

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of )  
Columbia Gas of Ohio, Inc. for Approval ) Case No. 16-2422-GA-ALT  
of an Alternative Form of Regulation. )

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**PREPARED DIRECT TESTIMONY  
OF DIANA M. BEIL  
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

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/s/ Eric B. Gallon

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**COLUMBIA GAS OF OHIO, INC.**

**PREPARED DIRECT TESTIMONY  
OF DIANA M. BEIL**

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**I. INTRODUCTION**

**Q. Please state your name and business address.**

A. Diana Beil, 290 W. Nationwide Blvd., Columbus, Ohio 43215.

**Q. By whom are you employed?**

A. I am employed by Columbia Gas of Ohio, Inc. ("Columbia").

**Q. Please state briefly your educational background and experience.**

A. I graduated from Miami University where I majored in Accounting with a minor in Management Information Systems and received a Bachelor of Science Degree in Business in May 2007. In August 2007, I joined the accounting firm Crowe Horwath (formerly Crowe Chizek) as an auditor and became a licensed certified public accountant ("CPA") in the state of Ohio in 2009. From 2010 to 2015, I was employed by NiSource Inc. in its SEC Financial Reporting Department, where I most recently held the position of Manager of SEC Reporting. I was hired by Columbia in December 2015 as Regulatory Affairs Manager. I am currently a member of the Ohio Society of CPAs, as well as a member of the American Institute of CPAs.

**Q. What are your job responsibilities as Regulatory Programs Manager?**

A. As Regulatory Programs Manager, my primary responsibilities include the planning, supervision, preparation and support of all Columbia regulatory filings before the Public Utilities Commission of Ohio ("Commission"). Other responsibilities include the preparation of exhibits, proposed tariff changes and testimony filed by Columbia in support of the continuation of its Infrastructure Replacement Program ("IRP") Rider.

**Q. What is the purpose of your testimony?**

A. My testimony supports the reasonableness of Columbia's request for continuation of its Rider IRP authorized in Case No. 08-73-GA-ALT by Opinion and Order ("2008 Order") dated December 3, 2008, and further extended in Case No. 11-5515-GA-ALT by Opinion and Order ("2012 Order") dated November 28, 2012. I will describe the exhibits I am sponsoring in support of Columbia's continuation of its Rider IRP. I will address the proposed increase in capital investment and the proposed

1 maximum annual Rider IRP rates to be charge to customer over the five-  
2 year period.

3

4 **II. BACKGROUND**

5

6 **Q. Please summarize Rider IRP.**

7 A. The Commission's 2008 Order first authorized Columbia to establish  
8 Rider IRP for a five-year period, reflecting capital investments through  
9 2012. Pursuant to that 2008 Order, Rider IRP provides for recovery of and  
10 return on Columbia's plant investment and related expenses as provided  
11 for in the Stipulation previously filed in Case No. 08-73-GA-ALT. The  
12 Commission's 2012 Order approved a five-year extension for Rider IRP,  
13 incorporating capital investments through 2017, with certain clarifications.

14

15 Rider IRP consists of three components. The first component recovers the  
16 costs associated with Columbia's Accelerated Mains Replacement  
17 Program ("AMRP"). Under the AMRP, Columbia plans to replace  
18 approximately 4,100 miles of priority pipe and an estimated 350,000 to  
19 360,000 metallic service lines over a period of approximately 25 years.  
20 Further testimony filed in support of the continuation of this program is  
21 provided by Ms. Thompson and Mr. Ayers.

22

23 The second component recovers the costs associated with the replacement  
24 of natural gas risers that were prone to failure and the installation,  
25 maintenance, repair and replacement of customer service lines that have  
26 been determined to present an existing or probable hazard to persons  
27 and/or property. Columbia completed its replacement of prone-to-fail  
28 risers in June 2011, but has continued and will continue to repair and  
29 replace hazardous customer service lines. This component will be referred  
30 to as the Hazardous Customer Service Line program.

31

32 The third component recovers costs associated with Columbia's  
33 installation of Automated Meter Reading Devices ("AMRD") on all  
34 residential and commercial meters served by Columbia over  
35 approximately five years, beginning in 2009. Columbia is not seeking cost  
36 recovery for AMRDs installed after 2013.

1 **Q. Please explain the process approved by the Commission in its 2008**  
2 **Order for establishing rates through the Rider IRP mechanism.**

3 A. The process approved by the Commission provides for Columbia's filing  
4 of a Notice of Intent by no later than November 30 of each year based on  
5 nine months actual data and three months estimated data. This Notice of  
6 Intent includes Columbia's initial IRP tariffs and supporting schedules for  
7 the Rider IRP to become effective the following May.  
8

9 Columbia's Rider IRP filings will continue to comprise independent  
10 studies for the aforementioned programs. Columbia will continue to  
11 develop independent revenue requirement studies for its AMRP, Risers  
12 and Hazardous Customer Service Lines, and AMRD programs. Columbia  
13 will compute each revenue requirement based upon each program's costs.  
14 Columbia will allocate the revenue requirement for each program to each  
15 applicable rate schedule using the allocation basis approved by the  
16 Commission in its 2008 Order. Columbia will divide the allocated revenue  
17 requirement for each rate schedule by the projected bills to be sent to  
18 customers in each rate class for the following May through April.  
19 Columbia will then determine the Rider IRP, for each rate schedule, by  
20 aggregating the calculated rates for each of the programs comprising the  
21 Rider IRP.  
22

23 Columbia will then file, by the following February 28<sup>th</sup>, an updated  
24 application with schedules supporting the proposed Rider IRP based on  
25 actual costs accumulated through the previous twelve months ended  
26 December. These filings will include all the accounting and billing details  
27 Staff needs in order to analyze the schedules and issue its Report of  
28 Investigation.  
29

30 Subject to Commission approval, the Rider IRP will become effective by  
31 the following May 1 unless: (a) the Commission delays the effective date  
32 of the Rider IRP; (b) Staff determines Columbia's request to increase the  
33 Rider IRP is unjust and unreasonable; or (c) any party granted  
34 intervention by the Commission files an objection that is not resolved to  
35 the Commission's satisfaction.  
36

37 **Q. Will these filings continue to recognize achieved O&M expense**  
38 **savings?**

39 A. Yes. The Stipulation approved by the Commission in its 2012 Order  
40 required Columbia to pass back meter reading expense savings and mains

1 and services expense savings to customers through the Rider IRP. All  
2 meter reading expense savings were to be determined in accordance with  
3 the Stipulation approved by the Commission in its 2012 Order. Pursuant  
4 to the same Stipulation, savings resulting from Columbia's AMRP were to  
5 be the greater of the actual mains and services expense savings  
6 experienced or the minimum level of mains and services expense savings  
7 defined by the Stipulation. The current minimum level of savings  
8 provided for in the 2012 Order is \$1,250,000.  
9

10 Columbia is proposing to continue passing back both meter reading  
11 expense savings and mains and services expense savings to customers  
12 based on the criteria identified in the Stipulation approved by the  
13 Commission in its 2012 Order. Columbia proposes to maintain a  
14 minimum level of mains and services expense savings of \$1,250,000 per  
15 year for the five-year extension. The amount of actual mains and services  
16 expense savings or the minimum level of savings, whichever greater, will  
17 be shown as a line item reduction in the annual revenue requirement  
18 calculation.  
19

20 **Q. Does this process include a reconciliation adjustment to allow for the**  
21 **dollar-for-dollar matching of costs and revenues?**

22 A. Yes.  
23

24 **Q. Why does Columbia continue to include costs related to its investment**  
25 **in replacing natural gas risers and installing AMRDs in its**  
26 **determination of the Rider IRP revenue requirement if it already**  
27 **completed those programs?**

28 A. Columbia continues to include the riser and AMRD components in its  
29 determination of the Rider IRP rate so Columbia may continue to earn a  
30 return of and on its investments in the risers and AMRDs until the  
31 Commission provides for recovery of these costs in a future rate case  
32 proceeding.  
33

34 **Q. Has Rider IRP traditionally had a maximum rate?**

35 A. Yes. The stipulation approved by the Commission in Case No. 08-0073-  
36 GA-ALT included a provision that resulted in the establishment of a  
37 maximum rate to be charged to customers under Columbia's Small  
38 General Service<sup>1</sup> type rate schedules. This annual rate methodology was

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<sup>1</sup> Small General Service includes Small General Sales Service, Small General Schools Sales Service,

1 extended in Case No. 11-5515-GA-ALT. The 2012 Order provided that the  
2 Rider IRP rate, effective May 1, 2014, could not exceed \$6.20 per customer  
3 per month; the Rider IRP rate, effective May 1, 2015, could not exceed  
4 \$7.20 per customer per month; the Rider IRP rate, effective May 1, 2016,  
5 could not exceed \$8.20 per customer per month; the Rider IRP rate,  
6 effective May 1, 2017, cannot exceed \$9.20 per customer per month; and  
7 the Rider IRP rate, effective May 1, 2018, cannot exceed \$10.20 per  
8 customer per month.  
9

### 10 **III. APPLICATION AND PROPOSED MAXIMUM RIDER IRP RATES**

#### 11 **Q. Why has Columbia filed the current Application?**

12 A. The Stipulation approved by the Commission on November 28, 2012,  
13 stated that Columbia may continue its Rider IRP to reflect IRP  
14 investments made through December 31, 2017. The upcoming expiration  
15 of that authority necessitates an application to extend the program for an  
16 additional five years. A five-year extension allows Columbia to continue  
17 its accelerated replacement of aging infrastructure though the IRP, as  
18 further explained by Ms. Thompson. Additionally, in order to meet its  
19 commitment to replace all existing priority pipe and metallic services lines  
20 over a 25-year period, Columbia is requesting authority to establish new  
21 maximum rates through this five-year extension.  
22  
23

#### 24 **Q. Is Columbia proposing any changes to the procedures, terms, and** 25 **conditions of cost recovery approved in Case No. 11-5515-GA-ALT?**

26 A. Columbia's Application requests no changes to the current process  
27 utilized in determining Rider IRP rates or the related accounting most  
28 recently approved by the Commission in its 2012 Order. The Application  
29 does request new maximum rates to be charged to customers during each  
30 of the years 2019 through 2024.  
31

#### 32 **Q. What maximum Rider IRP rates is Columbia proposing in this case for** 33 **the Small General Service schedule?**

34 A. The Application proposes a maximum Rider IRP rate, effective May 1,  
35 2019, of \$11.50 per customer per month; a Rider IRP rate, effective May 1,  
36 2020, not to exceed \$12.80 per customer per month; a Rider IRP rate,

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Small Gas Transportation Service, Small General Schools Transportation Service, Full Requirements Small General Transportation Service, and Full Requirements Small General Schools Transportation Service.

1 effective May 1, 2021, not to exceed \$14.10 per customer per month; a  
2 Rider IRP rate, effective May 1, 2022, not to exceed \$15.40 per customer  
3 per month; and a Rider IRP rate, effective May 1, 2023, not to exceed  
4 \$16.70 per customer per month.  
5

6 **Q. How were these maximum rates determined?**

7 A. The proposed maximum Rider IRP rates were determined based on  
8 historic cost increases, which were then projected for the next five years,  
9 as is detailed in Attachment DMB-1 to my testimony.  
10

11 On average, Columbia has seen a 15.57% increase from 2008 to 2016.  
12 Because the beginning of the IRP showed extreme fluctuation in the  
13 average cost per mile of AMRP main, the most recent four years of the  
14 program better represent the level of increases that Columbia expects over  
15 the five-year extension. Using the average annual increase over the most  
16 recent four years (6.47%) and applying this percentage to determine the  
17 capital necessary to install another 820 miles of Priority Pipe, I finalized  
18 the proposed maximum Rider IRP rates contained in the Application and  
19 Exhibit G.  
20

21 **Q. Why does Columbia need its proposed annual maximum rates for**  
22 **customers served under its Small General Service rate schedules?**

23 A. Columbia is requesting the proposed annual maximum rates to account  
24 for rising costs anticipated by Columbia, as is further discussed by Mr.  
25 Ayers and Ms. Thompson.  
26

27 **Q. Why is the average cost increase over the past four years more**  
28 **representative of expected increases over the next five-year period?**

29 A. Using the most recent four years of AMRP average costs eliminates the  
30 abnormal changes in the earlier years of the program. The most recent  
31 four years represent cost increases of a mature program, while taking into  
32 account the most recent contract renegotiation in 2016. As mentioned by  
33 Mr. Ayers, Columbia's blanket construction contracts expire at the end of  
34 2020 and will be renegotiated during the proposed extension, resulting in  
35 another anticipated increase in costs.

1 **IV. CUSTOMER IMPACT**

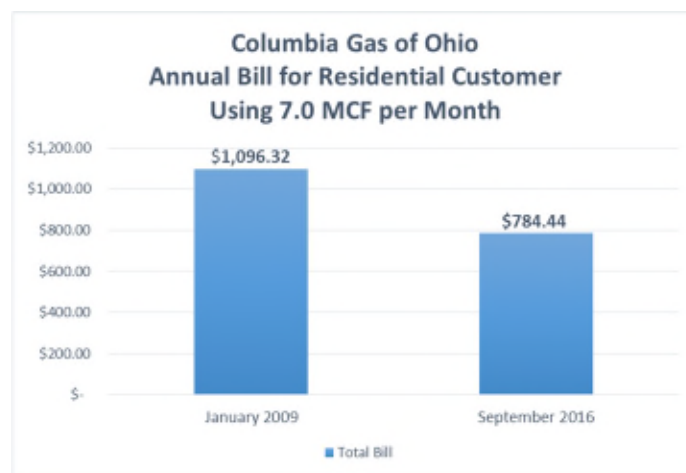
2  
3 **Q. Will increasing the capital investment in the IRP lead to a significant**  
4 **increase in customer bills?**

5 A. No, increasing IRP investments will not significantly increase customer  
6 bills. Exhibit G to the Application is a bill comparison for all customer  
7 classes that shows the projected increase in the Rider IRP rate for a typical  
8 residential customer is less than 2% per month. The impact of Rider IRP  
9 rate increases on customers' bills is mitigated by the fact that in recent  
10 years, Columbia's customers have experienced lower natural gas prices  
11 compared to prices at the onset of the IRP in 2008, and these prices are  
12 projected to remain low for the foreseeable future.

13  
14 This impact is further mitigated by the specific formula used to determine  
15 Rider IRP rates. This formula provides for the recovery of deferred costs  
16 over the useful life of the assets rather than on a current-year basis. This  
17 approach minimizes the immediate impact on customers and further  
18 eliminates the risk of excessive rate increases in any given year.

19  
20 **Q. Are average customer bills higher now than they were when the IRP**  
21 **was first approved?**

22 A. No. The table below compares a Small General Service customer's bill in  
23 January 2009 with a customer's bill in 2016. This comparison demonstrates  
24 that a Small General Service customer's bill is approximately 30% less  
25 today than in 2008. The commodity portion of the bill is nearly 50% less  
26 today than they were when the IRP was first established.



27  
28 **Q. Does this conclude your Prepared Direct Testimony?**

29 A. Yes.



## CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned hereby certifies that a copy of the foregoing document is also being served via electronic mail on the 27<sup>th</sup> day of February, 2017 upon the parties listed below.

/s/ Eric B. Gallon

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### Historic Cost per Mile

	Cost/Priority Mile	% Increase	Total Capital	Miles Replaced*
<b>2008</b>	\$406,695.32	-	\$37,009,274.38	91
<b>2009</b>	\$343,577.52	(15.52)%	\$34,357,752.00	100
<b>2010</b>	\$498,922.18	45.21%	\$31,432,097.24	63
<b>2011</b>	\$497,884.27	(0.21)%	\$107,543,003.00	216
<b>2012</b>	\$842,372.14	69.19%	\$154,996,474.00	184
<b>2013</b>	\$850,704.26	0.99%	\$167,588,738.42	197
<b>2014</b>	\$943,085.70	10.86%	\$165,983,082.54	176
<b>2015</b>	\$932,762.32	(1.09)%	\$182,821,415.63	196
<b>2016</b>	\$1,073,672.58	15.11%	\$214,734,515.36	200
<b>9-Year Historic Average</b>		15.57%		
<b>4-Year Historic Average</b>		6.47%		

### 4-Year Historic Average

	Cost/Priority Mile	% Increase
<b>2018</b>	\$1,216,989.78	6.47%
<b>2019</b>	\$1,295,670.19	6.47%
<b>2020</b>	\$1,379,437.42	6.47%
<b>2021</b>	\$1,468,620.34	6.47%
<b>2022</b>	\$1,563,569.08	6.47%
<b>Average</b>	<b>\$1,384,857.36</b>	
<b>Annual Rate Increase</b>	<b>\$1.27</b>	

### 9-Year Historic Average

	Cost/Priority Mile	% Increase
<b>2018</b>	\$1,321,033.36	15.57%
<b>2019</b>	\$1,526,680.54	15.57%
<b>2020</b>	\$1,764,341.13	15.57%
<b>2021</b>	\$2,038,998.69	15.57%
<b>2022</b>	\$2,356,412.58	15.57%
<b>Average</b>	<b>\$1,801,493.26</b>	
<b>Annual Rate Increase</b>	<b>\$1.66</b>	

\*Bare steel, cast iron and wrought iron pipe

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Summary: Testimony of Diana M. Beil electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.