

**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
REPLY BRIEF**

Introduction

Ohio Partners for Affordable Energy ("OPAE") hereby respectfully submits to the Public Utilities Commission of Ohio ("Commission") this reply 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. Herein, OPAE replies to the brief filed by Dominion. Dominion's arguments are without merit and should be rejected.

Argument

A. Dominion fails to accept that the five-year accelerated cost recovery period ended December 31, 2011.

Staff witness Robert P. Fadley testified that the five-year accelerated cost recovery period ended at the end of 2011. Tr. at 201. 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, Dominion has no authorization to recover the costs of AMR installations on an accelerated basis through a rider.

Dominion works hard to deny this basic fact by confusing installation of the AMR devices with accelerated cost recovery for installation of the devices. For example, Dominion states that Staff is contending that Dominion “was required to install all of its AMR devices” by the end of 2011. Dominion Brief at 3. This is a change in wording that Dominion works hard to exploit. Simply put, Dominion will not have accelerated cost recovery through a rider for the devices it installs after 2011. Dominion seeks to continue accelerated cost recovery through a rider into 2012, which Dominion is not authorized to do.

In another example of deliberate confusion, Dominion states that in 2007 it began replacing defective remote devices “but these replacements were not to be included in the proposed charge.” Dominion Brief at 4. Dominion claims it made other conversions in 2007 “without any assurance of rider recovery.” Dominion Brief at 4. However, as Dominion’s witness Friscic pointed out, when Dominion began installing the devices at the end of 2006, its date certain in its pending base rate case was March 31, 2007, so that devices installed before that date were included in rate base. They were not part of the accelerated cost recovery because they were to be included in Dominion’s base rates. Tr. at 91. After March 31, 2007, however, the costs incurred for the AMR devices were recovered under the accelerated cost recovery rider. Tr. at 92. Thus, the five-year accelerated cost recovery rider began with 2007 costs and ended with 2011 costs. Tr. at 93.

Obviously, Dominion prefers accelerated cost recovery through the rider to any other cost recovery method; but accelerated cost recovery is no longer available to Dominion after 2011. There should be no mistake that Dominion has other cost recovery methods available to it. Several remedies for Dominion are discussed on the record. Staff Ex. 6 at 5. Dominion could file a base rate case

or attempt to recover costs through another rider. In no way will Dominion not have a cost recovery method available to it, just not its preferred method, which is no longer authorized.

B. Dominion disregarded the Commission's orders and the purpose of the accelerated cost recovery by failing to complete the program by the end of 2011.

Dominion recognizes that the purpose of the AMR program was to allow compliance with the minimum gas service standards that require an actual meter read once a year. Ohio Admin. Code 4901:1-13-04(G)(1). Dominion states that the new rule presented difficulties because Dominion had over half a million customers with inside meters. Dominion determined that the installation of AMR devices and accelerated cost recovery was the most cost effective way to comply with the new rule. Dominion Brief at 2.

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.* The direction was unambiguous; 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. 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. There is 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. 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. However, Dominion did not maintain the same schedule and actually slowed installation in 2010 and 2011. Tr. at 259.

There is also no valid excuse for these failures, but Dominion tries to excuse them anyway. Dominion claims that the Opinion and Order in Case No. 09-1875 says nothing about Dominion keeping "the same installation pace that it employed in 2009." Dominion claims that because Commission orders did not discuss an installation pace in 2010 and 2009 there was no reason for Dominion to do something different after the 09-1875 order. Dominion Brief at 18. Dominion also claims not to understand or not to be able to comply with an order that uses the words "earliest possible time." Id. at 19. Dominion states that the "earliest possible time" for completion would have conflicted with "maximum savings." Id. at 19. Dominion also argues that bypassing unwilling customers maximized savings. According to Dominion, converting willing customers first was the quickest way to implement monthly automated meter reading and reduce costs. Id. at 12. Dominion also states that it would have been "practically impossible and otherwise pointless to focus on unwilling customers upfront." Id. at 12. Dominion complains that hard-to-access customers are not responsiveness to company communications. Id. at 13.

Dominion's claims are without merit. Dominion knew how many inside or hard-to-access meters were in its system when the AMR program was initially

proposed, back in 2006. Dominion had a full five years to work out its plan to fully complete the installations by the end of 2011. Moreover, the Staff 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 rates 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.

Dominion states that the Commission should approve its application as filed unless the issues raised by the Staff compel an adjustment to the AMR charge. Dominion Brief at 8. Dominion is wrong. It is Dominion that has the burden of proof in this case to show that its application is reasonable. Dominion has failed to meet its burden of proof. The whole point of accelerated cost recovery for the installation of AMR devices was to allow Dominion to read meters, especially hard-to-access meters, at least once a year and to create cost savings for customers. The resolution of the problem of hard-to-access meters was not a small or inadvertent issue; it was the reason for the program. In addition cost recovery was accelerated, but installations and savings were not. Again, Dominion's arguments conflict with the purpose of the program.

- C. 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 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.

Dominion protests that the Staff's cost savings disallowance depends on estimated, imputed savings. Dominion claims that the Commission has already rejected imputed savings. These are not imputed or estimated savings; these are the savings that Dominion projected and that customers paid for. Dominion's reduced expenses are real, and customers must be able to enjoy them. Whether the savings have been realized as promised by Dominion is irrelevant; Dominion's own failure to complete the program on schedule is the reason the savings were not fully realized in 2011 and the reason the Staff recommends the adjustment. Dominion must at least be at risk for its own performance of the task

for which accelerated cost recovery was authorized. The Staff's adjustments correct for Dominion's failure.

What Dominion refuses to recognize is that accelerated cost recovery is now over. While there will no longer be accelerated cost recovery through the rider, there will continue to be O&M savings realized through annual riders until Dominion's next base rate case. Tr. at 202. The Staff proposes \$5,008,960 in savings for this case rather than the \$3,511,695 meter reading savings suggested by Dominion. Staff Ex. 9 at 24. If the Staff's recommendation is not adopted, customers will pay more in this rider and there is also a strong likelihood that the meter reading O&M savings in 2012 will be less than they should be. Without the Staff's recommendation, 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. This is unacceptable for an installation program that should have been completed at the end of 2011.

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 any 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. Therefore, in addition to the inventory adjustment, the Commission must also adjust the O&M cost savings to be realized by customers for the 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. 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).

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Reply Brief was served electronically upon the following persons on this 20th day of June 2012.

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