012 4:18:09 PM

in

Case No(s). 11-5843-GA-RDR

Summary: Brief Initial Brief by the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Serio, Joseph P.