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

REPLY BRIEF
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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I. INTRODUCTION

On June 6, 2012, the Office of the Ohio Consumers' Counsel ("OCC" or "Consumers' Counsel"), East Ohio Gas Company d/b/a Dominion East Ohio ("Dominion" or "the Company"), the Staff of the Public Utilities Commission of Ohio ("PUCO" or "the Commission") ("Staff"), and Ohio Partners for Affordable Energy ("OPAE") filed Initial Briefs in this case pursuant to the schedule established by the Attorney Examiner.[1] The OCC is filing this Reply to those Initial Briefs on behalf of Dominion's 1.1 million residential customers who pay the Automated Meter Reading ("AMR") Rider charge that permits the Company to recover the cost of the accelerated AMR program.

II. ARGUMENT

A. Dominion Failed to Comply With the PUCO's May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR, Regarding Cost Savings.

The current Dominion Automated Meter Reading ("AMR") proceeding is supposed to be about the accelerated installation of AMR devices, the accelerated

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[1] Tr. at 304.

recovery of the costs associated with the installation of AMR devices and the accelerated recognition of reduced Operation and Maintenance ("O&M") cost savings for Dominion's residential customers.[2] Unfortunately for Dominion's customers, the Company has put its focus on the accelerated cost recovery portion of the program in order to benefit shareholders while letting the accelerated installation and accompanying accelerated O&M cost savings portions of the program lag, at its customers' expense.

This focus has been demonstrated by the Company's actions throughout the AMR program.[3] And Dominion's focus is again manifested in its Initial Brief where the Company described the purpose of the AMR Application as "[T]he purpose of the application, therefore was to seek approval of a cost recovery mechanism that would allow DEO to recover the costs of accelerated system-wide deployment over an approximate five-year period * * *."[4] In Dominion's Application, the subject of O&M cost savings was only mentioned as an afterthought.[5]

In fact to that end, to date, Dominion has actually collected approximately $19 million[6] from residential customers on an accelerated basis for the benefit of its shareholders, with another $7,746,501 pending the outcome of this case for a total of

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[2] Dominion 207 Rate Case, Case No. 07-829-GA-AIR, Opinion and Order (October 15, 2008) at 10.

[3] For example see the issue raised by the OCC in Case No. 09-1875-GA-RDR, and the PUCO's May 5, 2010 Opinion and Order in that case that directed Dominion to take steps to maximize meter reading O&M cost savings.

[4] Dominion Initial Brief at 2.

[5] Dominion Initial Brief at 3.

[6] 09-38-GA-RDR, 13,720,961 residential bills x $0.30 AMR Rider = $4,116,288;
09-1875-GA-RDR, 14,411,363 residential bills x $0.47 AMR Rider = $6,773,340;
10-2853-GA-RDR, 14,434,100 residential bills x $0.57 AMR Rider = $8,227,437.
$4,116,288 +$6,773,340 +$8,227,437 = $19,117,065.

Case No. 11-5843-GA-RDR, 14,345,374 residential bills x $0.54 AMR Rider (proposed) = $7,746,501.
$19,117,065 + $7,746,501 = $26,863,567.

$26,863,567 compared to approximately only $6.2 million[7] in accelerated meter reading O&M cost savings to help offset those costs, for the benefit of customers.

In this case, the PUCO Staff presented evidence in the form of the direct testimony of Kerry Adkins.[8] Mr. Adkins testified that Dominion did not maximize its efforts to accelerate installation of AMR devices and rerouting of AMR reading routes in a manner that would maximize meter reading O&M cost savings as directed by the Commission in its May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR. The Commission stated in that Order that:

> While the evidence in this case supports DEO's calculation, the Commission 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**. Therefore, the Commission expects that DEO'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.**[9]

Had the Commission been satisfied with Dominion's actions it would not have had to issue this directive. Instead, the Commission's Order indicated that the PUCO anticipated and expected Dominion to install all remaining AMR devices in all communities by the end of 2011, and to also reroute all remaining communities by the end of 2011. Rerouting is the process of converting walking meter reading routes into

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[7] Dominion Initial Brief at 1.

[8] Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 11-12.

[9] Dominion Case No. 09-1875-GA-RDR, Opinion and Order (May 5, 2010) at 7. (Emphasis added).

drive by meter reading routes.[10] Yet despite the Commission's clear directive, Dominion Witness Fanelly acknowledged that Dominion did not reroute approximately 340,000 customers in the Wooster, Western and Youngstown Local Offices by the end of 2011.[11] The Wooster Local Office was rerouted in January 2012,[12] and rerouting for Youngstown did not even begin until April 2012, while Western is not even projected to be complete until June 2012!

> Q. When exactly did Youngstown reach critical mass?
>
> A. I believe that they were at critical mass in mid to late November.
>
> Q. And both of these shops will not be completely rerouted until June 2012?
>
> A. They will be fully completed. The rerouting for Youngstown actually began on April 20, and we're finalizing the rerouting for the Western shop which will definitely be completed by June.[13]

Full meter reading O&M cost savings cannot be achieved until after rerouting is complete, because even if AMR devices are installed, until rerouting has occurred, meters are read by meter readers who are walking the area as well as other administrative reasons.[14] This means that under Dominion's plan to purportedly maximize O&M cost savings at the earliest possible time, the maximum annual meter reading O&M cost savings cannot be achieved until calendar year 2014 -- or almost two years after the Company declared that it had completed the program successfully.[15] With rerouting not

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[10] Tr. at 155-156.

[11] DEO Ex. No. 4 (Dominion AMR Reading Plan) at 2.

[12] Tr. at 169.

[13] Tr. at 169-170.

[14] DEO Ex. No. 2 (Direct Testimony of Carleen Fanelly) (April 27, 2012) at 5-6.

[15] Dominion Initial Brief at 1.

expected to be complete until June 2012, the maximum meter reading O&M cost savings for a full calendar year cannot be achieved in next year's AMR filing, but is put off until 2014.

Dominion downplayed this failure to reroute the Western and Youngstown Local Offices by the end of 2011, when the Company claimed, "[I]t had begun or completed rerouting all but two local offices, * * *."[16] Interestingly, the Company referred to the Western and Youngstown Local Offices as "two local offices" instead of approximately 320,000 customers[17] -- or almost 30% of its total customers.

Dominion also downplayed the impact of its tardy rerouting by claiming that, "[t]he remaining 9,530 unconverted meters did not prevent DEO from achieving any available cost savings in 2011."[18] While it is true that the failure to convert the remaining 9,530 meters did not prevent any O&M cost savings from being achieved, the failure to reroute almost 30% of its customers did, and was conveniently not mentioned in this particular claim of success.

The Company seems to focus on the "installation" directive in the PUCO's May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR, while ignoring the "rerouting" directive that appears in the very same sentence. The PUCO ordered 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."[19] Obviously the PUCO intended for installation and rerouting to enable

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[16] Dominion Initial Brief at 1.

[17] DEO Ex. No. 4 (Dominion AMR Reading Plan) at 2.

[18] Dominion Initial Brief at 8, citing DEO Ex. No. 2 (Direct Testimony of Carleen Fanelly) (April 27, 2012) at 8-9.

[19] Dominion Case No. 09-1875-GA-RDR, Opinion and Order (May 5, 2010) at 7. (Emphasis added).

maximum O&M cost savings because installation without rerouting does not produce the intended O&M cost savings because until an area has been rerouted the meters are still read manually instead of automatically using vehicles.[20]

Dominion argues in its Initial Brief that the PUCO did not require that all communities be rerouted by the end of 2011, but only that it had to be possible to reroute by the end on 2011.[21] This argument is designed to separate the Company's failure to act from the negative financial implications of its actions for customers. To the extent that the PUCO mentioned "installation" "rerouting" and "maximized" cost savings in the same sentence means that the Commission intended for the action to occur to maximize O&M cost savings. To read the Order as concocted by Dominion would require the belief that the Commission wanted maximized O&M cost savings from installations by the end of 2011, as separated from maximized O&M cost savings from rerouting by the end of 2011. The problem with this interpretation is that O&M cost savings are not achieved with installation but only after rerouting.[22] In fact, Dominion has gone as far as to interpret the PUCO's May 5, 2010 Opinion and Order in the 09-1875-GA-RDR case as being a **planning** requirement and not an **installation** requirement.[23]

However, Dominion's argument ignores the cost savings impact of the Company's actions. If the Commission had merely intended the May 5, 2012 Opinion and Order in the 09-1875-GA-RDR case to be for planning purposes, then there would be no cost savings impact and no need to mention maximized cost savings in the same

[20] Tr. at 155.

[21] Dominion Initial Brief at 14.

[22] DEO Ex. No. 2 (Direct Testimony of Carleen Fanelly) (April 27, 2012) at 5-6.

[23] Dominion Initial Brief at 15.

sentence. Moreover, even if the requirement was only a planning one, then the Company failed to demonstrate that its AMR Installation Plan in response to the May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR was different than its AMR Installation Plan prior to the Order.[24] In fact, as noted in OCC's Initial Brief, both Company witnesses Friscic[25] and Fanelly[26] acknowledged that the Company planned to **continue to use the same two-prong strategy** on AMR installations after the PUCO May 5, 2010 Opinion and Order in the 09-1875-GA-RDR case as it used prior to that Order.

The PUCO Staff concluded that this result did not comply with the PUCO's May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR:

> 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.[27]

The OCC agrees and accordingly supports the Staff's recommendation to increase the level of meter reading O&M cost savings by $1,628,276[28] and reduce the AMR Rider that customers pay from $0.54 to $0.42.[29]

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[24] See OCC Initial Brief at 7-14.

[25] OCC Initial Brief at 8; Tr. at 126.

[26] OCC Initial Brief at 13; Tr. at 152.

[27] Staff Comments (April 6, 2012) at 12.

[28] Staff Initial Brief at 15, citing Staff Ex. No. 9A (Errata to Direct Testimony of Kerry Adkins) (May 2, 2012).

[29] Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 17; Staff Ex. No. 9A (Errata to Direct Testimony of Kerry Adkins) (May 2, 2012). See also Tr. at 301.

B. The PUCO Should Not Permit Dominion to Collect Meter Inventory Carrying Costs from Customers Because Dominion Failed to Prove That Buying in Bulk to Obtain a Purchase Discount was Reasonable In Light of the Magnitude of The Carrying Costs Associated With the AMR Device Inventory.

As noted in the OCC's Initial Brief[30] and the Staff's Initial Brief,[31] the burden of proof in this case rests squarely and entirely on Dominion to prove that the costs requested for recovery through the AMR Rider are reasonable. This burden includes Dominion proving that it complied with the PUCO's May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR and that the Company installed and rerouted AMR devices for all of its remaining communities in a manner that maximized meter reading O&M cost savings.[32]

In light of this clear burden, the Company presented no evidence other than a claim in Ms. Friscic's testimony that the bulk purchase of the AMR devices resulted in a 2.5% bulk purchase discount of $793,800.[33] OCC does not question the factual basis of the amount of the bulk discount itself. However, neither Ms. Friscic nor any other Dominion witness ever compared the bulk purchase discount to the actual carrying costs associated with carrying–over 100,000 AMR devices from one year t the next.[34] On cross-examination OCC questioned Ms. Friscic about the bulk discount compared to the additional carrying costs associated with a carry-over inventory of 100,000 AMR devices

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[30] OCC Initial Brief at 3-4.

[31] Staff Initial Brief at 4.

[32] Dominion Case No. 09-1875-GA-RDR, Opinion and Order (May 5, 2010) at 7.

[33] DEO Ex. No. 1 (Direct Testimony of Vicki Friscic) (April 27, 2012) at 10-11.

[34] Tr. at 69-71.

from one year to the next.[35] Despite the lack of any comparison, Ms. Friscic claimed that the bulk purchase discount was a benefit for customers.[36]

This issue was raised by OCC in cross-examination of Ms. Friscic and in OCC's Initial Brief,[37] therefore, Dominion was aware of this issue but elected not to address it in its Initial Brief. As a result, Dominion failed to meet its burden of proof to support its claim that the bulk purchase of AMR devices was reasonable and a benefit for customers.[38] As OCC recommended in its initial brief, the PUCO should reduce the AMR Rider that customers pay by $552,270 to reflect the fact that the carrying costs associated with the AMR inventory exceeded the bulk purchase discount.[39]

III. CONCLUSION

This case provides the PUCO with the opportunity to put the accelerated O&M cost savings aspect of the AMR program on par with the emphasis that Dominion has placed on accelerated AMR cost recovery. That approach would balance the interests of customers and shareholders -- a balance that is missing from Dominion's approach.

The PUCO clearly put Dominion on notice in the May 5, 2010 Opinion and Order in Case No. 09-1875-GA-RDR, that the Company needed to prove that its AMR Plan to install and reroute all remaining communities by the end of 2011 would maximize meter

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[35] Tr. at 69-71.

[36] DEO Ex. No. 1 (Direct Testimony of Vicki Friscic) April 27, 2012) at 10-11.

[37] OCC Initial Brief at 16-17.

[38] The AMR program is an outgrowth of Dominion's 07-829-GA-AIR rate case which required the Company to prove the reasonableness of its Application pursuant to R.C. 4909.19. See OCC Initial Brief at 3-4.

[39] See OCC Initial Brief at 17-18. Carry over of 100,000 AMR devices x $39.50 per meter = $3,950,000 total cost. $3,950,000 total cost x 11.36 % carrying costs = $448,720 annual carrying costs. $448,720 annual carrying costs x 3years = $1,346,160 total carrying costs - $798,890 bulk purchase discount =$552,270 over charge.

reading O&M cost savings. Instead of modifying its AMR plan to comply with the PUCO directive, the Company merely continued the two-prong plan that it relied on prior to the May 5, 2010 Opinion and Order. As a result, the Company failed to maximize meter reading O&M cost savings, and failed to prove that its actions maximized meter reading O&M cost savings.

The PUCO Staff provided a reasonable calculation to demonstrate the level of meter reading O&M cost savings that should have been achieved if the Company would have complied with the PUCO's May 5, 2010 Opinion and Order. Accordingly the OCC respectfully requests that the PUCO reduce the AMR Rider that customers pay from $0.54 to $0.42 as recommended by Staff witness Adkins.[40]

In addition, the OCC respectfully requests that the PUCO further reduce the AMR Rider that customers pay, to reflect the fact that Dominion failed to prove that the AMR bulk purchase discount provided a benefit in the form of lower costs when compared to the carrying costs associated with the AMR inventory that was carried over from one year to the next.

[40] Staff Ex. No. 9 (Direct Testimony of Kerry Adkins) (April 27, 2012) at 17; Staff Ex. No. 9A (Errata to Direct Testimony of Kerry Adkins) (May 2, 2012). See also Tr. at 301.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Reply Brief of the Office of the Ohio Consumers' Counsel* was served via electronic mail upon the following persons on this 20th day of June, 2012.

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