BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation to Extend and Increase Its Infrastructure Replacement Program.	)))))	Case No. 16-2422-GA-ALT

REPLY BRIEF OF COLUMBIA GAS OF OHIO, INC.

Eric B. Gallon (0071465) (COUNSEL OF RECORD)
Mark S. Stemm (0023146)
Porter Wright Morris & Arthur LLP
41 South High Street
Columbus, OH 43215
Telephone: (614) 227-2190
Facsimile: (614) 227-2100
Email: egallon@porterwright.com
mstemm@porterwright.com

(Willing to accept service by e-mail)

Stephen B. Seiple, Asst. General Counsel (0003809)
Joseph M. Clark, Senior Counsel (0080711)
P.O. Box 117
290 W. Nationwide Blvd.
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
(614) 460-6988
E-mail: sseiple@nisource.com
josephclark@nisource.com

(Willing to accept service by e-mail)

Attorneys for
COLUMBIA GAS OF OHIO, INC

TABLE OF CONTENTS

1. Introduction

In the past ten years, the Commission has reviewed the safety-related programs that help comprise Columbia's Infrastructure Replacement Program ("IRP") three times – twice in 2008 and once in 2011[1] -- and approved Columbia's IRP each time.[2]

Under the IRP, Columbia is 10 years into a 25-year Accelerated Mains Replacement Program ("AMRP") designed to replace approximately 4,100 miles of at-risk bare steel, unprotected coated steel, wrought iron, and cast iron mains ("priority pipe") and associated metallic service lines.[3] The Commission approved Columbia's AMRP, and similar programs by "Ohio's [other] major natural gas utilities[,]" to "increase natural gas pipeline safety above and beyond the federal pipeline safety regulations[.]"[4]

It has also been approximately 10 years since Columbia took responsibility for hazardous customer service lines. The Hazardous Customer Service Line ("HCSL") program, which is also part of the IRP, obligates Columbia to maintain, repair, and replace its customer service lines when those lines present an existing or probable hazard to persons and property.[5] The Commission approved the shift of responsibility to Columbia "in an effort to improve the level of public safety[,]" recognizing that service line leaks "can present significant safety hazards and * * *

---

[1] *See generally* Columbia Exhibit 1 (Application), Exhibit A (Detailed Alternative Rate Plan), § 1 (discussing the history of Columbia's IRP).

[2] *See In re Application of Columbia Gas of Ohio, Inc. for Approval of Tariffs to Recover Through an Automatic Adjustment Clause Costs Associated with Establishment of an Infrastructure Replacement Program and for Approval of Certain Accounting Treatment*, Case No. 07-478-GA-UNC ("*2007 IRP Case*"), Opinion and Order, at 36 (Apr. 9, 2008); *In re Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation and for a Change in its Rates and Charges*, Case No. 08-0073-GA-ALT ("*2008 IRP Case*"), Opinion and Order (Dec. 3, 2008); *In re Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation*, Case No. 11-5515-GA-ALT ("*2011 IRP Case*"), Opinion and Order (Nov. 28, 2012).

[3] *See* Columbia Initial Brief at 2.

[4] Public Utilities Commission of Ohio, Natural gas pipeline safety in Ohio, http://www.puco.ohio.gov/be-informed/consumer-topics/natural-gas-pipeline-safety-in-ohio/#sthash.Itw4zAqV.dpbs. Columbia requested that the Commission take administrative notice of this information in its initial brief. *See* Columbia Initial Brief at 8 n. 42.

[5] *See* Columbia Initial Brief at 2-3.

have the potential to cause catastrophic damage to the customer's property or neighboring properties."[6]

In this proceeding, Columbia seeks to extend these safety programs for another five years, with updated annual maximum rates (or "caps") for its monthly Rider IRP charge for Columbia's SGS and SGTS ("SGS Class") customers.[7] In return for committing to reduce those proposed caps and increase its guaranteed minimum AMRP O&M savings, Commission Staff and Ohio Partners for Affordable Energy stipulated to support the extension of Columbia's IRP for another five-year term.[8] Industrial Energy Users-Ohio does not oppose the stipulation.

The Office of the Ohio Consumers' Counsel ("OCC"), however, asks the Commission to modify the IRP wholesale. Based on a misunderstanding of Columbia's HCSL program, and a misapplication of the Commission's opinion denying Duke Energy Ohio's attempt to establish an *accelerated* service line replacement program, OCC argues that the HCSL program "violates regulatory principles and practices and is not in the public interest" and must be eliminated.[9] OCC argues that continuing the AMRP as it is currently operated would be "unjust and unreasonable" and that "the benefits * * * that customers are receiving [from the program] are minimal * * *."[10] OCC also asserts that Columbia's existing methodology for calculating O&M savings and passing those back to Columbia's customers, its inclusion of interspersed "non-priority" pipe as approved in the *2011 IRP Case*, and its proposal of annual Rider IRP caps that recognize increases in Columbia's AMRP-related costs and reflect previously approved rates of return, all violate regulatory principles and practices, are not in the public interest, or will not benefit consumers. In short, OCC looks at a longstanding program with clear public safety benefits that the Commission has repeatedly approved and somehow sees a wasteful boondoggle that must be terminated, or significantly modified, immediately.

The Commission should reject OCC's objections to the Stipulation. The Stipulation is the product of serious bargaining. The continuation of the AMRP and HCSL program and Rider IRP for an additional five years, with firm limits on potential rider charge increases and steadily increasing guaranteed minimum

---

6 *2007 IRP Case*, Opinion and Order, at 29 (Apr. 9, 2008).

7 *See* Columbia Exhibit 1 (Application), Exhibit A (Detailed Alternative Rate Plan), § 2.2.3.

8 *See generally* Joint Exhibit 1 (Stipulation).

9 OCC Brief at 22.

10 *Id.* at 30.

AMRP O&M savings, benefits ratepayers and the public interest. And Staff and OPAE agree that the Stipulation violates no important regulatory principle or practice. For all of these reasons, as further explained below, the Commission should approve the Stipulation and extend the IRP.

2. Law and Argument

In reviewing a proposed stipulation, the Commission applies the three-part test discussed in Columbia's Initial Brief.[11] "The ultimate issue for [the Commission's] consideration[,]" however, "is whether the [Stipulation] * * * is reasonable and should be adopted."[12] Giving the proposed stipulation the "substantial weight" that Ohio law affords it,[13] the Commission should find that the Stipulation is reasonable and approve it. As explained below, OCC fails to disprove that the stipulation is the result of serious bargaining, provides important safety benefits for ratepayers and the public, and violates no regulatory principle or practice.

2.1. The proposed settlement is the product of serious bargaining.

The first factor of the Commission's three-part test for considering settlements asks whether the settlement was "a product of serious bargaining among capable, knowledgeable parties[.]"[14] OCC does not contest that the stipulating parties were capable and knowledgeable. Instead, OCC argues that the settlement was not the product of serious bargaining because: (1) there was only one in-person, all-party settlement conference, followed by a telephonic settlement discussion six

---

[11] *See, e.g., In re Ohio Edison Co*., 146 Ohio St.3d 222, 2016-Ohio-3021, ¶ 37.

[12] *In re Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of an Alternative Form of Regulation to Extend and Increase Its Pipeline Infrastructure Replacement Program*, Case No. 15-362-GA-ALT, Opinion and Order, ¶ 25 (Sept. 14, 2016). *See also In re Columbus S. Power Co.*, 129 Ohio St.3d 46, 2011-Ohio-2383, ¶ 19 ("When the commission reviews a contested stipulation," it must determine "'what is just and reasonable'") (citation omitted).

[13] *In re Application Seeking Approval of Ohio Power Company's Proposal to Enter Into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider*, Case No. 14-1693-EL-RDR, Second Entry on Rehearing, ¶ 21 (Nov. 3, 2016) (citing *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 125, 592 N.E.2d 1370 (1992), citing *Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978)).

[14] *See, e.g., In re Application of Columbia Gas of Ohio, Inc., for Approval of Demand-Side Management Programs for its Residential and Commercial Customers*, Case Nos. 11-5028-GA-UNC, et al., Finding and Order, at 7 (Dec. 14, 2011).

days later among OCC, Staff, IEU-Ohio, and OPAE;[15] (2) Columbia did not circulate a draft settlement offer before or at the in-person settlement conference;[16] and (3) Columbia rejected OCC's counter-offer on the same day OCC circulated it.[17] OCC further argues that the stipulation cannot be a just and reasonable resolution of the issues in this proceeding because it failed to address all of OCC's concerns.[18]

OCC's qualms with the process that led to the Stipulation do not disprove that serious bargaining occurred. "In considering whether there was serious bargaining ***, the Commission evaluates the level of negotiations that appear to have occurred ***."[19] The Commission has not designated a mandatory form for or number of settlement conferences.[20] Instead, the Commission has indicated that a stipulation will meet the "serious bargaining" requirement if "an entire class of customers was [not] excluded from the settlement negotiations" and no intervening party "was prohibited from participating in [settlement] meetings or denied the opportunity to discuss terms to be included in the stipulation before it was filed with the Commission."[21] Similarly, the Commission has found serious bargaining where all parties to the proceeding had an opportunity to express their opinions during settlement negotiations.[22] "The fact that [a] stipulation did not resolve all

---

15 OCC Brief at 11 (citing OCC Exhibit 1 (Duann Testimony) at 23).

16 *Id.*

17 *Id.*

18 *See id.* at 49-50.

19 *In re Application of Vectren Energy Delivery of Ohio, Inc. for Approval, Pursuant to Revised Code Section 4929.11 of a Tariff to Recover Conservation Expenses and Decoupling Revenues Pursuant to Automatic Adjustment Mechanisms and for Such Accounting Authority as May Be Required to Defer Such Expenses and Revenues for Future Recovery through Such Adjustment Mechanisms*, Case No. 05-1444-GA-UNC, Supplemental Opinion and Order, at 15 (June 27, 2007).

20 *See, e.g., In re Application of Duke Energy Ohio, Inc. for Approval of its 2017-2019 Energy Efficiency and Peak Demand Reduction Program Portfolio Plan*, Case No. 16-576-EL-POR, Opinion and Order, ¶¶ 34-35 (Sept. 27, 2017) (finding serious bargaining occurred where "OCC was included in at least one settlement meeting and received a copy of a draft stipulation.").

21 *In re Application of Columbia Gas of Ohio, Inc. for Approval of Demand-Side Management Programs for its Residential and Commercial Customers*, Case No. 16-1309-GA-UNC, Opinion and Order, ¶¶ 59-60 (Dec. 21, 2016).

22 *See In re Application of Duke Energy Ohio, Inc. for an Adjustment to Rider AMRP Rates*, Case No. 09-1850-GA-ATA, Opinion and Order, at 7 (Apr. 28, 2010).

of [an intervenor's] opposition arguments," on the other hand, does not make it unlawful for the Commission to approve a stipulation.[23]

Here, the Stipulation satisfies the Commission's test for serious bargaining. As OCC acknowledges, there was an all-party negotiation session and a subsequent telephonic conference involving three of the stipulating parties. OCC does not assert that it was deprived of an opportunity to express its opinions during those sessions. On August 11, Columbia sought and received an extension of the deadline for filing objections to the Staff report and Columbia's application, to provide additional time for settlement negotiations.[24] The stipulating parties did not file their Stipulation until after they had received and considered OCC's settlement counter-offer. Moreover, although OCC did not join the Stipulation, the stipulating parties included compromises on two of OCC's objections to Columbia's application: the increase in the annual Rider IRP rate cap (OCC Objection 2) and the amount of guaranteed O&M savings (OCC Objection 7).[25]

Both the settlement process and the substantive compromises embodied in the Stipulation demonstrate that the Stipulation is the product of serious bargaining. The Stipulation meets the first factor in the Commission's test for evaluating proposed settlements.

2.2. The proposed settlement, as a package, benefits customers and the public interest.

OCC next argues that the Commission should reject the Stipulation because OCC believes it does not benefit consumers or the public interest. OCC's attacks on the Stipulation are fundamentally misplaced because they fail to appreciate that the Stipulation merely continues two safety programs, with minor modifications, that have already been successfully underway for 10 years. As such, the Commission has already determined that the IRP program benefits customers and the public interest by improving public safety. The modestly increased rider caps proposed for the next five-year term, coupled with the increased guaranteed minimum savings for that same term, offer the Commission no reason to reverse its position regarding the program's benefits to Columbia's customers and the public interest. But OCC's attacks are also misplaced because OCC's analyses of the

[23] *Ohio Partners for Affordable Energy v. Pub. Util. Comm.'n (In re E. Ohio Gas Co.)*, 144 Ohio St.3d 265, 2015-Ohio-3627, ¶ 32.

[24] *See* Entry at ¶¶ 10-11 (Aug. 11, 2017).

[25] OCC Exhibit 4 (Objections to Columbia's Application) at 4, 6.

AMRP and the HCSL program, the AMRP's O&M savings methodology, and the factors that contributed to the proposed rate caps for the IRP, are riddled with mistakes and misconceptions, as discussed below.

2.2.1. Columbia's Commission- and Court-approved hazardous customer service line program benefits customers and the public interest.

OCC's primary contention, and the one to which it devotes the biggest share of its Initial Brief, is the remarkable assertion that Columbia's hazardous customer service line ("HCSL") program should be "eliminated[.]"[26] But the basis for OCC's opposition is its mistaken belief that Columbia's HCSL program is "essentially identical to Duke's [proposed] ASRP."[27] It is not. The HCSL program does not entail any "acceleration" related to maintaining, repairing, and replacing customer-owned service lines. The purpose is to resolve risks on service lines when they arise, not before.[28]

By way of background, in 2007, the Commission's then-Chairman Alan Schriber asked all of the major local distribution utilities, including Columbia, to consider assuming legal responsibility for customer service lines.[29] Columbia agreed and proposed a stipulation, which the Commission approved, under which Columbia assumed responsibility for "[t]he future maintenance, repair and replacement of customer-owned service lines that have been determined by Columbia to present an existing or probable hazard to persons and property" and recovered its costs through Rider IRP.[30] On appeal, the Supreme Court of Ohio upheld the Commission's decision to authorize Columbia to "tak[e] over responsibility from the customer" for maintaining, repairing, and replacing hazardous customer service lines.[31] In doing so, the Court recognized that "service lines * * * can create

---

[26] OCC Brief at 5.

[27] *Id.* at 14.

[28] *See* OCC Exhibit 3 (Harunuzzaman Testimony), Attachment MH-3 (discovery response explaining that "Columbia repairs or replaces customer service lines when a Hazardous Customer Service Line Leak, as defined by Columbia's tariff, is identified.").

[29] *See* Columbia Exhibit 1 (Application), Exhibit A (Detailed Alternative Rate Plan), at 1 (citing *In re Investigation of the Installation, Use, and Performance of Natural Gas Service Risers Throughout the State of Ohio and Related Matters*, Case No. 05-463-GA-COI, Letter from Alan R. Schriber (Jan. 2, 2007)).

[30] *2008 IRP Case*, Opinion and Order, at 8 (Dec. 3, 2008).

[31] *Util. Serv. Partners v. PUC*, 124 Ohio St.3d 284, 2009-Ohio-6764, ¶ 8.

safety issues" for both the customers who owned those lines and their neighbors.[32] The Court further affirmed that it made sense to "place service-line responsibility in the hands of a single regulated company,"[33] for several reasons. The Court also noted the concern that the expense of repairing leaking lines might dissuade customers without service line warranties from reporting the leaks,[34] and the additional concern that some private contractors performing those repairs took shortcuts and did "shoddy" work.[35] Thus, both the Commission and the highest court in Ohio have considered Columbia's HCSL program and concluded that it made sense to assign the company responsibility for its customers' hazardous service lines.

Like Columbia, the other major natural gas companies in Ohio have also taken responsibility for maintaining customer service lines.[36] And, like Columbia, they also recover their costs for "assuming ownership of all service lines [they] installed or replaced" and for "assuming maintenance responsibility for all service lines."[37] The Commission has acknowledged that these programs are not like the

---

[32] *Id.* at ¶ 24.

[33] *Id.* at ¶ 27.

[34] *Id.* at ¶ 29.

[35] *Id.* at ¶ 31.

[36] *See* Duke Energy Ohio Tariff, P.U.C.O. Gas No. 18, Sheet No. 22.6, § III.3. ("The service piping and equipment from the Company's gas main to the outlet of the meter connection shall be installed, maintained, repaired and replaced at the expense of the Company * * * ."); The East Ohio Gas Co. Tariff, Second Revised Sheet No. K7, § III.24 ("East Ohio shall be responsible for [the service line from the curb valve to the meter] in accordance with the applicable provisions of the Pipeline Safety Act" and "shall bear the cost of repairs or replacements to the service line * * * ."); Vectren Energy Delivery of Ohio, Inc. Tariff, P.U.C.O. No. 3, Sheet No. 66, Original Page 2 of 3, § 7.A.6. ("Company shall be responsible for installation, repair, and replacement of service line * * * . Company will assume ownership of such service line and appurtenant equipment for all service lines replaced or newly installed.").

[37] Vectren Energy Delivery of Ohio, Inc. Tariff, P.U.C.O. No. 3, Sheet No. 45, Second Revised Page 1 of 2, Distribution Replacement Rider. *See also In re Application of the East Ohio Gas Co. d/b/a Dominion East Ohio to Adjust Its Pipeline Infrastructure Replacement Program Cost Recovery Charge and Related Matters*, Case No. 16-2205-GA-RDR, Finding and Order, at ¶ 10 (Apr. 19, 2017) (explaining that Dominion "installs and maintains the curb-to-meter service lines that were previously the responsibility of customers" through its Pipeline Infrastructure Replacement (PIR) program, and recovers the costs of that program through its Rider PIR); *In re Application of Duke Energy Ohio, Inc. for Approval of an Alternative Rate Plan for Gas Distribution Service*, Case No. 07-590-GA-ALT, Opinion and Order, at 9 (May 28, 2008) (approving a stipulation under which Duke "[took] over ownership of the curb-to-meter service * * * whenever a new service line * * * is installed or whenever an existing curb-to-meter service * * * is replaced[,]" assumed responsibility for "the cost of

accelerated service line replacement program Duke proposed and that Duke's program would have been "the first of its kind" in Ohio.[38]

In short, the Commission requested Columbia's decade-old hazardous customer service line program, the Supreme Court of Ohio approved it, and every other major natural gas company in Ohio operates a similar program. OCC has pointed to no changes in Ohio law or new understandings of the potential dangers posed by customer service lines that would justify a change in the Commission's or the utilities' current practice. And Columbia simply seeks to continue its existing program for another five years. Moreover, because Columbia's hazardous customer service line program is not an accelerated service line replacement program, the *Duke Energy Ohio* standards for such a program do not apply, and the argument at pp. 13 – 23 of OCC's Brief is irrelevant. Columbia's HCSL program should be continued.

2.2.2. OCC has not demonstrated that continuing the existing O&M savings methodology, with increased guaranteed savings, would be unjust or unreasonable.

OCC next asserts that the Stipulation should be rejected because "the O&M savings methodology [for the IRP] should be changed."[39] But OCC does not explain *how* it believes the methodology should be changed and, importantly, does not identify any specific faults with the methodology. Additionally, it does not explain how the current calculation of O&M savings – "compar[ing] actual annual expenses incurred for leak inspection, leak repair, general/other, and one-half of supervision and engineering activities against baseline values for the same activities set in 2008"[40] – is unjust or unreasonable. Instead, OCC simply asserts that "the minimum O&M savings amount should be increased."[41]

---

initial * * * repair, replacement and maintenance of all curb-to-meter services[,]" and capitalized and recovered such costs through its Rider AMRP).

[38] *See In re Application of Duke Energy Ohio, Inc., for Approval of an Alternative Rate Plan Pursuant to R.C. 4929.05 for an Accelerated Service Line Replacement Program*, *Case* No. 14-1622-GA-ALT Opinion and Order, at ¶ 70 (Oct. 26, 2016) ("The Commission also notes that no other local distribution company has implemented a service line replacement program comparable to [Duke's proposed] ASRP * * *.").

[39] OCC Brief at 24.

[40] Staff Exhibit 2 (Staff Report) at 8.

[41] OCC Brief at 25.

The current guaranteed O&M savings for 2014 through 2017 expenditures are $1,250,000.[42] The Stipulation would raise them to $2.00 million in 2018 and 2019, increase them further to $2.25 million in 2020, and ultimately double them to $2.50 million in 2021-2022, for a total of $11.25 million of savings over the five-year term.[43] These guaranteed O&M savings are significantly higher than the minimum savings guaranteed under a comparable Pipeline Infrastructure Replacement ("PIR") program implemented by The East Ohio Gas Company d/b/a Dominion Energy Ohio ("Dominion"), which the Commission has determined benefits customers and the public interest. In Dominion's 2011 PIR proceeding, the Commission approved minimum O&M expense savings of $1 million per year, plus 50% of actual O&M expense savings in excess of $1.5 million.[44] In its 2015 PIR proceeding, the Commission dropped the "savings sharing mechanism," but maintained the $1 million per year minimum savings.[45] Therefore, as compared to Dominion, Columbia will pass back, at a minimum, at least $6.25 million more of guaranteed O&M savings during its next five-year term.

OCC witness Mr. O'Neill suggests that guaranteed savings should be "at least $3.0 million by 2022, if not more."[46] But Mr. O'Neill does not explain how he reached his recommendation. Nor does OCC explain why the failure to raise the guaranteed O&M savings to $3.0 million in 2022 would mean that the Stipulation fails the Commission's three-part test. The substantial increases to Columbia's guaranteed O&M savings that the stipulating parties have proposed will provide a benefit to Columbia's customers, and offer an additional reason to approve the Stipulation.

---

[42] *2011 IRP Case*, Opinion and Order, at 8 (Nov. 28, 2012).

[43] Joint Exhibit 1 (Stipulation) at 3.

[44] *In re Application of The East Ohio Gas Co. d/b/a Dominion East Ohio for Approval to Modify and Further Accelerate its Pipeline Infrastructure Replacement Program and to Recover the Associated Costs*, Case No. 11-2401-GA-ALT, Opinion and Order, at 7 (Aug. 3, 2011).

[45] *In re Application of The East Ohio Gas Co. d/b/a Dominion East Ohio for Approval of an Alternative Form of Regulation to Extend and Increase its Pipeline Infrastructure Replacement Program*, Case No. 15-362-GA-ALT, Opinion and Order, at ¶ 36 (Sept. 14, 2016).

[46] OCC Exhibit 2 (O'Neill Testimony) at 12.

2.2.3. OCC's arguments regarding Columbia's replacement of interspersed non-priority pipe rely on mistaken math and unsupported opinions.

OCC also asks the Commission to rethink its prior decision to allow Columbia to replace non-priority pipe that is interspersed with priority pipe when it is more economical to do that than to tie it into existing pipe. As with its other arguments, OCC's position here is marred by error and largely unsupported.

In 2012, the Commission approved a stipulation authorizing Columbia to replace non-priority pipe as part of the AMRP according to specific guidelines:[47]

PIPE DIAMETER	REPLACE IF FOOTAGE IS LESS THAN OR EQUAL TO
8-inch	205 feet
6-inch	250 feet
4-inch	365 feet
2-inch	435 feet

That stipulation also authorized Columbia to replace sections of plastic pipe associated with priority pipe-replacement projects, so long as the plastic pipe placed did not exceed 5% of the pipe footage replaced under the AMRP each year.[48] (The Commission later authorized Vectren to replace identical percentages and lengths of interspersed plastic pipe under its Distribution Replacement Rider.[49])

OCC now asks the Commission to reverse its decision in the *2011 Alt. Reg. Case*. OCC asserts that, under those replacement guidelines, "40 percent of the pipe that Columbia is proposing to replace in the next five years [under the AMRP] [will be] 'non-priority' pipe."[50] OCC argues that 40% is a greater proportion than could have been expected in the *2011 Alt. Reg. Case*, that it's too much, and that the

---

[47] *2011 IRP Case*, Opinion and Order, at 5, 12 (Nov. 28, 2012).

[48] *Id.*

[49] *See In re Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan for Continuation of its Distribution Replacement Rider*, Case No. 13-1571-GA-ALT, Opinion and Order, at 7, 17 (Feb. 19, 2014).

[50] OCC Brief at 27.

costs of replacing that non-priority pipe "unreasonably and unjustifiably driv[e] up the amount of the Rider IRP rate cap and potential costs to consumers."[51]

OCC's arguments fail for 3 reasons. First and foremost, OCC's math is incorrect. Out of the pipe replaced under the AMRP, only 28-29% is non-priority pipe.[52] Second, OCC offers nothing to back up its argument except its outside consultant's unsupported opinion that the percentage of non-priority pipe replaced "seems excessive[.]"[53] Third, OCC does not recommend a different percentage or suggest alternative guidelines to replace the guidelines for replacing non-priority interspersed pipe that were negotiated and approved in the *2011 Alt. Reg. Case*; it simply asserts that "the amount of 'non-priority' pipe should be lower * * * ."[54]

The Commission authorized Columbia to replace interspersed non-priority pipe under the AMRP, with no opposition, less than five years ago. Neither Staff nor the other intervening parties in this proceeding see any reason to alter the Commission's prior determination, and OCC fails to provide one. OCC also fails to suggest a replacement for the guidelines for interspersed pipe replacement that the Commission approved in 2012. For all of these reasons, the Commission should allow Columbia to continue replacing interspersed pipe under Columbia's AMRP, per the Commission's prior guidelines, through the IRP's next term.

2.2.4. OCC has not demonstrated that the AMRP is not cost-effective, or that an additional prudency audit is necessary or warranted.

OCC next argues that the AMRP "is not being implemented efficiently * * *."[55] OCC premises its assertion that Columbia's AMRP is not cost-effective by

---

[51] *Id.* at 28.

[52] *See* OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-4, page 2 of 2 (Columbia Rider Rate Analysis) ("Historically, priority pipe replaced has represented approximately 72% of total pipe replaced."). The numbers underlying OCC's calculation show OCC's mistake. OCC notes that, between 2013 and 2016, Columbia replaced an average of 269 miles of total pipe under the AMRP each year. OCC further notes that, of that pipe, an average of 192 miles was priority pipe. 192 miles of priority pipe ÷ 269 miles of total pipe = 71.4%. This means that priority pipe made up 71.4% of the total pipe that Columbia replaced under the AMRP, and non-priority pipe made up approximately 28.6% of the total miles replaced.

[53] OCC Exhibit 2 (O'Neill Testimony) at 14.

[54] OCC Brief at 50.

[55] OCC Brief at 28.

reference to the program's "cost-per-leak-avoided,"[56] a metric that OCC created. To remedy this manufactured problem, OCC suggests that the Commission order "a collaborative study or third-party audit of the IRP program * * * to determine how the program can be implemented more effectively and efficiently."[57] OCC also recommends that the Commission require Columbia to maintain detailed and burdensome records regarding each and every segment of main line pipe replaced under the AMRP over the next five years, including: each replaced main's leak history for the prior five years ("by grade and year"); the leak history of each main that replaces a leaking main that has been replaced or retired (again, "by grade and year"); a cost-effectiveness calculation for each Job Order, calculated by dividing the Job Order's total cost by the five-year average number of leaks on the replacement mains; and a written explanation every time the cost-effectiveness result is greater than $1,000,000 per average leak.[58] Yet, both OCC's conclusion and its recommended solutions are based on missing or mistaken premises.

First, OCC offers *no justification* for the use or relevance of its "cost-per-leak-avoided" metric. OCC witness O'Neill offers only the unsupported assertion that "[t]he most basic test of cost effectiveness for a priority pipe replacement program is the cost per avoided leak."[59] OCC points to no source for this metric, and cites no other Commission proceedings in which the Commission has reviewed the "cost-per-leak-avoided" when determining whether to continue an accelerated main replacement program.

More importantly, the metric makes no sense. To calculate the cost-per-leak avoided, OCC witness O'Neill takes (1) the total capital spent under the *AMRP* between 2011 and 2016 and divides it by (2) the reduction in the average number of leaking mains cleared (*i.e.*, repaired or replaced) *system-wide* since 2010.[60] This calculation assumes that comparing the number of main leaks Columbia cleared in 2010 to the average number of main leaks cleared from 2011 to 2016 will show

---

56 *See* OCC Brief at 29.

57 *Id.* at 30.

58 OCC Exhibit 2 (O'Neill Testimony) at 16-17.

59 *Id.* at 14, cited in OCC Brief at 29.

60 *See* OCC Exhibit 2 (O'Neill Testimony) at 18 and n. 17 (explaining Mr. O'Neill's calculation); *see also* Columbia Exhibit 3 (Beil Testimony), Attachment DMB-1 (showing total capital spent each year under the AMRP); *see also* OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-6, page 2 of 2, and n.1 ("identify[ing] all leaks addressed [on mains] by Columbia, both those repaired and replaced").

how many leaks Columbia "avoided" in those years.[61] But that calculation relies on two unsupported assumptions. The metric assumes that the number of main leaks cleared in 2010 is a reasonable benchmark against which to measure future performance (*i.e.*, that it reflects the leaks that would have occurred absent the AMRP after 2010), that the number of leaks cleared in any year represents the number of new leaks discovered that year, and that any change in the number of leaking mains cleared *system-wide* can be attributed solely to the systematic replacement of specific kinds of mains under the AMRP. OCC offers nothing to justify these assumptions.

Second, OCC's arguments ignore the fundamental safety concerns that underlay the creation of Columbia's AMRP. The AMRP has succeeded in significantly reducing hazardous leaks on Columbia's mains. *Grade 1* leaks – those "presenting an existing or probable hazard to persons or property, and requir[ing] immediate repair or continuous action until the conditions are no longer hazardous"[62] – are down *30%* over the last five years (from 1,107 in 2012 to 780 in 2016).[63] Regardless, the AMRP was not designed to reduce total main line leaks on Columbia's system. Instead, the Commission "implemented [the] various AMRPs for local distribution utilities" to "mitigate[ ] the high risk associated with [specific types of] main pipelines," including cast iron and bare steel mains.[64]

Third, OCC fails to justify the remedy it seeks – a Staff or independent audit of the AMRP and new and burdensome recordkeeping requirements for each main replaced. OCC ignores that, every year, Staff audits Columbia's AMRP through Columbia's annual Rider IRP adjustment proceedings.[65] In the 2016 pro-

---

61 *See* OCC Exhibit 2 (O'Neill Testimony) at 18.

62 Ohio Admin. Code 4901:1-16-04(H)(1).

63 *See* OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-1.

64 *In re Application of Duke Energy Ohio, Inc., for Approval of an Alternative Rate Plan Pursuant to R.C. 4929.05 for an Accelerated Service Line Replacement Program*, Case No. 14-1622-GA-ALT, Opinion and Order, at ¶¶ 30, 60 (Oct. 26, 2016). *See also In re Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan for Continuation of its Distribution Replacement Rider*, Case No. 13-1571-GA-ALT, Opinion and Order, at 15-16 (Feb. 19, 2014) (finding that allowing Vectren to continue its Distribution Replacement Rider "minimiz[es] unnecessary risk by systematically replacing a known safety threat[,]" specifically "bare-steel and cast-iron mains and related lines and equipment").

65 *See, e.g.*, *In re Application of Columbia Gas of Ohio, Inc. for an Adjustment to Rider IRP and Rider DSM Rates*, Case No. 16-2236-GA-RDR, Finding and Order, ¶¶ 4, 7 (Apr. 26, 2017).

ceeding, Staff reviewed the application and testimony and concluded that Columbia had "supported its application with adequate data and information to ensure that the IRP revenue requirement and resulting rider rates are just and reasonable."[66] Moreover, Columbia has come before the Commission three times – in Case Nos. 08-0073-GA-ALT, 11-5515-GA-ALT, and this case – to justify the creation and the clarification and/or extension of the IRP program. In this case, "Staff investigated Columbia's proposal * * * by reviewing the Company's Application and supporting testimony, issuing data requests, conducting follow-up meetings with Columbia personnel * * *, and issuing follow-up information requests when necessary."[67] In other words, Staff has already conducted multiple reviews of Columbia's IRP, and will continue to conduct the review that OCC requests every year, if the Commission authorizes Columbia to continue the IRP. Adding another audit of the AMRP, on top of the annual review and the broader review every five years, would be superfluous.

Columbia takes seriously its obligation to ensure the prudence of its expenditures under the IRP. As Columbia witness Donald Ayers testified, "Columbia works hard to manage its costs. For the last five years of installing and managing the costs of AMRP projects, Columbia has increased its monitoring of spend, standardized contracts, and standardized contract unit items. We have also improved our planning process, which allows us to level the workload throughout the year. This allows the contractors to do more work with fewer crews."[68] Given these efforts, and the lower increases in cost per priority mile under the AMRP over the last four years (discussed below),[69] OCC's cost-effectiveness concerns provide no justification for rejecting or revising the Stipulation proposed in this case.

2.2.5. The Stipulation's proposed Rider IRP caps for investment years 2018 through 2022 are just and reasonable.

Last, OCC challenges the rate caps proposed in the Stipulation, on several grounds. OCC asserts that the rate caps were calculated using an outdated and excessive rate of return; that Columbia's cost projections are unjust and unreasonable; and that Columbia's prior rates never reached the rate caps. None of OCC's

---

[66] *Id.* at ¶ 14.

[67] Staff Exhibit 2 (Staff Report) at 7.

[68] Columbia Exhibit 2 (Ayers Testimony) at 8.

[69] *See* Columbia Exhibit 3 (Beil Testimony), Attachment DMB-1.

arguments provides a legitimate basis for rejecting the stipulating parties' proposed rate caps or, more broadly, for concluding that the Stipulation does not, as a package, benefit Columbia's customers and the public interest.

2.2.5.1. Continuing to use Columbia's base rate billing determinants is not excessive or unreasonable.

OCC argues that Columbia's reliance on a rate of return approved in Columbia's 2008 rate case is inappropriate, and that the Commission should recalculate and lower that rate of return for purposes of this proceeding. However, Ohio statute encourages natural gas companies to continue their existing alternative rate plans – including the rates of return approved for those plans – by declaring that such applications are "not for an increase in rates" (and, thus, not required to include the exhibits listed in R.C. 4909.18(A) through (E)).[70] Similarly, the Commission's rules hold that an alternative rate plan application will "be considered to be for an increase in rates" if the proposed charges "are *not* based upon the billing determinants and cost allocation methodology utilized by the public utilities commission in the applicant's most recent rate case proceeding."[71]

Pursuant to the statute, R.C. 4929.051(B), Columbia is proposing to continue its existing alternative rate plan, using the rate of return approved in that plan.[72] The Commission approved the rate of return for Rider IRP in Columbia's 2008 rate case.[73] In 2012, the Commission authorized Columbia "to continue the IRP portion of its alternative regulation plan for another five-year period."[74] The Commission recognized that Columbia sought to "continue a previously approved alternative rate plan" and, thus, its application "was appropriately filed under Section[ ]

---

[70] R.C. 4929.051(B); *see also* R.C. 4929.05(A) (authorizing natural gas companies to seek approval of alternative rate plans under R.C. 4909.18, "regardless of whether the application is for an increase in rates"); *see also* R.C. 4909.18 (stating that an application "for an increase in any rate" must "be filed with * * * the following exhibits: * * *."). *See also* Ohio Admin. Code 4901:1-19-06(C) ("for alternative rate plan applications that *are* for an increase in rates, applicants shall submit the exhibits described in divisions (A) to (D) of section 4909.18 of the Revised Code, and standard filing requirements pursuant to rule 4901-7-01 of the Administrative Code (SFRs)") (emphasis added).

[71] Ohio Admin. Code 4901:1-19-06(C) (emphasis added).

[72] *See* Columbia Exhibit 1 (Application), Exhibit A (Detailed Alternative Rate Plan), §§ 2, 2.2.1.

[73] *2008 IRP Case*, Opinion and Order, at 8, 14, and 26 (Dec. 3, 2008).

[74] *2011 IRP Case*, Opinion and Order, at 12-13 (Nov. 28, 2012).

4929.051(B) * * * ."[75] Likewise, the current Stipulation seeks to "continue the alternative regulation plan originally approved in Case No. 08-0073-GA-ALT, et al., and extended for a five-year period * * * in Case No. 11-5515-GA-ALT, for an additional five-year period * * * ."[76] Accordingly, under R.C. 4929.051(B), it is appropriate for Columbia to continue using the rate of return approved when the Commission originally approved Rider IRP.

The Commission has recognized that the proper time to determine a public utility company's rate of return is typically during a general rate case.[77] Indeed, the source that OCC cites for the proposition that other gas utilities are receiving a lower rate of return than Columbia[78] – a January 2017 market report compiled by a group called S&P Global Market Intelligence[79] – correctly notes that "[l]imited issue rider cases in which an ROE is determined have had extremely limited use in the gas industry."[80] And in those rare limited issue rider cases in which an ROE is determined, that ROE is typically higher than the ROE in general rate cases anyways.[81] Thus, the market report on which OCC relies actually shows that that state public utility commissions do not typically determine ROE in limited issue

---

75 *Id.* at 11.

76 Joint Exhibit 1 (Stipulation) at 2.

77 *See In re Petition of Wanda J. Sparks and Numerous Other Subscribers of the Buckland Exchange of Buckland Telephone Company, Complainants, v. Buckland Telephone Company and Telephone Service Company, Respondents, Relative to a Request for Two-Way Nonoptional Extended Area Service Between the Buckland Exchange of Buckland Telephone Company and the Wapakoneta Exchange of Telephone Service Company*, Case No. 88-661-TP-PEX, 1989 Ohio PUC LEXIS 1257, *27 (Nov. 21, 1989) (declining to allow an "inadequate service proceeding to evolve into a general rate case by fixing a reasonable rate of return for the company" and, instead, using the rate of return the Commission had last authorized, 12 years prior). *Compare In re Transfer of Monongahela Power Co.'s Certified Territory in Ohio to the Columbus Southern Power Co.*, Case No. 05-765-EL-UNC, Opinion and Order, at 21 (Nov. 9, 2005) (holding, in a late 2005 opinion approving the transfer of one electric distribution utility's service territory to another, that it was appropriate to update a *carrying charge* rate on "certain accounting deferrals" established 13 ½ years ago in the receiving utility's last rate case, where "[t]he financial picture ha[d] changed greatly * * *, particularly when looking at interest rates").

78 OCC Brief at 34, citing OCC Exhibit 1 (Duann Testimony) at 12, Table 1.

79 *See* OCC Exhibit 1 (Duann Testimony) at 11, A13 and n.13, and Attachment DJD-3 (*Regulatory Focus*).

80 *Id.*, Attachment DJD-3, at p. 2.

81 *See id.* at p. 7 (Gas Average Authorized ROEs: 2006 – 2016 / General Rate Cases versus Limited Issue Riders).

rider cases, and that they tend to grant higher ROEs in such cases than in general rate cases.

Given the state and Commission policy against recalculating rate of return for alternative rate plan extensions, the Commission should allow Columbia to continue to recover the rate of return authorized in its last rate case and in its 2008 and 2012 Rider IRP cases.

2.2.5.2. Using recent cost increases as a basis to project future cost increases is not unjust or unreasonable.

OCC also critiques Columbia's decision to review its costs over the last four years under the AMRP, and use its average annual cost increase to replace a mile of priority pipe during that period (6.47%), as a basis for projecting its costs for the next five years.[82] OCC asserts Columbia should have instead based its projections on three data points of its own choosing: (1) declines in the rig count in Ohio over a seemingly random 18-month period (December 2014 through May 2016);[83] (2) alleged downward trends in steel and cast iron costs through 2016;[84] and (3) the Federal Reserve Bank's inflation goals for 2017.[85] Yet, the data OCC used to support this argument, supplied by OCC witness Daniel O'Neill, doesn't show what OCC says it shows.

Although the rig count in Ohio did decrease between January 2015 and May 2016, it has since rebounded to April 2015 levels.[86] Similarly, the Handy-Whitman Index of Public Utility Construction Costs, which Mr. O'Neill relies on to determine his trends in construction costs, actually shows that the cost of constructing steel gas mains began to increase last year after reaching a five-year low in January 2016,[87] and that the costs of constructing cast iron mains steadily increased between January 2011 through July 2016, with one anomalous peak in July 2014.[88]

---

[82] *See* Columbia Exhibit 3 (Beil Testimony) at 6 and Exhibit DMB-1 (describing Columbia's method for determining the Rider IRP caps proposed in Columbia's Application).

[83] *See* OCC Brief at 41.

[84] *See id.* at 42, citing OCC Exhibit 2 (O'Neill Testimony) at 26-27.

[85] *See id.* at 43, citing OCC Exhibit 2 (O'Neill Testimony) at 27-29.

[86] OCC Exhibit 2 (O'Neill Testimony) at 25.

[87] OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-11, at p. 3 of 3, line 44.

[88] *Id.*, line 43.

Moreover, Mr. O'Neill cuts off his data analysis in July 2016,[89] which conceals a significant jump in both cast iron main construction costs (from 788 to a ten-year high of 851) and steel main construction costs (from 765 to 806) between January 2016 and January 2017.[90]

OCC also makes no effort to explain why the Federal Reserve's overall targets for inflation in 2017 should be considered a relevant guide when projecting Columbia's likely costs under the AMRP between 2018 and 2022. OCC's own evidence demonstrates there's no connection between federal inflation targets and AMRP costs: Mr. O'Neill testified that in 2016, when inflation was less than 2%,[91] Columbia's cost-per-mile increased by 13.61% over the prior year's cost-per-mile.[92] Instead, as Columbia witness Donald Ayers testified, the changes increasing AMRP costs are primarily large increases in hard- and soft-surface restoration expenses and increased costs associated with directional boring.[93] Mr. Ayers testified that these costs would continue to go up in the next five years.[94] He further testified that the retirement of seasoned employees, coupled with the revitalization of shale drilling in Ohio, would stretch the labor market and contribute to cost increases over the next five years.[95] Thus, the evidence demonstrates that inflation does not match the historic and unique cost increases COH has seen since 2011.

OCC further suggests that an expected reduction in Columbia's pace over the next five years should reduce its costs. OCC notes that "Columbia replaced an average of 195 priority [pipe] miles [per year] from 2011 to 2016, but will only need to replace approximately 160 miles annually going forward" to complete its replacement of priority pipe by the end of the planned 25-year program.[96] Yet OCC's argument incorrectly presumes that Columbia's costs increased in recent years because of Columbia's increased pace. As discussed in Columbia witness Diana Beil's testimony, Columbia's average cost-per-mile to replace bare steel, cast iron, and wrought iron mains under the AMRP increased by an average of 15.57% per

---

89 *See* OCC Exhibit 2 (O'Neill Testimony) at 26 (Handy-Whitman Index chart).

90 OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-11, at p. 3 of 3, lines 43-44.

91 *See* OCC Exhibit 2 (O'Neill Testimony) at 28 (in December 2016, the "rate of inflation was somewhat less than two percent").

92 OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-4, p. 2 of 2.

93 *See* Columbia Exhibit 2 (Ayers Testimony) at 5-7.

94 *Id.* at 7.

95 *Id.* at 8.

96 OCC Brief at 45 (footnotes omitted).

year between 2008 and 2016.[97] In formulating its projections here, however, Columbia focused on its average annual cost increases during the most recent four years – 6.47% -- which "better represent the level of increases that Columbia expects over the [requested] five-year extension."[98] Thus, average annual cost increases were significantly lower, on average, during the very years Columbia picked up its pace. OCC has not demonstrated that Columbia's reliance on its recent experience under the AMRP, now that the program has become established, somehow deprives the proposed IRP extension of its benefits to Columbia's customers and the public.

2.2.5.3. The recent trend in Columbia's Rider IRP rates supports the stipulated Rider IRP caps going forward.

OCC also argues that the stipulated Rider IRP rate caps for 2018 through 2022 are excessive because Columbia has never exceeded its past rate caps.[99] This elides the fact that Columbia expects to hit its $10.20 cap in 2018 (representing capital investments in 2017).[100] OCC also ignores that Columbia's actual Rider IRP rate increases in the past several years are consistent with the increases in the stipulated rider caps going forward. Columbia's Rider IRP rates increased by $1.00 or more in four of the past five years.[101] For example, between 2015 and 2016, the Rider IRP rate increased by $1.31.[102] The rate is projected to increase again for capital investments in 2017 by $1.24.[103] In comparison, the stipulated rate caps for 2018 through 2022 would allow an increase in the Rider IRP rate for SGS Class customers of between $1.15 and $1.25 each year.[104]

Columbia expects that it will hit its rate cap for capital investments in 2017, and the proposed Rider IRP rate caps in the parties' Stipulation are well in line with recent increases in the rider rate. Consequently, OCC's argument that Columbia has never used all of its allowed Rider IRP rate increases, and that the new

[97] *See* Columbia Exhibit 3 (Beil Testimony) at 6 and Attachment DMB-1.

[98] *Id.* at 6.

[99] *See* OCC Brief at 44-45.

[100] *See* OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-4, page 2 of 2; OCC Brief at 45, Table E.

[101] *See* OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-4, page 2 of 2.

[102] *See id.*

[103] *Id.*

[104] *See* Columbia Exhibit 5 (Thompson Supp. Testimony) at 5.

proposed rate caps would cause a "rate shock" to Columbia's customers,[105] are not supported by the facts.

2.3. The proposed settlement package does not violate any important regulatory principle or practice.

OCC asserts that much of Columbia's IRP violates regulatory principles and practices. It specifically identifies four such principles or practices: the policy of keeping natural gas services "reasonably priced," which OCC asserts the HCSL program violates; the policy of requiring pipeline replacement programs to be "sufficiently efficient and effective," which OCC asserts the IRP violates; the requirement that rates, and rates of return, be "just and reasonable," which OCC asserts Columbia's rate of return violates; and the principle of gradualism, which OCC asserts the proposed Rider IRP cost caps violate. OCC's arguments regarding the value of Columbia's HCSL program, the cost-effectiveness and efficiency of Columbia's AMRP, and the reasonableness of Columbia's rate caps and rate of return are addressed above. OCC's remaining policy argument is not supported by the law or the facts.

OCC argues that the stipulating parties' proposed Rider IRP rate caps increase too quickly. In regulating public utilities, the Commission often follows "[t]he principle of continuity or gradualism, [which] * * * seeks to minimize the impact of rate changes on individual classes of customers."[106] OCC argues that Columbia's customers will experience "rate shock" if the Commission adopts the stipulated Rider IRP rate caps, in violation of this principle, because the stipulated caps could result in an (allegedly) never-before-seen "increase to the IRP Rider rate * * * of $2.39" between 2016 and 2018.[107] For at least two reasons, this argument is baseless.

First, an increase of $2.39 in the Rider IRP rate over two years would hardly be shocking. OCC points to no prior opinions in which the Commission has held that an average rider rate increase of $1.20 per year constitutes "rate shock." Indeed, just last year, the Commission approved a continuation of Dominion's Pipeline Infrastructure Replacement program under which Dominion's PIR Rider rate

---

[105] OCC Brief at 46.

[106] *In re Application of The Cincinnati Gas & Electric Company for an Increase in its Electric Rates for its Entire Service Area*, Case No. 80-260-EL-AIR, 1981 Ohio PUC LEXIS 2, *145 (Mar. 18, 1981).

[107] OCC Brief at 46.

for residential customers could increase by up to $1.75 for investments in 2017 alone, with further increases permitted up to $1.85 for investments in 2021.[108]

Second, an increase of $2.39 in the Rider IRP rate between 2016 and 2018 would be well in line with recent rate increases. To illustrate, the approved Rider IRP rate for capital investments in 2016 was $2.25 greater than the approved rate for capital investments in 2014.[109] The projected Rider IRP rate for capital investments in 2017 is $2.55 greater than the approved rate for capital investments in 2015.[110] Both of these two-year rate increases are in-line with the increases Columbia's customers might see between 2016 and 2018.

Rather than "violat[ing] the regulatory practice and principle of gradualism[,]"[111] the Stipulation embodies that principle by allowing no more than minimal increases in the rider rate (at most, $1.15) for investment years 2018 and 2019 and phasing in greater increases in the Rider IRP rate caps over time.[112] The Commission should conclude that the proposed rate caps are consistent with regulatory principles and practices and approve the Stipulation.

3. Conclusion

OCC asks the Commission to conclude that continuing Columbia's Infrastructure Replacement Program for an additional five years, with Rider IRP caps adjusted to account for recent and expected cost increases and concomitant increases in the guaranteed minimum O&M savings to be passed back to customers, would be unjust and unreasonable. But many of OCC's arguments are supported by nothing more than OCC's idiosyncratic opinions. And where OCC's witnesses

---

[108] *See In re Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of an Alternative Form of Regulation to Extend and Increase Its Pipeline Infrastructure Replacement Program*, Case No. 15-362-GA-ALT, Opinion and Order, ¶¶ 12, 19, 23, and 56 (Sept. 14, 2016).

[109] *See* OCC Exhibit 2 (O'Neill Testimony), Attachment DEO-4, page 2 of 2.

[110] *See id.*

[111] OCC Brief at 46.

[112] *See In re Application of The Dayton Power and Light Company for Authority to Amend Its Filed Tariffs to Increase the Rates and Charges for Electric Service*, Case No. 91-414-EL-AIR, 1992 Ohio PUC LEXIS 57, *29 (Jan. 22, 1992) ("The Commission finds that the stipulation does not violate any important regulatory principle, but rather that it supports and advances many regulatory goals, such as rate gradualism through a phase-in of a rate increase * * *.").

have provided evidence to support their opinions, that evidence crumbles on close scrutiny.

OCC has not rebutted Staff's, Columbia's, and OPAE's demonstration that the Stipulation was the product of serious bargaining; that, as a package, the continuation of Columbia's IRP (including its HCSL program and AMRP) benefits Columbia's customers and the public interest; and that the Stipulation does not violate any important regulatory practice or principle. For the reasons stated above and in Columbia's initial post-hearing brief, Columbia respectfully requests that the Commission expeditiously approve Columbia's Application, as modified by the Stipulation.

Respectfully submitted,

/s/ *Eric B. Gallon*
Eric B. Gallon (0071465)
(COUNSEL OF RECORD)
Mark S. Stemm (0023146)
Porter Wright Morris & Arthur LLP
41 South High Street, Suite 3000
Columbus, OH 43215
Telephone: (614) 227-2000
Facsimile: (614) 227-2100
Email: egallon@porterwright.com
mstemm@porterwright.com

Stephen B. Seiple, Asst. General Counsel
(0003809)
Joseph M. Clark, Sr. Counsel (0081179)
Columbia Gas of Ohio, Inc.
290 W. Nationwide Blvd.
P.O. Box 117
Columbus, OH 43216-0117
Telephone: (614) 460-4648
(614) 460-6988
Email: sseiple@nisource.com
josephclark@nisource.com

(Willing to accept service by e-mail)

Attorneys for
COLUMBIA GAS OF OHIO, INC.

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 7th day of November, 2017, upon the parties listed below.

kevin.moore@occ.ohio.gov
Jamie.williams@occ.ohio.gov
cmooney@ohiopartners.org
fdarr@mwncmh.com
mpritchard@mwncmh.com
steven.beeler@ohioattorneygeneral.gov
john.jones@ohioattorneygeneral.gov
William.Wright@ohioattorneygeneral.gov

/s/ Eric B. Gallon
Eric B. Gallon

Attorney for
COLUMBIA GAS OF OHIO, INC.