

**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. 15-0362-GA-ALT
Ohio for Approval of an Alternative Form of)	
Regulation)	

**SECOND SUPPLEMENTAL DIRECT TESTIMONY OF VICKI H. FRISCIC
ON BEHALF OF
THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO**

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1 **I. INTRODUCTION**

2 **Q1. Please introduce yourself.**

3 A. My name is Vicki H. Friscic. I am employed by The East Ohio Gas Company d/b/a
4 Dominion East Ohio (DEO) as Director Regulatory & Pricing. My business address is
5 1201 East 55th Street, Cleveland, Ohio 44103-1028.

6 **Q2. Are you the same Vicki Friscic who submitted direct testimony in this proceeding on**
7 **March 31, 2015, and supplemental testimony on January 21, 2016?**

8 A. Yes.

9 **Q3. What is the purpose of your supplemental testimony?**

10 A. My testimony supports the Stipulation filed on February 3, 2016, and addresses facts
11 relevant to its compliance with the Commission's standards for stipulations.

12 **II. THE STIPULATION**

13 **Q4. What approvals did the application in this proceeding seek?**

14 A. The PIR Program was last authorized by the Commission in Case No. 11-2401-GA-ALT
15 for an additional five-year term. In this application, DEO proposed continuing the PIR
16 Program under the existing terms and conditions for all investments made through the
17 end of 2016, including the annual rate increase cap of \$1.40 per customer per month for
18 the GSS/ECTS customer class. DEO proposed that a new five-year authorization period
19 should begin with 2017 investment. The only change proposed was to increase the annual
20 amount of capital investment under the PIR Program and to adjust the annual rate
21 increase caps accordingly.

Q5. Did Staff review the application and file a report or comments?

A. Yes. The Commission's Staff reviewed the application, conducted an extensive and thorough review of DEO's administration of the PIR Program, and filed a Staff Report on August 26, 2015. Staff recommended approving DEO's application with one specified modification. The Stipulation effectively adopts the conclusions reached in the Staff Report.

Q6. Does the Stipulation resolve the issues presented in DEO's application?

A. Yes. The Stipulation is a comprehensive settlement of all issues as between DEO and the Staff of the Public Utilities Commission. The signatory parties recommend that the Commission approve DEO's application, subject to the specified modification.

Q7. How does the Stipulation modify DEO's application?

A. The Stipulation reflects DEO's acceptance of Staff's recommendation to flow through to customers all operation and maintenance (O&M) expense savings realized in the four cost categories established by the Commission in a prior PIR case, Case No. 09-458-GA-ALT, effective with the start of the reauthorization period as of January 1, 2017. This is consistent with recommendations made in the comments filed by the Office of the Ohio Consumers' Counsel (OCC). *See* OCC Comments at 7–9 (July 13, 2015).

Q8. How are O&M cost savings currently treated?

Under the current terms of the program, approved in Case No. 11-2401-GA-ALT, O&M expense savings are credited against the costs recovered through the PIR Cost Recovery Charge as follows: each year, a minimum credit of \$1 million is reflected as a reduction of the calculated revenue requirement; no additional credit is reflected for savings between \$1 million and \$1.5 million; and 50% of any savings in excess of \$1.5 million are reflected as a credit. This O&M-expense-savings sharing mechanism is eliminated

1 under the Stipulation, meaning that customers will receive as a credit the full benefit of
2 whatever O&M expense savings DEO realizes in a given year.

3 The effect of this modification is that, all other things being equal and in
4 comparison with prior practice, customers will enjoy a greater benefit from O&M
5 expense savings whenever those savings exceed \$1 million.

6 **Q9. Does the Stipulation contain any other provisions?**

7 A. Yes. The Stipulation also states that DEO “agrees to use its best efforts to replace all
8 target pipe under the Program by the end of 2033” and that DEO “is not prohibited from
9 requesting, and no Signatory Party is prohibited from opposing, an extension of this
10 period in a future proceeding.” This reflects the Company’s acceptance of Staff’s
11 recommendation to that end in the Staff Report, while recognizing that changed
12 circumstances or future developments could render this target impractical. As the
13 provision states, this commitment assumes that replacements are being carried out “under
14 the Program,” meaning that without accelerated cost recovery, such as that provided by
15 the PIR Cost Recovery Charge, the 2033 target would not be reasonably attainable.

16 **Q10. Is the Stipulation a product of serious bargaining among knowledgeable parties?**

17 A. Yes. The Stipulation is the result of a serious and open review process, in which all
18 parties were represented by able, experienced counsel and had access to technical experts.
19 No party was excluded from negotiations and all parties had opportunity to review
20 settlement proposals and participate in discussions. The Stipulation is the outcome of a
21 lengthy process of investigation, discovery, discussion, and negotiation. DEO did not
22 propose to eliminate the O&M-expense-savings sharing mechanism, and in fact objected
23 to its elimination, but it is willing to accept its elimination to resolve this matter. In short,

1 the Stipulation represents a comprehensive, reasonable resolution of the issues in this
2 case by informed parties with diverse interests.

3 **Q11. Does the Stipulation benefit ratepayers and is it in the public interest?**

4 A. Yes. The PIR Program provides cost recovery for DEO's accelerated replacement of
5 bare-steel mains and services, among other target infrastructure, which provides
6 customers and the public with significant benefits in terms of safety and reliability. In
7 approving past stipulations instituting and extending the PIR Program, the Commission
8 has already ruled that the program promotes the public interest; this Stipulation continues
9 the Program and will help it stay on track to be completed in the originally approved
10 timeframe. Moreover, whatever rate impact customers would otherwise experience under
11 the PIR Program is substantially mitigated by the present reduced level of natural-gas
12 commodity prices, a level that is projected to continue for at least the next five years. All
13 of this is corroborated and explained in much greater detail in DEO's direct and
14 supplemental testimony already filed in this case.

15 **Q12. Does the Company believe that the elimination of the O&M-expense-savings sharing**
16 **mechanism *per se* is in the public interest?**

17 A. No. The Company believes that the overall settlement advances the public interest.
18 Although the Staff recommended eliminating the sharing mechanism, DEO continues to
19 believe that there are sound reasons for such mechanisms. The Company could again
20 propose such a mechanism in a future proceeding, whether involving the PIR Program or
21 some other initiative. But it has accepted the elimination of the sharing mechanism to
22 reach an agreed-upon resolution of this case.

1 **Q13. Does the Stipulation violate any important regulatory principle or practice?**

2 A. No. In light of the foregoing, I do not believe that the Stipulation violates any important
3 regulatory principle or practice.

4 **Q14. What is your recommendation to the Commission?**

5 A. I recommend that the Commission approve the Stipulation. The Stipulation represents a
6 fair, balanced, and reasonable compromise of diverse interests and provides a fair result
7 for customers, thereby meeting the Commission's criteria for adopting settlements.

8 **III. CONCLUSION**

9 **Q15. Does this conclude your testimony?**

10 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail this 11th day
of February, 2016, to the following:

Jodi J. Bair
Ajay K. Kumar
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
jodi.bair@occ.ohio.gov
ajay.kumar@occ.ohio.gov

Colleen Mooney
P.O. Box 1793
Findlay, OH 45839-1793
cmooney@ohiopartners.org

Frank P. Darr
Matthew R. Pritchard
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, Ohio 43215
fdarr@mwncmh.com
mpritchard@mwncmh.com

William Wright
Steven Beeler
Attorney General's Office
Public Utilities Section
180 E. Broad Street, 6th Floor
Columbus, Ohio 43215
william.wright@puc.state.oh.us
steven.beeler@puc.state.oh.us

/s/ Rebekah J. Glover
One of the Attorneys for The East Ohio Gas
Company d/b/a Dominion East Ohio

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Summary: Text Second Supplemental Direct Testimony of Vicki H. Friscic electronically filed by Ms. Rebekah J. Glover on behalf of The East Ohio Gas Company d/b/a Dominion East Ohio