

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The East	)	
Ohio Gas Company d/b/a Dominion East	)	Case No. 15-1712-GA-AAM
Ohio for Approval to Change Accounting	)	
Methods	)	

**APPLICATION OF DOMINION EAST OHIO
FOR AUTHORITY TO ESTABLISH A REGULATORY ASSET**

In accordance with R.C. 4905.13, The East Ohio Gas Company d/b/a Dominion East Ohio (DEO or the Company) respectfully requests authority to modify its accounting procedures. DEO is seeking authority to establish a regulatory asset and to defer, for accounting and financial reporting purposes, the related expenditures associated with DEO's Pipeline Safety Management Program (PSMP). In support of this application, DEO states as follows:

1. DEO is an Ohio corporation engaged in the business of providing natural gas service to customers in Ohio and, as such, is a "natural gas company" and "public utility" as defined by R.C. 4905.03(E) and 4905.02(A), respectively.
2. Under R.C. 4905.13, the Commission "may establish a system of accounts to be kept by public utilities" and "may prescribe the manner in which such accounts shall be kept." Under this authority, the Commission has determined that natural gas companies "shall keep their books of accounts and records in accordance with the uniform system of accounts from time to time prescribed by the federal energy regulatory commission except to the extent that the provisions of said uniform system of accounts are inconsistent in any way with any outstanding orders of the public utilities commission of Ohio." Ohio Adm. Code 4901:1-13-13(A). The Commission has also "reserve[d] to itself the right to require the creation and maintenance of . . .

additional accounts.” *Id.* 4901:1-13-13(B). Accordingly, the Commission possesses discretion to modify DEO’s accounting procedures.

3. The PSMP has been developed in accordance with DEO’s Distribution Integrity Management Plan, other federal and state requirements, and industry-recommended practices, as described below.

4. DEO developed a Distribution Integrity Management Plan in accordance with the Federal Pipeline Safety Regulations, which were amended in December 2009 by the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration (PHSMA) to add Subpart P, “Gas Pipeline Integrity Management.” *See* 49 C.F.R. § 192.1001 et seq. Subpart P requires gas distribution operators to develop and implement an integrity management program, including a written integrity management plan. Such plans must reflect or address (a) knowledge of the utility’s gas distribution system; (b) the identification of threats to each gas pipeline; (c) an evaluation of the risks associated with its pipeline system; (d) measures to take to address those risks; (e) a method to measure performance, monitor results, and evaluate effectiveness; (f) periodic evaluation and improvement; and (g) reporting results.

5. The State of Ohio adopted SB 378 in December of 2014. This new regulation provides for enforcement of Ohio’s existing underground damage prevention law. As such, it emphasizes the importance of underground damage prevention and encourages effective damage prevention programs by operators.

6. At the recommendation of the National Transportation Safety Board, the American Petroleum Institute (API) developed a comprehensive framework for the development of “Pipeline Safety Management Systems” for pipeline operators. As a result, the API’s Recommended Practice 1173 – Pipeline Safety Management Systems was issued in July 2015.

RP 1173 identifies safety management system requirements as guidance “and leaves the details associated with implementation and maintenance of the requirements to the individual pipeline operators.” (API RP 1173 at 1.)

7. The PSMP comprises the following initiatives that will continue to ensure the safe and reliable operation of DEO’s system and compliance with pipeline safety laws:

- **Damage Prevention Initiatives:** DEO will implement a variety of programs specifically targeted at preventing pipeline damage, the leading threat to pipeline safety and integrity, and which go beyond its current pipeline safety and awareness efforts. Such programs include the monitoring of excavations by other entities near DEO’s pipelines; the location of customer service lines that cannot be detected by conventional means; root-cause investigations of third-party damage on DEO’s pipelines; excavator communications and training; an enhanced leak-survey program; and investigation of potential cross bores.
- **Advanced Workforce Training Initiative:** In conjunction with the establishment of a new, centralized training facility, DEO will develop a comprehensive training program focused on training a new generation of employees with a goal of decreasing the time it takes to bring employees to an increased level of competency regarding pipeline safety risks and the procedures that must be followed to ensure safety. This initiative will involve the development of new curricula for instructor-led classroom training, scenario-based training exercises addressing emergency response actions, structured on-the-job training to reinforce classroom training, and ongoing refresher training.

- **Asset Data Collection Initiative:** These are enhancements to the processes DEO uses to collect and report information related to pipeline asset data. This will include implementation of automated data collection procedures for construction activities to reduce errors intrinsically inherent with paper records. Enhancements to existing systems that improve system knowledge regarding asset attribute data for legacy assets will be implemented.
- **Quality Assurance Program:** Under this initiative, DEO will establish a centralized, dedicated internal auditing team that will evaluate employee and contractor work. These evaluations will ensure compliance with DEO's standard operating procedures and operator qualification plan, reinforce employee and contractor training, and identify for remediation gaps in training. The audit team will accomplish this through the performance of audits on randomly selected jobs in the field, with the overall goal of improving pipeline safety.

8. A detailed description of each initiative is attached as Attachment A. The foregoing programs are in various stages of development, and DEO expects that it will take several years for all programs to be fully implemented. Each one of the foregoing programs has been developed in response to regulations and industry standards promulgated after DEO's last base rate case. All PSMP initiatives and expenditures are and will be incremental to the programs and expenditures currently accounted for in DEO's base rates.

9. Although the foregoing initiatives are prudent, reasonable, and reflective of currently available information, the PSMP is intrinsically forward looking and thus subject to further development. Such development could be in response to planned investigations under the PSMP or in response to changing conditions or regulations. In response to such contingencies,

DEO may develop new initiatives, and it intends to measure the effectiveness of all initiatives, which may reveal that various initiatives should be enhanced or scaled back. Given the dynamic nature of the PSMP, DEO proposes biannual meetings with Staff to keep it apprised of current progress under the PSMP, the results of new and ongoing investigations and evaluations, and any proposed changes to the program.

10. DEO also proposes to incorporate the following provisions into its program: (a) DEO will use its best efforts to identify and implement efficiencies and cost saving measures to reduce deferrals; (b) DEO will use a risk-based approach to determine which potential cross bores should be investigated via camera; (c) DEO will develop specific performance measures for each of its proposed safety initiatives and establish baseline performance measurements; (d) Staff and DEO will work together to determine a threshold for discontinuance of PSMP deferrals.

11. The PSMP process is designed to effectively identify and further accelerate pipeline risk-reduction opportunities across DEO's territory. The activities currently proposed by DEO represent prudent and necessary business expenses to enhance safety and reliability throughout the communities it serves and to promote compliance with state and federal regulations and industry best practices. DEO's core duty is to operate a safe and reliable natural gas system, and the approval of this deferral by the Commission is integral to support that goal.

12. Accordingly, DEO requests authority to defer the operation and maintenance (O&M) costs associated with implementing the PSMP that are incurred on or after January 1, 2016, and to make any accounting deferrals necessary to establish the associated regulatory asset. PSMP costs are not factored into DEO's existing base rates, and the incurrence of these costs may result in a significant and unavoidable negative impact on DEO's earnings. DEO also

requests authority to recover carrying costs on the deferred balance between when the costs are incurred and when recovery commences, based on DEO's actual cost of long-term debt without compounding. DEO proposes to record all costs as a regulatory asset on its balance sheet in Account 182, Other Regulatory Assets, in accordance with the FERC Unified System of Accounts Prescribed for Natural Gas Companies. Commission approval of the requested accounting treatment is necessary for DEO to assert probability of recovery of such expenditures under Generally Accepted Accounting Principles.

13. This application only requests authority for the accounting treatment described above. Recovery of any costs deferred under this application will be addressed in a separate proceeding. These deferred expenses will remain in a separate account until a new rider may be established in a separate proceeding or in DEO's next general rate case and recovery of the deferred expenses may commence. At that time, DEO will reduce the new regulatory asset and charge the applicable expense account. Although certain PSMP initiatives may involve capital expenditures, only O&M costs will be deferred or included for subsequent recovery in the PSMP rider. The annual increase in the affected Account(s), beginning with calendar year 2016 costs, will not exceed \$15 million.

14. The establishment of a rider in a separate proceeding or in DEO's next general rate case will provide for recovery of these prudent and necessary business expenses on a dollar-for-dollar basis. This rider will be applicable to customers served under all rate schedules. When DEO seeks to recover the deferred amounts, it will propose an amortization period that results in a rider not greater than \$0.50 per month to its customers served under its General Sales Service – Residential and Energy Choice Transportation Service – Residential class of customers

(collectively, GSS Residential Class), unless Staff and DEO determine that a greater customer charge is appropriate.

15. After approval of this application, DEO proposes filing an annual report, on June 1 each year, beginning in 2017 for costs incurred in calendar year 2016, which will set forth PSMP expenses on an annual and cumulative basis. DEO proposes that the specific contents of the annual report be determined in consultation with Staff. If desired by the Commission, DEO's annual deferred PSMP costs could be audited with respect to the accuracy of DEO's accounting for such costs by DEO's external auditor.

16. DEO proposes that Staff annually review all reported PSMP expenses, with a report to be filed by Staff no later than 90 days after the filing of DEO's annual report. DEO proposes that Staff's report set forth those expenditures, if any, that it recommends not be deferred for future recovery. DEO also proposes that the report include a detailed examination of PSMP expenses and a determination whether the deferred costs are properly recorded. DEO proposes that it receive 30 days after the filing of Staff's report to accept or object to the recommendations. DEO recommends that if objections are filed, the Commission establish a procedural schedule for the filing of testimony and an evidentiary hearing. DEO acknowledges that any such report filed by Staff will not be construed as Staff's support for future cost recovery.

17. DEO proposes to commence further development and implementation of these important safety measures on January 1, 2016. Accordingly, DEO proposes the following procedural schedule in order to expedite the review process:

- Staff Comments Due – November 18, 2015
- Reply Comments Due – November 30, 2015
- Final Opinion and Order – On or before December 30, 2015

18. The requested change in accounting procedure will not result in any increase in any rate or charge. The Commission may approve this application without a hearing.

WHEREFORE, DEO respectfully requests that the Commission approve this application as submitted, establish the requested procedural schedule, approve the deferral of PSMP costs effective January 1, 2016, and grant all other necessary and proper relief.

Dated: October 1, 2015

Respectfully submitted,

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ATTORNEYS FOR THE EAST OHIO GAS
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ATTACHMENT A

PROPOSED INITIATIVES UNDER

DOMINION EAST OHIO'S

PIPELINE SAFETY MANAGEMENT PROGRAM

I. DAMAGE PREVENTION INITIATIVE

Under the Damage Prevention Initiative, DEO will implement damage prevention activities specifically designed to reduce system risks associated with excavation damages. To achieve this goal DEO will be implementing new processes to (1) monitor high-risk excavations near DEO's underground facilities using a risk-assessment methodology, (2) locate and document hard-to-find customer service lines to prevent excavation damage and improve the accuracy of DEO's infrastructure records, (3) establish a root-cause analysis process for pipeline incidents to comply with the newly established rules under R.C. 4913, (4) develop a formalized communications and training program for excavators, (5) implement an accelerated leak-survey schedule for certain pipelines not already on an annual schedule to enhance safety and ensure the integrity of the pipelines, and (6) utilize a risk-based approach to identify the potential for cross bores on pipelines installed via directional drilling prior to 2012. DEO's damage prevention program is being enhanced through these new initiatives to reduce overall excavation damages and support the Company's continued focus on providing safe and reliable service to DEO's customers and communities.

Enhanced Excavation Monitoring Program

Certain excavation activities performed by parties other than DEO occur in close proximity to the Company's underground facilities. Out of approximately 300,000 excavation notices received by DEO each year, between 800 and 900 incidents of excavation damage occur. Impacts from excavation damage can range from a minor disruption in gas service for customers to the potential for a catastrophic incident.

"Monitoring" refers to a process in which a DEO representative is on-site to observe the excavation to ensure that the excavation is performed in a prudent manner and that DEO

facilities are not damaged. Currently, DEO monitors excavations only near transmission and storage pipelines. While it is infeasible to monitor each of the excavations for which DEO receives notices, through the Enhanced Excavation Monitoring Program DEO proposes to expand monitoring to include the top ten percent of distribution excavations with the highest risk of damage to DEO's pipeline facilities.

To identify these high-risk pipeline facilities, DEO intends to utilize a risk-based algorithm, incorporating one-call-ticket information and known risk factors. Once the highest-risk tickets are identified, the DEO representative will be responsible for the following:

- Making contact with each excavator prior to the date of the excavation.
- Meeting with the excavator on site prior to the start of the excavation to ensure facility markings are visible and are understood by the excavator.
- Being on site during the excavation to help ensure the excavator is digging in a safe and prudent manner.
- Documenting any discrepancies between the DEO mapping system and actual physical locations of DEO facilities observed in the field.

Other LDCs utilizing enhanced monitoring protocols have experienced substantial reductions in excavation damages, and DEO expects that this initiative will avoid numerous incidents that otherwise would have occurred.

“Unconventional Locate Expert” Program

Before the fall of 2008, DEO generally neither owned nor installed curb-to-meter service lines, which were instead the responsibility of the customer. Since that time, DEO has been responsible for the installation of new service lines and for repair or replacement of existing service lines, and it acquires ownership of the service line when it disconnects the line from the main for any reason. Given the long history in which customers were responsible for the installation and maintenance of service lines, DEO's service-line installation records may be

inaccurate or incomplete in some circumstances and the improvement and completion of these records is by necessity an ongoing process. As of this date, DEO still does not own the majority of the service lines connected to its mains.

Nevertheless, whenever DEO is notified by the Ohio Underground Utility Protection Service of an excavation to be undertaken near DEO facilities, DEO is required by law to provide above-ground markings that show the location of all jurisdictional gas facilities, including DEO- and customer-owned service lines up to the outlet of the gas meter. Accurate location and marking of service lines is frequently difficult, due not only to issues with records as discussed above, but field issues as well. More than 500,000 customer meters are located inside the customer's premises, and not visible from the outside; curb boxes may be buried or missing; tracer wire may be corroded or damaged. When DEO or its contract locator cannot locate a service line, an "untoneable" flag is left at the excavation site, which indicates that a service line exists but cannot be accurately located. Particularly following the passage of Senate Bill 378, which provides for enforcement of underground-facilities laws, new processes are necessary to enable DEO to locate these service lines to prevent excavation damage to service lines and related facilities.

To protect its facilities in the most efficient, cost-effective manner, DEO intends to develop a team of "unconventional locate experts" or ULEs. DEO will determine the number of ULEs needed to minimize or eliminate the use of untoneable flags based on several factors, such as the number of untoneable flags, the expected time to complete an unconventional locate, and the large geographic size of DEO's service area. Each ULE will be responsible for locating DEO and customer facilities when the initial locator is unsuccessful, using any reasonable means necessary, including but not limited to the following:

- Specialized locating equipment.
- Hand digging.
- Vacuum excavation.
- Physical verification of each facility.

Once located, the ULE will also be responsible for proper documentation of the facilities in DEO's Geographic Information System (GIS) to ensure they can be located in the future by conventional means.

Damage Investigation Program

Determining the actual "root cause" of pipeline damage incidents is a significant part of an effective damage-prevention program. Effective January 1, 2016, under R.C. 4913.05 and .07, DEO will be required to thoroughly investigate all official compliance failure inquiries and record accurate data to determine if violations of the laws described in R.C. 4913.01 have occurred. Tracking and maintaining all pertinent information collected during the root-cause analysis will provide the required information to support investigations conducted by the Underground Technical Committee, established in accordance with SB 378.

To ensure compliance with the law and to comprehensively resolve threats to DEO's system, DEO intends to create a Root Cause Investigation Team to investigate and identify the root cause of all damage incidents involving second or third parties (*i.e.*, DEO contractors or unrelated parties) as well as to compile required information. Historically, DEO has averaged between 800 and 900 incidents of excavation damage each year. To date, investigations have been performed as needed to resolve the incidents, with resources necessarily focused primarily on transmission and storage pipelines. Implementing a detailed root-cause investigation of all

incidents (including distribution pipelines) will help proactively identify common causes of incidents and reduce or eliminate those causes going forward.

Excavator Communications and Training Program

Increasing industry and public awareness and an understanding of pipeline systems is vital to their safe operation, particularly when excavation processes are involved. DEO proposes the development of a targeted, ongoing educational program to educate individuals and companies engaged in excavation-related activities to reinforce the importance of safe excavation practices and proper reporting of excavation activities. DEO plans to engage a third-party marketing firm to develop a cost-effective targeted media campaign and establish a baseline set of metrics to evaluate the effectiveness of the program. This program will be in addition to the pipeline safety public outreach campaigns already in place.

The objectives of this program are as follows:

- To raise the awareness of excavators of the presence of buried natural gas pipelines in the communities served by DEO.
- To communicate to excavators and the affected public the steps necessary to prevent damage to pipelines (such as “Call Before You Dig”) and to respond safely and promptly should their actions cause such damage.
- To inform excavators of the damage prevention laws and the new enforcement language recently added to R.C. Chapter 4913.
- To better educate excavators on recognizing a natural gas release or emergency and how to respond if one occurs.

Through this enhanced education and training program, excavators will better understand that their role in preventing pipeline damage is significant and that early recognition of a gas release and the proper response can save lives.

DEO will develop a multi-media platform leveraging various communication methods that will be directed to over 15,000 active excavators in DEO’s service territory, which covers 41

of Ohio's 88 counties. Also, with the additional guidelines for a Public Awareness program associated with Transmission and Distribution Integrity Management Programs, DEO must expand its existing communication efforts to effectively reach the required audiences of "Affected Public," "Local Officials," "Emergency Responders," and "Contractors." *See, e.g.*, 49 C.F.R. 192.616 & .911; API Recom. Prac. 1162; *see also* 49 C.F.R. 192.1007(d). Reaching these audiences requires use of "mainstream" channels, including those described below:

- Direct mailing to all active Excavation Contractors who have called into OUPS over the past year.
- Increased public awareness of "Call Before You Dig" and "National Safety Month" using large sporting and public gathering venues.
- Advertising in construction and damage-prevention journals and magazines.
- Sponsorship of external-contractor-awareness seminars and training courses
- Creating and participating in media campaigns using radio and television educational advertising.

All stakeholders, especially excavation contractors, should be well educated regarding the changing rules and issues surrounding pipeline excavation to prevent future damage and to keep customers and the communities served safe.

Enhanced Leak Survey Program

As required by law, DEO conducts leak surveys of high-pressure distribution lines on its system. Lines located in business districts are surveyed on an annual basis, and approximately four hundred miles of lines outside of business districts are surveyed on a three-year cycle. DEO proposes two programs to enhance its leak-survey programs and improve the information collected on all of its pipelines.

First, DEO proposes an accelerated leak-survey schedule for certain pipelines not already on an annual schedule to enhance safety and ensure the integrity of the pipelines. The accelerated

schedule would allow pipelines, including high-pressure distribution lines outside of business districts and higher-risk intermediate-pressure distribution lines, to be surveyed on an annual basis. The lines to be accelerated and the survey schedule would be established on the basis of various risk factors, such as lines that provide a single source of gas to a number of customers and service to critical human needs customers

Second, DEO plans to institute a method to analyze the percentage of leaks that are *not* found by its own leak surveyors, but by customers, emergency responders, or other members of the public. This analysis would be used to determine the need to accelerate the leak-survey schedule in areas where DEO finds a higher proportion of leaks outside of the leak-survey process.

Cross-Bore Verification Program

The term “cross bore” refers to situations in which utility lines unintentionally intersect other underground facilities, such as sewer lines. They most often occur when utilities employ trenchless or directional drilling. This type of drilling is intended to decrease the disruption at the surface but can create problems with other underground facilities due to the lack of visual confirmation of the location of the newly installed line. Cross bores can be especially dangerous when natural gas pipelines intersect with sewer lines. DEO is aware of instances across the country where a natural-gas line installed via directional drilling has been installed through a homeowner’s sewer line without the gas utility’s knowledge. The cross bore is often not discovered until the customer observes problems with the function of the sewer line. The subsequent sewer clean-out process can potentially damage the gas line within the sewer line, causing a dangerous release of natural gas.

DEO has installed mainlines using directional drilling since 2000. At this time, DEO is not aware of any cross bores on its system. In 2012, DEO implemented a procedure to verify that mainlines installed in this manner do not intersect any sewer lines in the vicinity. To address mainlines installed prior to the adoption of this procedure, DEO proposes to verify that no sewer line conflicts exist for completed directional-drilling projects. Natural gas mainlines installed prior to 2012 via directional drilling will be assessed using a risk-based approach. DEO will develop criteria by researching its records and relying on industry experience, and it will apply these criteria to determine which lines should be inspected with a camera. Having identified these lines, DEO will verify that the natural gas mainline cannot be seen inside, or impacted by, the sewer lateral. DEO will review this risk-based approach at regular meetings with Staff.

Upon finding a cross bore based on this process, DEO will take action to remediate it. Only testing costs and any O&M remediation costs will be deferred under the PSMP.

II. ADVANCED WORKFORCE TRAINING INITIATIVE

The Advanced Workforce Training Initiative (AWTI) is an essential element of DEO's PSMP plan to reduce pipeline safety risks by providing efficient and effective opportunities for current employees to enhance their current skills and accelerate the attainment of competence by new employees. The AWTI represents a comprehensive restructuring of DEO's training program, designed to centralize processes and procedures and to continually account for and take advantage of new and emerging best practices. In summary, the AWTI will align training with job progressions and provide targeted refresher training that will strengthen DEO employees' ability to safely respond to changing field conditions. This process-based training will incorporate adult learning principles, hands-on practice, and real-world scenarios. In addition, structured On-the-Job Training curricula will support and reinforce classroom training. The overall goal of DEO's AWTI is continuous employee competence and compliance at all stages of

the employee's development through enhanced initial training, continuous assessment, and evaluation of Operator Qualifications at each level of advancement.

The AWTI represents a new approach to training and a targeted response to a new and growing challenge. Although DEO's current training practices were sufficient at the time of the rate case, those practices reflected a relatively experienced and stable workforce and a relatively static environment of pipeline-safety regulations. This has changed dramatically. Federal pipeline safety regulations have multiplied in recent years and numerous new rulemakings are either planned or underway. And the utility industry is facing a large turnover of personnel in the next three to five years and DEO is no stranger to this phenomenon. Twenty-six percent of DEO's workforce is age 57 or older and is eligible to retire. As more experienced members of the workforce retire, it will become increasingly vital for DEO to hire new personnel and accelerate their path to competence. To cope with this expected turnover more effectively, DEO proposes to develop and put into effect enhanced training programs now. Prompt action is also critical to enable DEO to leverage the competency and skills of tenured workers and to expedite a knowledge transfer prior to their retirement.

To meet this challenge, the company is taking advantage of current best practices in training and teaching. For example, DEO will adapt to different modes of learning and technology by incorporating computer-based training into the curriculum and utilizing pre-assessments to set expectations of new employees before entering the classroom while measuring their knowledge level, which will allow instructors the ability to adjust training to match the skill level of students in the classroom. To facilitate these efforts, DEO also plans to create a centralized, comprehensive instructor development program that focuses on recruiting dedicated

instructors and a robust train-the-trainer program, including the development of tools for trainer observation and feedback.

A key element of DEO's plan is its commitment to build the Dominion East Ohio Training Center. This Center will provide a central location with ample space for facilitation, hands-on, computer-based, and scenario-based training for all employees. The Training Center will capitalize on modern technologies, tools and training approaches, including "Training Town" where gas leak simulations will be used to prepare employees for what may be experienced when working in the field. Training Town will provide a neighborhood setting with structures that have gas meters, gas appliances and buried pipelines for employees to work on. This setting will allow employees to train in an environment that simulates real life conditions, using challenging scenarios that may change and evolve as the investigation unfolds. Examples of planned simulations include emergency response to a release of gas caused by third-party excavation damage and response to and investigation of various odor complaints, including inside, outside, and neighborhood-wide. In addition to practicing emergency response investigation, Training Town will also allow employees to develop skills regarding the proper installation of gas lines and meters. The training simulations will include proper completion of the work order, including appropriate documentation utilizing mobile technologies.

New curricula will be developed to address various scenarios, such as different types of leak occurrences or emergency-response situations, under the oversight of experienced instructors. These tools will focus on the knowledge needed to perform critical tasks and identify abnormal operation conditions to provide employees what they need to know to perform their work successfully. DEO will also be developing curricula to address the highly technical and specialized aspects of operating and maintaining pressure control, gas measurement equipment,

and pipeline monitoring in areas where the new shale gas supplies are introduced into the system. To support these educational efforts, DEO will also implement the capability to access critical information or reference materials—such a changes in equipment or code requirements—at the time employees need it while in the field.

Industry-leading companies, such as Atmos Energy, Northwest Natural Gas, and Southwest Gas, have developed similar training centers and are leveraging technology to improve the delivery of content as well as tracking the impact of their training programs. DEO is learning from these companies and will complement its training facility by also leveraging technology, developing curricula and establishing an enhanced training team of experienced instructors to enable the delivery of training materials and performance support in a way that is varied, media-rich, easily and continuously accessible, and engaging to the employee. DEO will identify key performance metrics that measure the effectiveness of training delivery and performance to improve employee and instructor outcomes.

Together, these training opportunities and learning plans will support the PSMP and will be designed and implemented to support DEO's employees throughout their careers with sequenced, integrated, and ongoing training opportunities. The integrated training approach involves the inclusion of scenario-based modules, use of field technologies, and assessment to measure learning. The AWTI training will focus on end-to-end processes and procedures to help ensure a thorough understanding of all policies and new regulations, including those for pipeline operations under DIMP requirements. Upon completion of training, employees will be well versed in the technical aspects of their work and supporting behaviors (such as safe work practices and proper documentation), and will be better prepared to discuss various situations with customers in the field. A feedback model will be developed to allow proper

communications between supervisors and instructors to determine areas for improvement in the training or for changes to procedures to be made on a timely basis.

In short, DEO has developed the AWTI to take advantage of new opportunities and best practices that go beyond traditional methods and training practices, such as those in effect at the time of the rate case. As such, costs to be deferred and recovered under the AWTI will only be those incremental to costs already included in base rates. Even though expected turnover and ever-evolving regulations and requirements pose increasing challenges, DEO's goal through the AWTI is an incoming workforce that is better and more quickly prepared, with more hands-on experience, and able to achieve a safe and successful career for themselves and a safe and reliable system for DEO's customers.

III.ASSET DATA COLLECTION INITIATIVE

The Asset Data Collection Initiative will implement new technologies designed to reduce risks associated with the collection of pipeline data and to facilitate more accurate and timely input from the field, including retrieval of critical information regarding DEO's pipelines and customer service lines. To achieve this goal, DEO is utilizing a third-party consultant to create a roadmap for the appropriate technologies and activities to target gaps in and improve the accuracy of DEO's infrastructure records and all facility attribute data. DEO plans to implement a Quality Control and Quality Assurance Program related to pipeline projects, asset data collection in the field and final data entry for pipeline infrastructure records, as part of the Program discussed in Section IV of this Attachment.

The Asset Data Collection Initiative is in an earlier stage of development than the other initiatives proposed under DEO's PSMP, but represents a critical component of DEO's compliance with the requirement to "know" its system. DEO will further confer with Staff as the

program is developed, and the initiative will be subject to all conditions and limitations discussed in DEO's Application. At this time, DEO intends that the Asset Data Collection Initiative will include: (1) an assessment of current legacy systems and processes that support the capture and management of asset data related to all DEO assets across its service territory; (2) an analysis of industry-leading practices and solutions; (3) a definition of future state capabilities and gaps; and (4) a roadmap for addressing the gaps and moving towards future state capabilities to ensure pipeline data meets the standards of traceable, verifiable and complete as it is entered into the system from the field.

IV. QUALITY ASSURANCE PROGRAM

DEO's Quality Assurance (QA) Program will be established to ensure continued high standards of quality for pipeline safety. The primary objective is to establish a formalized, dedicated QA team and review process that will manage service-provider performance for the safety of the customer and the communities within DEO's service territory where infrastructure is located. The program is being developed to ensure that DEO may fully and promptly comply with new and ever-evolving requirements established both by the Pipeline Hazardous Materials Safety Administration and the State of Ohio.

As employees are trained and complete pipeline activities in the field, it is imperative to ensure the continued quality of all work performed. DEO has always reviewed work for quality, but such review in many cases has been the responsibility of the supervisor of the employees performing the work. DEO believes that work quality will be best assured by establishing a dedicated team to that end. Therefore, DEO proposes the creation of a QA team and the development of a QA Review process and QA Review Guidebook.

The newly developed QA team will be the primary point of contact in a QA Review with a designated coordinator. The review team will include representatives from all appropriate disciplines, all of whom will be dedicated to this new audit function and will possess in-depth experience concerning the work and associated safety procedures being reviewed. The review coordinator is expected to come from the Pipeline Compliance area and will coordinate the review of selected projects, procedures, and operations.

Timely reviews conducted by the QA team will be designed to ensure compliance with standard operating procedures, PHSMA regulations, and guidelines and to identify opportunities for improvement. QA reviews will occur for a representative sample of various field activities, such as pipeline projects, routine field inspections, and accuracy and completeness of field data collection. Examples of potential reviews include the following: service line installation and restoration; welding inspections; installed fusion joints on construction projects; inspections of above-ground installations for atmospheric corrosion; verification of proper strength testing on new pipelines; and line-marker installations. Work plans for the review will be determined by the QA Review team and will include necessary paperwork, maps, system updates and any other aspects of the review that fall under the standard operating procedures.

QA reviews will be done in a consistent, objective, programmatic manner based on the QA Review Guidebook. This guidebook will document standards and criteria for all QA reviews incorporating areas identified as part of DEO's Distribution Integrity Management Plan and the PSMP. The QA Program will use defined methods of selection to conduct the reviews. These methods will ensure that all employees and contractors are scheduled for reviews on a consistent and structured basis and will also apply to various pipeline projects, procedures, and operations. Review cycles will be developed for the pipeline safety procedures and other factors. Generally,

areas selected for initial reviews will be made on a quarterly basis. As the QA Program moves forward, other items such as historical levels of demonstrated quality, changes to SOPs, or identified areas of concern will be incorporated into the sampling model.

The QA Program will provide an objective, centralized review of various projects to ensure consistent quality and standards for all pipeline-related work and to provide feedback to the employees and contractors who perform the work. This tool will enable managers and the QA team to work together for DEO's success in continuing to meet evolving pipeline safety requirements over the coming years.

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Summary: Text In the Matter of the Application for Approval to Change Accounting Methods electronically filed by Ms. Rebekah J. Glover on behalf of The East Ohio Gas Company d/b/a Dominion East Ohio