

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for)
Approval to Change Accounting) Case No. 14-1615-GA-AAM
Methods For Expenses Related to the)
Pipeline Safety Program.)

**COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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I. INTRODUCTION

Pipeline safety is important to Ohioans. The pipeline safety program (“PSP”) of Columbia Gas of Ohio, Inc. (“Columbia” or “Utility”) should protect customers from the dangers of gas pipeline leaks and life-threatening explosions.

The Office of the Ohio Consumers’ Counsel (“OCC”) files these comments urging the PUCO to reject the Annual Report filed by Columbia and Order Columbia to refile its Annual Report in compliance with the Public Utilities Commission of Ohio’s (“PUCO”) Order in this case. The OCC also comments on the PUCO Staff’s Review and Recommendation filed in this case on August 18, 2016. OCC is filing on behalf of all 1.3 million residential utility customers of Columbia who will likely be charged for the pipeline safety program in the future when Columbia seeks to collect the deferred expenses that are the subject of this proceeding, from customers.

On September 12, 2014, Columbia filed an Application (“Application”) to establish a regulatory asset to defer up to \$15 million¹ annually to increase customer safety through the PSP.² The OCC filed a Motion to Intervene, Comments, and Reply Comments opposing Columbia’s Application.

The PUCO Staff also filed Comments in which it made several important recommendations to the PUCO regarding Columbia’s Application.³ Among the recommendations of the Staff is a requirement that Columbia file an Annual Report on the PSP specifying annual and cumulative PSP expenses, identifying the monthly expenditures for each PSP component on an annual basis, and including a third-party audit report to verify the accuracy of Columbia’s accounting for the PSP expenditures. Staff also recommended that the Annual Report include items such as the PSP’s progress towards reducing risks to Columbia’s system, the results of ongoing and future investigations, any mid-term adjustments to PSP projects or programs, and Columbia’s efforts towards identifying inefficiencies and implementing cost saving measures. Staff also recommended that “[t]he [PUCO] should direct Columbia to develop specific performance measures for each of its proposed safety initiatives and establish baseline performance measurements for each measure so that risk reduction resulting from the PSP can be tracked.”⁴

¹ Columbia can now defer \$25 million per calendar year for activities directly associated with PSP initiatives. *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods*, Case No. 15-0552-GA-AAM, Opinion and Order (August 26, 2016).

² Application (Sept 12, 2014).

³ PUCO Order at ¶ 30, PUCO Staff was explicit that it takes no position on the future recoverability of deferred PSP amounts.

⁴ *Id.* at ¶ 36.

On December 17, 2014, the PUCO issued a Finding and Order (“PUCO Order”), which approved the Application as modified by the PUCO Staff Comments and subject to the PUCO’s review of Columbia’s Annual Report. Columbia filed its 2015 Annual Report on June 1, 2016 (“Annual Report”). The Staff filed its review of the Annual Report on August 18, 2016 (“Staff Report”). The Staff Report stated that Staff has no objection to the Annual Report.⁵

II. RECOMMENDATIONS

Columbia’s 2015 Annual Report should not be accepted by the PUCO because the Annual Report does not comply with the PUCO’s Order. The PUCO Order explicitly ordered that “Columbia’s application, as modified herein by Staff’s recommendations, be approved, subject to the [PUCO’s] review of the Company’s annual informational filings.”⁶ Columbia’s Annual Report fails to comply with the PUCO Order as it was filed. Consequently, the PUCO should not approve the Application. The PUCO should require Columbia to file an Annual Report that complies with its Order.

A. The Annual Report fails to develop specific performance measures for each of its proposed safety initiatives and establish and quantify baseline performance so that risk reduction resulting from the PSP can be tracked for consumers’ benefit.

Columbia claims that it developed the four initiatives in the PSP to reduce risks to its system in an accelerated manner.⁷ But, Columbia’s Annual Report fails to provide sufficient information about whether any performance measures were developed for each

⁵ Staff Report at 2, (August 18, 2016).

⁶ PUCO Order at 20 (it is important to note that the PUCO Order explicitly states that approval of the Application is subject to the PUCO’s review of Columbia’s Annual Report) (December 17, 2014).

⁷ Application at 2 (Sept. 12, 2014).

of its proposed safety initiatives. Columbia also did not provide any baseline performance measurements for any of its program initiatives so that risk reduction resulting from the PSP can be tracked. While the Annual Report provides some information regarding the PSP's progress, the majority of the Annual Report merely details the goals the PSP hopes to achieve. There is a significant lack of specifics⁸ on performance benchmarks that need to be achieved, goals that have *actually* been achieved or quantifiable data on the progress of the PSP over the last 18 months. The Annual Report either failed to provide such information at all or provided information so vague that it will not be possible to track the effectiveness of the PSP. The Report does not allow for the PUCO to determine, now or in the future, whether the PSP, or any of its initiatives, has reached its conclusion, and/or determine whether the expenses should be charged to consumers in a future rate proceeding. Therefore, the Annual Report should be rejected.

- 1. The costs associated with the cross bore safety and remediation initiative should not be approved for deferral (and potential future collection from customers) because Columbia's filing did not comply with the PUCO's Order, and Staff's review did not address this deficiency.**

The Cross Bore Safety and Remediation Initiative is intended to systematically identify, investigate, and remediate cross bores on Columbia's system.⁹ Cross bores occur at an intersection of an existing underground utility or underground structure by a second utility resulting in direct contact between the transactions of the utilities that compromise the integrity of either utility or underground structure.¹⁰ However, Columbia failed to develop specific performance measures and establish baseline performance

⁸ Such specifics might include performance benchmarks, achieved milestones and quantified metrics.

⁹ PUCO Order at ¶ 10.

¹⁰ <http://crossboresafety.org/>

measurements for the cross bore initiative so that risk reduction can be tracked and measured. It also failed to quantify the initiative's progress toward reducing risks to the system.

Indeed, the Annual Report provides information on the amount of cross bores Columbia identified during 2015 and part of 2016 but, remarkably, omitted any and all data on how many of the identified cross bores were actually remediated. Similarly, Columbia alleged that the initiative should decrease cross bore risk, but omits any and all quantitative data that would indicate what, if any, risk reduction has actually been achieved over the one year period the Annual Report covers. The Utility's filing lacks the specificity that is necessary to understand whether the cross bore safety program advances the PSP, and protects consumers from the anticipated safety risks as Columbia alleges. Furthermore, Staff's review of the Utility's filing fails to address these concerns relative to the cross bore safety program, as well. Therefore, it is inappropriate for Columbia to be authorized to defer these PSP costs.

Columbia also states, in the subsection entitled "Cross Bore Risk Reduction Model" that it worked with Opvantek to develop a cross bore ranking tool and used this tool to identify central Ohio communities to guide Columbia's inspection work. Yet, Columbia fails to mention which and how many communities were identified for inspection for cross bore risk. Moreover, Columbia did not explain exactly how the risk ranking model will contribute to the success of the initiative. The Annual Report only states that the risk model "identified central Ohio communities to guide Columbia's inspection work" and that the model "provides targeted guidance for the program."¹¹

¹¹ Annual Report at Attach. C, page 1.

This section of the Annual Report fails to fulfill the requirements of the PUCO Order. It is not possible, from the information provided, to determine the effectiveness of the cross bore initiative from year to year or whether the initiative is meeting established benchmarks, and being accomplished timely and efficiently.¹² Therefore, it is not possible for the PUCO to determine whether these expenses are just and reasonable and if Columbia should be permitted to continue deferring these expenses with the opportunity to collect those costs from customers. Columbia should be required to provide this information in its annual report.

2. The costs associated with the Advanced Workforce Training Initiative should not be approved for deferral (and potential future collection from customers) because Columbia's filing did not comply with the PUCO's Order, and Staff's review did not address this filing deficiency.

The Advanced Workforce Training Initiative is intended to provide for the development of a new training center with classroom training, technology labs, and a gas simulation facility, as well as training curriculum for new employees.¹³ However, Columbia did not develop the required specific performance measures or establish the required baseline performance measurements so that alleged risk reduction can be tracked. It also violated the PUCO Order by failing to quantify the initiatives progress toward reducing risks to the system.

In fact, the Advanced Workforce section of the Annual Report does not present any data to indicate the impact of the initiative on safety risk prevention and remediation.

¹² For example, at Attachment C to Columbia's Report, under the results section, Columbia states that it "anticipates, with the new model, more success finding cross bores." "Anticipates" is not a specific benchmark as required in the PUCO Order. The Utility must provide actual numbers or percentages in order to show actual goals and benchmarks are being reached.

¹³ PUCO Order at ¶ 10.

The Annual Report merely makes the bold and unsupported assertion that, “with a more comprehensive training, new hires are better able to maintain Columbia’s system.”¹⁴

Therefore, the Annual Report does not comply with the PUCO Order. Columbia should be required to resubmit the Annual Report and include such specific information.

The Utility’s filing lacks the required specificity (under the PUCO’s Order) that is necessary to understand whether the Advanced Workforce Training Initiative furthers the intended benefits of the PSP for consumers as Columbia alleges. Furthermore, Staff’s review of the Utility’s filing fails to address these concerns relative to the Advanced Workforce Training Initiative. Therefore, it is inappropriate for Columbia to be authorized to defer these PSP costs.

3. The costs associated with the Damage Prevention and Technology Initiative should not be approved for deferral (and potential future collection from customers) because Columbia’s filing did not comply with the PUCO’s Order, and Staff’s review did not address this filing deficiency.

The Damage Prevention and Technology Initiative was intended to implement new technologies designed to reduce system risks associated with excavation damage. Damage prevention included targeting gaps in improving the accuracy of Columbia’s infrastructure records and strategizing responses using a risk assessment tool.¹⁵ However, Columbia failed to quantify the initiatives’ progress toward reducing risks to the system.

Columbia merely states that it has developed a Damage Prevention Risk Model which provides a “guide to perform in-person mitigation measures before facilities are

¹⁴ Annual Report, Attach. C, page 4.

¹⁵ PUCO Order at ¶ 10.

damaged.”¹⁶ It then provides a chart that seems to show how many “tickets”¹⁷ have been viewed from May 2015 to April 2016. The data reported under this section shows progress of activities but does not quantify, as it was required, whether any prevention of damage has *actually* been achieved.

In addition, the Annual Report failed to develop specific performance measures or establish baseline performance measurements so that alleged risk reduction can be tracked. Columbia attempts to satisfy this requirement by providing one bullet point that reports the amount of excavation damage in 2014 and 2015 that were the result of record errors. Columbia did not identify the cause of the remaining excavation damage during these years. Therefore, it is only possible to track the initiative’s effectiveness at reducing excavation damage due to record error. There is no way to track the initiative’s effectiveness at reducing excavation damages resulting from any other cause.

The Utility’s filing lacks the required specificity (under the PUCO’s Order) that is necessary to understand whether the Damage Prevention and Technology Initiative furthers the intended benefits of the PSP for consumers as Columbia alleges. Furthermore, Staff’s review of the Utility’s filing fails to address these concerns relative to the Damage Prevention and Technology Initiative. Therefore, it is inappropriate for Columbia to be authorized to defer these PSP costs.

¹⁶ Annual Report, Attach. C, at 3.

¹⁷ A ticket identifies and records a specific problem.

4. The costs associated with the Enhanced Public Awareness Initiative should not be approved for deferral (and potential future collection from customers) because Columbia's filing did not comply with the PUCO's Order, and Staff's review did not address this filing deficiency.

The Enhanced Public Awareness Initiative was allegedly intended to, “prepare a comprehensive pipeline safety public campaign.”¹⁸ In the Annual Report, Columbia included a chart allegedly demonstrating that due to the Enhanced Public Awareness Initiative customers are learning more about natural gas awareness. Columbia also included a graph demonstrating the amount of excavation damages per 1,000 locates¹⁹ between April 2015 and May 2016. It shows that excavation damages per locates increased from 2.80 to 4.70 between April 2015 and August 2015 and then decreases to 2.01 between August 2015 and March 2016. The Annual Report selectively mentions the decrease in the latter period but fails mention the increase in the former period. A more accurate representation of the performance of the Enhanced Public Awareness Initiative would have been to report that a relatively small decrease of 0.07 per 1000 (from 2.08 to 2.01) has been achieved over the entire reported period. Instead, the Annual Report selectively overstates the achieved risk reduction. Columbia needs to accurately report its achievement of performance goals such as reduction of safety risks.

The Utility's filing lacks the required specificity (under the PUCO's Order) that is necessary to understand whether the Public Awareness Initiative furthers the intended benefits of the PSP for consumers as Columbia alleges. Furthermore, Staff's review of the Utility's filing fails to address these concerns relative to the Public Awareness

¹⁸ PUCO Order at ¶ 10.

¹⁹ The term “locate” identifies the exact position of a damage occurrence.

Initiative. Therefore, it is inappropriate for Columbia to be authorized to defer these PSP costs.

B. The Annual Report fails to comply with the PUCO Order because it does not demonstrate the occurrence of the required meetings between Staff and Columbia.

The PUCO's Order (adopting Staff's recommendation) required that the Utility and Staff conduct semiannual meetings to discuss, among other things, the PSP progress. Those meetings are an important consumer protection because Staff could track the progress of the program, thereby improving accountability. Further, such meetings would allow the PUCO Staff to provide helpful input that may improve the performance of the program. Finally, the reporting of such meetings in the Annual Report would provide for greater transparency of the program to the public and all stakeholders. However, according to the Utility's Annual Report there is no indication that such meetings ever took place. Columbia's Annual Report; therefore, violates the PUCO Order because it does not demonstrate that Columbia and Staff have held meetings to discuss the PSP. The Staff's review of the Annual Report should have identified this deficiency in Columbia's filing, but it did not.

The PUCO Order explicitly adopted Staff's recommendation that regular meetings between Staff and Columbia should occur as the PSP progresses. Specifically, the Staff recommended meeting, *at the minimum, biannually* to review and discuss the specific content and presentation of the Annual Report, the progress of the PSP, the results of new and ongoing investigations, and any changes to the PSP.²⁰ The Annual Report mentions no such meetings between December 17, 2014 and June, 2016, during

²⁰ PUCO Order at ¶ 31.

which, at least three such meetings should have taken place. Without record evidence that such meetings took place there is no way for the PUCO to determine whether Columbia has complied with the PUCO Order in that respect.

Therefore, Columbia's deferral request should be denied

C. Staff made recommendations to the PUCO for the protection of consumers that were adopted. However, Staff's Review of the Utility's filing fails to address Columbia's non-compliance with the PUCO's Order adopting Staff's recommendations.

A significant element of the deferral procedure established in this case was the review process that Staff recommended. The PUCO required after Columbia's June 1st annual filing, the Staff will file its report no later than 90 days after the Utility's annual report.²¹ On August 18, 2016, Staff's complete and total review of Columbia's Annual Report stated, in part, that: "[it] has reviewed Columbia's annual report and accompanying attachments that were filed in this case, and has no objection to the information contained in the report."²² But earlier in the application process, Staff voiced its strong concerns regarding what the Utility's annual report should contain. In comments to the PUCO, Staff recommended:

1. Meeting, at a minimum, biannually to review and discuss the progress of PSP, the results of new and ongoing investigations;
2. Staff asserted that Columbia's annual report should not be limited to the items specified in the application and should include not only expenses, but should include the PSP's progress toward reducing risks to the system, the results of ongoing and future investigation, any mid-term adjustments to the PSP, and the Utility's efforts toward identifying inefficiencies and implementing cost-saving measures and that the specific contents and presentation of the report

²¹ *Id.* at ¶ 33.

²² Staff Report (Aug. 18, 2016).

should be determined in the regular meetings between Staff and Columbia;

3. Staff asked the PUCO to direct Columbia to develop specific performance measures for each of its proposed safety initiatives and establish baseline performance measurements for each measure so that risk reduction resulting from the PSP can be tracked;
4. Staff also recommended a threshold for discontinuing the PSP deferrals, pointing to the fact that a number of the PSP initiatives involve projects that will be completed at some point in the future and the Staff and Columbia should agree on a threshold spending level and Staff will make recommendations to the PUCO in a staff report filed in response to Columbia's annual report.²³

None of these Staff recommendations (that are excluded from Columbia's filing), which were adopted by the PUCO,²⁴ are addressed in the Staff's review. The PUCO's Order expressly granted approval of Columbia's application, as modified by Staff's recommendations and subject to the PUCO's review of Columbia's annual filing.²⁵

Columbia's Annual Report failed to demonstrate that it had addressed any other criteria established in the PUCO's Order. Staff's review did not mention any of the performance benchmarks, meetings held, or discuss any of the other measurements established in the Order. Therefore, under these circumstances, Columbia's deferral request should be denied.

²³ PUCO Order at ¶¶ 31 - 37 (Dec. 17, 2014).

²⁴ *Id.* at page 20, "That Columbia's application, as modified herein by Staff's recommendations, be approved, subject to the Commission's review of the company's annual information filings." (Dec. 17, 2014).

²⁵ *Id.* at page 20.

III. CONCLUSION

The OCC recommends that the PUCO protect consumers by rejecting Columbia's Annual Report. The Annual Report and the Staff Report are not compliant with Staff's recommendations and the PUCO's directives in its Order. Without full compliance with the PUCO Order it will not be possible to track the effectiveness of the PSP, determine whether and when the PSP should end, and judge whether the PSP expenses were necessary and appropriate to charge to consumers in the inevitable future rate proceeding. For these reasons, the OCC respectfully recommends that the Annual Report be rejected and Columbia be required to refile the report with information that complies with the PUCO order. Because the PUCO Ordered premised its approval of the Application on its review of the Annual Report, OCC also recommends that the Application be denied, and the PSP costs not be approved for deferral (and potential future collection from customers).

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Comments have been served upon the persons stated below via electronic transmission this 19th day of September 2016.

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