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	) Case No. 12-3125-GA-RDR
Pipeline Infrastructure Replacement Program Cost	)
Recovery Charge and Related Matters.	)

STAFF COMMENTS AND RECOMMENDATIONS

SUBMITTED TO
THE PUBLIC UTILITIES COMMISSION OF OHIO

March 27, 2013

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INTRODUCTION

In accordance with the Stipulations adopted in Case Nos. 11-2401-GA-ALT, 07-829-GA-AIR, 07-830-GA-ALT, 07-831-GA-AAM, 08-169-GA-ALT, and 06-1453-GA-UNC, the Commission's Staff has conducted its investigation in the above-referenced matter and hereby submits its findings in these comments to the Commission.

These Comments were prepared by the Commission's Utilities Department in conjunction with the Service Monitoring and Enforcement Department. Included are financial reviews of additions to plant-in-service and of the Applicant's proposed revenue requirement and other matters.

These comments and recommendations are the results of the Staff's investigation and do not reflect the views of the Commission, nor is the Commission bound in any manner by the representations and/or recommendations set forth herein.

BACKGROUND

The East Ohio Gas Company d/b/a Dominion East Ohio (DEO or Company) is an Ohio Corporation engaged in the business of providing natural gas service to approximately 1.2 million customers in northeast, western and southeast Ohio communities.

On February 22, 2008, DEO filed an application in Case No. 08-169-GA-ALT requesting approval of an automated adjustment mechanism to recover costs associated with a Pipeline Infrastructure Replacement (PIR) Program. On April 9, 2008, the Commission granted DEO's motion to consolidate the PIR proceeding with its pending rate case and other related cases.

On August 22, 2008, the parties in these consolidated cases entered into a Stipulation resolving all issues except rate design. As part of that Stipulation, the parties adopted the Staff's modified recommendation with respect to the PIR cost recovery, and a PIR rider rate was established and initially set at zero dollars, subject to a subsequent future adjustment to recover the incremental costs associated with the PIR program. The Stipulation and Recommendation was approved by the Commission on October 15, 2008.

In March, 2011, the Company filed a motion in Case No. 08-169-GA-ALT to modify the then existing PIR program. The case was subsequently docketed in Case No. 11-2401-GA-ALT. On July 15, 2011, parties to the case filed a stipulation which was approved by the Commission on August 3, 2011. The provisions of the Stipulation, among other things, make a number of modifications to the scope of the PIR. Additionally, the Stipulation sets forth an operations and maintenance expense sharing plan between customers and DEO, and establishes a revenue reconciliation mechanism for PIR cases beginning with the 2013 filing (2012 PFN).

On November 30, 2012, DEO filed a notice of intent to file an application in Case No. 12-3125-GA-RDR to adjust existing PIR rider rates to recover costs incurred during the period January 1, 2012 through December 31, 2012. In addition, Schedules 1 through 16 were filed which support an estimated PIR revenue requirement based on nine months of actual data from the period January 1, 2012 through September 30, 2012, and three months of projected data for the period October 1, 2012, through December 31, 2012.

On February 28, 2013, DEO filed its application to adjust the PIR rider rates and provided actual data through December 31, 2012, along with revised supporting schedules 1 through 16. DEO also filed testimony to support the Application.

The PIR cost recovery rates are established each year for an initial five-year period or until the effective date of new base rates resulting from the filing of an application to increase base rates, whichever comes first. PIR rates are designed to recover incremental, non-duplicative costs associated with the Company's PIR program. Such recovery should include (1) incremental depreciation expense, (2) incremental property taxes, and (3) return on rate base. In addition, any O&M savings relative to the PIR program shall be used to reduce PIR costs. The Staff, by way of an annual filing by DEO to adjust the PIR rider rates, will review the proposed rates.

As a part of the annual filing, a pre-filing notice is to be issued by November 30 of each year, and will consist of nine months of actual and three months of projected data for a test year ended December 31 and a date certain as of December 31. By February 28 of each year, the Company will update its application to a full year of actual data.

Unless the Staff finds DEO's filing to be unjust or unreasonable, or if any other party files an objection that is not resolved, the Staff will recommend Commission approval of the Company's requested PIR rider rates. If the Staff or any other party files an objection that is not resolved by DEO, an expedited hearing process will be established to allow the parties to present evidence to the Commission for final resolution.

SCOPE OF STAFF'S INVESTIGATION

The scope of the Staff's investigation was designed to determine if the Company's application and exhibits justify the requested PIR revenue requirement and can be used as a basis for the annual adjustment to the PIR rider rates. Staff comments summarize exceptions to the Company's rate filing, generally explain the basis for each exception, and provide recommendations to correct those exceptions.

The Staff reviewed and analyzed all of the documentation filed by the Company and traced it to supporting work papers and to source data. As part of its review, the Staff issued data requests, conducted investigative interviews, and performed independent analyses when necessary. When investigating the Company's operating income, the Staff reviewed expenses associated with depreciation, amortization of post in-service carrying charges, property taxes, incremental operation and maintenance, and operation and maintenance savings.

For rate base, the Staff reviewed and tested the Company's plant accounting system to ascertain if the information on PIR assets contained in the Company's plant ledgers and supporting continuing property records represented a reliable source of original cost data. The Staff examined the computation of the Allowance of Funds Used During Construction (AFUDC) and verified the existence and used and useful nature of plant additions through physical inspections. In addition, the Staff verified plant retirement, cost of removal, and depreciation expense. The verification includes selection of transactions for detailed review. Finally, the Staff reviewed deferred taxes on liberalized deprecation and post in-service carrying costs and related deferred income tax effect.

COMPANY'S PROPOSED RECOVERY

The Company's proposed PIR revenue requirement of $66,877,063.89 for the January 2012 to December 2012 time period is allocated to customer rate classes based on the class cost of service used in DEO's last rate case. The Company requests that the Commission adjust its PIR rider rates as follows:

- GSS/ECTS $4.06 per month.
- LVGSS/LVECTS $32.11 per month.
- GTS/TSS $145.18 per month.
- DTS $0.0328 per Mcf, capped at $1000 per month.

Additionally, the Company requests that the adjusted PIR rider rates become effective with the first billing cycle in May 2013.

STAFF DISCUSSION AND RECOMMENDATIONS

1. In Case No. 11-2401-GA-ALT, the parties agreed to an operations and maintenance expense (O&M) sharing mechanism. This agreement provides a minimum savings to customers of $1 million annually, regardless of whether actual O&M savings occur. DEO is to retain the next $500,000 of savings and any savings in excess of $1.5 million are to be split equally between Company and customers. In this PIR filing, as shown on Schedule 15, the Company reports total O&M savings of $3,260,214.55 over baseline levels. According to the stipulated agreement on O&M savings, customers get the first $1 million of savings, DEO retains the next $500,000 of savings, and the remaining savings are shared equally for a total savings to customers of $1,880,107.28. This amount reduces the total revenue requirement for PIR as shown on Schedule 1 of the filing.

2. Also included in the Stipulation between the parties in Case No. 11-2401-GA-ALT is a revenue reconciliation adjustment mechanism which provides that the PIR charge shall include a reconciliation of costs recoverable and costs actually recovered. If the Company under-recovers the revenue requirement established in the prior PIR filing, that amount is added to the succeeding PIR revenue requirement. If over-recovery occurs, that amount is refunded in the succeeding PIR proceeding. This PIR case is the first filing which implements this adjustment mechanism, which is shown on Schedule 16. This schedule shows the over/under-recoveries by month of the PIR revenue requirement determined in the last PIR case. For purposes of this PIR filing, Schedule 16 shows that the Company has under-recovered the approved revenue requirement by $1,817,822.91. Therefore, this amount is added to the annualized revenue requirement shown on Schedule 1, Attachment A of the filing. Staff believes the reconciliation adjustment has been calculated appropriately and recommends that $1,817,822.91 be added to the revenue requirement for this proceeding as shown by the Company on Schedule 1.

The Staff has determined that the Company's calculation of the PIR revenue requirement, as reflected in the updated filing, is supported by adequate data and is properly allocated to the various customer classes. As such, the Staff recommends that the Commission approve the PIR revenue requirement of $66,877,063.89 and the resulting PIR rider rates as follows:

- GSS/ECTS $4.06 per month.
- LVGSS/LVECTS $32.11 per month.
- GTS/TSS $145.18 per month.
- DTS $0.0328 per Mcf, capped at $1000 per month.

The Staff also recommends that the adjusted PIR rider rates become effective in the first billing cycle of May, 2013.

Respectfully submitted,

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On Behalf of the Staff of the
Public Utilities Commission of Ohio

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Staff Comments was served via electronic mail and/or regular U.S. mail, postage prepaid upon the following parties of record this 27th day of March, 2013.

/s/Werner L. Margard

Werner Margard III
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