

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

PREPARED DIRECT TESTIMONY OF
MELISSA L. THOMPSON
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.

/s/ Eric B. Gallon

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COLUMBIA GAS OF OHIO, INC.

**PREPARED DIRECT TESTIMONY
OF MELISSA L. THOMPSON**

I. INTRODUCTION

Q. Please state your name and business address.

A. Melissa L. Thompson, 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. Will you please state briefly your educational background and experience?

A. I attended Marietta College, earned a Bachelor of Arts in Communications and Political Science, and graduated magna cum laude from Capital University Law School. I worked for two years in private practice with law firms in Columbus, and joined the NiSource Legal Department in 2012. In 2015, I transitioned to my role as the Director of Regulatory Policy with Columbia.

Q. What are your job responsibilities as Director of Regulatory Policy?

A. My primary responsibilities include the planning, supervision, preparation and support of Columbia's regulatory filings before the Public Utilities Commission of Ohio ("Commission"). I also develop policy to support Columbia's energy efficiency and energy assistance programs and drive Columbia's regulatory initiatives to ensure execution of Columbia's business strategy.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide a review of Columbia's experience under the existing IRP and a summary of the instant Application, as well as to support and sponsor Exhibits A through F of the Application. I will also address various requirements in the Ohio Revised Code and Ohio Administrative Code that specifically relate to alternative regulation filings.

1 **II. OVERVIEW OF THE INFRASTRUCTURE REPLACEMENT PROGRAM**

2
3 **Q. Is Columbia currently implementing an Infrastructure Replacement**
4 **Program (“IRP”)?**

5 A. Yes. The Commission’s orders in Case No. 08-72-GA-AIR, et al., as contin-
6 ued by Case No. 11-5515-GA-ALT, authorized Columbia to implement an
7 IRP between 2008 and 2017 that provides for implementation of an Accel-
8 erated Mains Replacement Program (“AMRP”), a Hazardous Customer
9 Service Line program, and an Automatic Meter Reading Program, with
10 costs resulting from these programs to be recovered through annual fil-
11 ings.

12
13 **Q. Please describe the scope of the Accelerated Mains Replacement Pro-**
14 **gram, or AMRP.**

15 A. Columbia’s AMRP targets the replacement of corroding and hazardous
16 mains over a 25-year timeframe. The types of gas main explicitly included
17 in the AMRP, as initially approved, were bare steel, unprotected coated
18 steel, wrought iron, and cast iron. These types of main (“Priority Pipe” or
19 “Priority Main”), as found by the Commission, are more likely to leak,
20 due to their material type, protection, age, and other characteristics.

21
22 In Columbia’s last extension of the IRP, Case No. 11-5515-GA-ALT, the
23 Commission adopted a Stipulation and Recommendation (“2011 Stipula-
24 tion”) that, among other things, clarified the scope of the AMRP to ex-
25 pressly include certain items, including interspersed sections of non-
26 priority pipe, first generation plastic pipe, ineffectively coated steel, meter
27 move outs, and government relocations.

28
29 **Q. Please describe the Hazardous Customer Service Line program.**

30 A. Under Columbia’s approved tariff, Columbia also has the responsibility to
31 maintain, repair, and replace customer-owned service lines deemed to
32 present an existing or probable hazard to persons or property or require a
33 scheduled repair or replacement based upon severity or location.

34
35 **III. APPLICATION AND PROPOSED RIDER IRP RATE**

36
37 **Q. Please explain the components of Columbia’s Application in this case.**

38 A. Columbia requests authority to continue its IRP, with the items stipulated
39 from Case No. 11-5515-GA-ALT, for an additional five years. This pro-
40 gram has shown its success, as discussed in the testimony of Mr. Ayers,

through the systematic replacement of hazardous customer service lines and Priority Pipe mains.

Q. Does the Application propose to modify any portion of the IRP?

A. No. It proposes to continue the existing IRP, consistent with the Commission's orders in the prior IRP cases, with new proposed maximum Rider IRP monthly rates for the SGS and the SGTS classes ("SGS Class"). These new maximum rates are necessary to ensure Columbia can replace its Priority Pipe during the twenty-five-year committed programmatic period.

Q. What are Columbia's proposed maximum Rider IRP monthly rates?

A. Columbia is proposing maximum SGS Class Rider IRP monthly rates ranging from \$11.50 for calendar year 2018 investments to \$16.70 for calendar year 2022 investments.

	2018	2019	2020	2021	2022
Maximum Rider IRP SGS Class Rate	\$11.50	\$12.80	\$14.10	\$15.40	\$16.70

For background, since 2008, Columbia's Rider IRP rates have been limited in two ways. First, Columbia has agreed to a maximum monthly Rider IRP rate for the SGS Class. As shown below, this maximum rate has been effectively maintained throughout and underspent for the past nine years:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Maximum Rider IRP SGS Class Rate	\$1.20	\$2.20	\$3.20	\$4.20	\$5.20	\$6.20	\$7.20	\$8.20	\$9.20	\$10.20
Actual Rider IRP SGS Class Rate	\$0.86	\$1.62	\$2.63	\$3.57	\$4.71	\$5.71	\$6.71	\$7.65	\$8.96	<i>Not Defined</i>

Second, the costs Columbia recovers on an annual basis are reviewed annually by the Commission for reasonableness and prudence. This reasonableness review ensures that Columbia only incurs and recovers from its customers those dollars determined to meet this regulatory standard.

1 **Q. Do these proposed maximum Rider IRP rates have support throughout**
2 **Columbia's Application and Testimony?**

3 A. Yes, they do. The rates requested are to account for various factors since
4 Columbia last sought an extension in 2011.
5

6 First, over the last nine years, in replacing pipe Columbia has experienced
7 an approximate 15% increase in the average cost per mile, as is discussed
8 in Ms. Beil's and Mr. Ayers's testimony. Columbia anticipates this trend to
9 continue over the next five years.
10

11 Second, the proposed maximum rates reflect the increase in costs to con-
12 struct Columbia's AMRP Projects. This includes the increase in hard and
13 soft-surface restoration fees and costs, which are primarily driven by the
14 municipalities that Columbia is serving.
15

16 Finally, in the fourth and fifth years of its extension, Columbia will be ne-
17 gotiating the extension of its blanket contracts. These blanket contractors
18 are the construction crews that are primarily charged with installing the
19 majority of Columbia's AMRP Projects.
20

21 These factors, taken together, support the proposed maximum Rider IRP
22 monthly rates for the SGS Class.
23

24 **Q. Are there other reasons to adopt the proposed maximum Rider IRP**
25 **rates?**

26 A. The commodity rates that customers are paying have appreciably de-
27 creased since Columbia's last base rate case in 2008. As further discussed
28 by Ms. Beil, Columbia's customers are currently paying less than they
29 were at the end of Columbia's last rate case. As the total bill impact to cus-
30 tomers decreases, including the commodity portion of customers' bills,
31 now is the optimal time to continue investing in infrastructure replace-
32 ment.

1 **IV. THE FILING REQUIREMENTS FOR ALTERNATIVE RATE PLAN APPLI-**
2 **CATIONS IN OHIO ADMIN. CODE 4901:1-19-06**
3

4 **Q. Ohio Admin. Code 4901:1-19-06(C)(2) states that alternative rate plan**
5 **applications must provide a detailed alternative rate plan. Does Colum-**
6 **bia's Application provide an alternative rate plan?**

7 A. Yes. Attached as Exhibit A to Columbia's application is an alternative rate
8 plan that states the facts and grounds upon which Columbia's application
9 is based. Exhibit A details the plan's elements, transition plans, and other
10 matters required by the Commission's rules. Moreover, Exhibit A states
11 and supports the rationale for Columbia's tariffs, which are not being
12 changed with this application aside from the rate, for all impacted ser-
13 vices.
14

15 **Q. Ohio Admin. Code 4901:1-19-06(C)(3) requires alternative rate plan ap-**
16 **plications to list the services for which they have been exempted and**
17 **provide certain other information regarding those exemptions. Does Co-**
18 **lumbia's Application provide information regarding any services the**
19 **Commission has authorized it to exempt under R.C. 4929.04?**

20 A. Yes. In Case No. 08-1344-GA-EXM, the Commission authorized an exemp-
21 tion for Columbia to implement its gas supply auctions, described later in
22 my testimony. Columbia further details this compliance in Exhibit B to the
23 Application.
24

25 **Q. Ohio Admin. Code 4901:1-19-06(C)(4) requires an alternative rate plan**
26 **application to discuss how the plan addresses potential issues concern-**
27 **ing cross-subsidization of services. Will the adoption of Columbia's al-**
28 **ternative regulation plan result in any cross subsidization of services?**

29 A. No, as detailed in Exhibit C to the Application. Each of the revenue re-
30 quirements is allocated by customer rate class based on the cost incurrence
31 reported in the Class Cost of Service Study and approved by the Commis-
32 sion in Case No. 08-0072-GA-AIR. The use of these same factors better en-
33 sures the mitigation of potential cross-subsidization through assignment
34 of the individual revenue requirement to customers on those bases previ-
35 ously determined appropriate by the Commission.

1 Q. R.C. § 4929.05(A)(1) and Ohio Admin. Code 4901:1-19-06(C)(5) require an
2 alternative rate plan applicant to discuss how it complies with R.C.
3 § 4905.35. Does Columbia comply with R.C. § 4905.35?

4 A. As explained in Exhibit D of the Application, Columbia is compliant with
5 R.C. § 4905.35, which prohibits a public utility from making or giving any
6 undue or unreasonable preference or advantage to any party or subjecting
7 a party to undue or unreasonable prejudice or disadvantages; requires a
8 utility to offer regulated services or goods to all similarly situated con-
9 sumers, including those with which it is affiliated or which it controls,
10 under comparable terms and conditions; mandates unbundling of services
11 that include both regulated and unregulated services of goods; and pro-
12 hibits a utility from conditioning or limiting the availability or condition
13 of services of goods on the basis of identity of the supplier of the other
14 services or goods or on the purchase of unregulated services or goods.
15

16 Columbia's public utility services are available on a comparable and non-
17 discriminatory basis. Columbia does not presently have any bundled ser-
18 vice offerings that include a regulated and unregulated service. Columbia
19 does not condition or limit the availability of any regulated services or
20 goods, or the availability of a discounted rate or improved quality, price,
21 term or condition for any regulated services or goods, on the basis of the
22 identity of the supplier of any other services or goods or on the purchase
23 of any unregulated services or goods from Columbia. Columbia offers its
24 regulated services or goods to all similarly-situated customers, including
25 any persons with which it is affiliated or which it controls, under compa-
26 rable terms and conditions.
27

28 Columbia's approved Standards of Conduct (existing Tariff Sheet No. 22,
29 Section VII, which is attached in Exhibit B), is based on the requirements
30 of R.C. § 4905.35 and requires Columbia to comply with those require-
31 ments as noted in the following provisions:
32

- 33 • Columbia shall apply tariffs in a nondiscriminatory manner.
- 34 • Columbia shall enforce the tariffs in a nondiscriminatory manner.
- 35 • Columbia shall not give any supplier, including any marketing af-
36 filiate, or customers of any supplier, including any marketing affili-
37 ate, preference over any other suppliers or customers. For purposes
38 of Columbia's CHOICE® Program, any ancillary service provided
39 by Columbia that is not tariffed shall be priced uniformly for affili-
40 ated and nonaffiliated companies and available to all equally.

- Columbia shall process all similar requests for transportation in the same manner and within the same approximate period of time.
- Columbia shall not condition or tie its agreements to gas supply or for the release of interstate pipeline capacity to any agreement by a supplier, customer, or third party in which its marketing affiliate is involved.
- Neither Columbia nor any marketing affiliate shall communicate the idea that any advantage might accrue in the use of Columbia's service as a result of dealing with any supplier, including any marketing affiliate.

Columbia also requires all employees dealing with customers or suppliers in the areas covered by the code of conduct to receive annual training regarding its purpose and application.

Q. R.C. § 4929.05(A)(1) and Ohio Admin. Code 4901:1-19-06(C)(5) also require an alternative rate plan applicant to discuss how it substantially complies with R.C. § 4929.02 and whether it expects to remain in substantial compliance with R.C. § 4929.02 after implementation of its Alternative Regulation Plan. Does Columbia substantially comply with R.C. § 4929.02, and will it continue to do so if the Commission approves its Application?

A. As explained in Exhibit D, Columbia is currently in compliance with the provisions of R.C. § 4929.02 and will continue to be in compliance with those provisions after the alternative rate plan is implemented. R.C. § 4929.02 sets forth the state policy regarding natural gas services and goods. That policy promotes the availability of adequate, reliable and reasonably priced services and goods as well as the unbundling and comparability of those services and goods. It also supports effective choices for supplies and suppliers and encourages market access to supply-and demand-side services and goods. Other provisions address the importance of effective competition and the regulatory treatment needed to support that competition.

Columbia is in substantial compliance with the policies set forth in R.C. § 4929.02. Columbia's Gas Transportation Service Program and CHOICE® Program both offer unbundled and comparable natural gas services and goods alternatives that allow customers to choose their supplier, price, terms, and other conditions to meet their respective needs. Those programs promote diversity of natural gas supplies and suppliers,

1 by giving consumers effective choices over the selection of those supplies
2 and suppliers.

3

4 Approval of Columbia's Application will advance Ohio's policies to an
5 even greater extent. By ensuring that Columbia is given the opportunity to
6 timely recover its investments in replacing and repairing aging infrastruc-
7 ture, as well as invest in communities, the plan will enhance Columbia's
8 ability to continue to offer adequate, reliable, and reasonably priced natu-
9 ral gas services and goods. The prices paid by customers will continue to
10 be reviewed and approved by the Commission, and thus will remain rea-
11 sonable.

12

13 Columbia has worked proactively with stakeholders in Ohio to implement
14 unbundled and ancillary service offerings that provide customers with ef-
15 fective and convenient choices to meet their natural gas supply needs. In
16 2011, the Commission approved the establishment of a retail auction
17 (Standard Choice Offer) process effective April 1, 2012, which continues
18 today. Implementation of these processes, combined with Columbia's ex-
19 isting service programs, ensures continued and enhanced compliance with
20 the policies contained in R.C. §§ 4905.35 and 4929.02.

21

22 **Q. Ohio Admin. Code 4901:1-19-06(C)(5) requires an applicant to demon-**
23 **strate that its alternative rate plan is just and reasonable. Is Columbia's**
24 **alternative rate plan just and reasonable?**

25 A. Yes. Columbia's IRP will continue to improve the safety and reliability of
26 service and customer satisfaction and convenience and result in reduced
27 leakage. The proposed maximum Rider IRP monthly rates for the SGS
28 Class and annual rate review will ensure that the Rider IRP rate remains
29 just and reasonable.

30

31 **Q. Are you sponsoring any other exhibits attached to the Application?**

32 A. Yes. Though not required by Ohio Admin. Code 4901:1-19-06(C), I am also
33 sponsoring Exhibit F, which are copies of Columbia's current Rider IRP
34 Tariff Sheets. The rates reflected in the tariff sheets in the exhibit are re-
35 covering costs associated with Columbia's IRP calendar year 2015 invest-
36 ment.

37

38 **Q. Does this complete your Prepared Direct Testimony?**

39 A. Yes, it does.

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 27th day of February, 2017 upon the parties listed below.

/s/ Eric B. Gallon

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Summary: Testimony of Melissa L. Thompson electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.