

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Cobra Pipeline Company, Ltd., for an)
Increase in its Rates and Charges) Case No. 16-1725-PL-AIR

**TESTIMONY
OF
CARLA SWAMI
CAPITAL RECOVERY AND FINANCIAL ANALYSIS DIVISION
RATES AND ANALYSIS DEPARTMENT**

STAFF EXHIBIT NO. _____

TESTIMONY OF CARLA SWAMI

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

A. My name is Carla Swami, and my business address is 180 East Broad Street, Columbus OH 43215.

2. Q. By whom are you employed?

A. I am currently employed by the Public Utilities Commission of Ohio (PUCO or Commission).

3. Q. What is your present position with the PUCO and what are your duties?

A. I am currently a Utility Specialist in the Capital Recovery and Financial Analysis division of the Rates and Analysis department. My primary duties focus on matters pertaining to public utility depreciation accounting theory and application. I started with the PUCO in 2011 as a Utility Analyst.

4. Q. Please summarize your educational background.

A. I hold the following degrees: a Bachelor of Arts in Cognitive Psychology (BA) from the Ohio Dominican University, Master of Business Administration (MBA), Master of Accounting and Financial Management (MAFM), and Master of Public Administration (MPA) from the Keller Graduate School of Management. I also hold membership with the Society of Depreciation Professionals (SDP) and have completed the following

1 courses sponsored by the Society: *Depreciation Fundamentals, Life and*
2 *Net Salvage Analysis, Preparing and Supporting a Depreciation Study*, and
3 *Analyzing the Life of Real-World Property*. Additionally, I have completed
4 the *Practical Regulatory Training for the Electric Industry* program
5 sponsored by the New Mexico State University's Center for Public Utilities
6 as well as the Michigan State University Institute of Public Utilities *IPU*
7 *Grid School* program.

8
9 5. Q. What is the purpose of your testimony in this proceeding?

10 A. The purpose of my testimony is to respond to Cobra Pipeline, Ltd.'s (Cobra
11 or Company) Objections III.A., B., and C. regarding depreciation issues as
12 they relate to operating income and rate base.¹

13
14 6. Q. In Company Objection III.A., Cobra objects to Staff's depreciation reserve
15 calculation² How do you respond?

16 A. After reviewing the Company's objections and testimony, the basis of the
17 Company's objection is unclear. Due to the lack of testimony on this issue,
18 Staff cannot specifically respond to the objection. The depreciation reserve

¹ *In the Matter of the Application of Cobra Pipeline Company, Ltd. For an Increase in its Rates and Charges*, Case No. 16-1725-PL-AIR, Cobra Pipeline, LTD's Amended Objections to Staff's Report of Investigation, and Summary of Major Issues at 5 (June 21, 2018).

² *In the Matter of the Application of Cobra Pipeline Company, Ltd. For an Increase in its Rates and Charges*, Case No. 16-1725-PL-AIR, Cobra Pipeline, LTD's Amended Objections to Staff's Report of Investigation, and Summary of Major Issues at 5 (June 21, 2018).

1 is calculated by plant multiplied by accrual rate multiplied by age of plant.
2 This is the industry accepted calculation.
3

4 7. Q. Do you agree with the Company's Objection III.B regarding the
5 amortization period of the accumulated depreciation reserve imbalance?

6 A. No. The Company's accumulated depreciation over accrual (imbalance) is a
7 result of customers overpaying depreciation expense. This over recovery is
8 to be returned to the customers in a reasonable time frame. Staff, as
9 statutorily required, measures the Company's accumulated depreciation
10 reserve to ensure that expense recovery via the accrual rate factors (average
11 service life, net salvage) has been proper and adequate. An imbalance
12 indicates inappropriate accrual rate factors have been used. This puts the
13 responsibility of maintaining proper and adequate depreciation accrual rates
14 on the Company. Staff has maintained the use of a standard treatment for
15 imbalances (for both over and under accruals) of a ten year amortization in
16 the form of an annualized decrease or increase to the depreciation expense.
17 A ten year amortization is what the Commission has authorized in past
18 cases for depreciation reserve imbalances and it is what Staff recommends
19 to be used in this case.
20
21

1 8. Q. Company's Objection III.C reads as follows: "Cobra objects to Staff's
2 theoretical reserve calculation."³ How do you respond?

3 A. After reviewing the Company's objections and testimony, the basis of the
4 Company's objection is unclear. Due to the lack of testimony on this issue,
5 Staff cannot specifically respond to the objection. Staff calculates the
6 theoretical reserve calculation using the current parameters of average
7 service life and net salvage and uses this same methodology with every
8 company.

9
10 9. Q. Does this conclude your testimony?

11 A. Yes it does. However, I reserve the right to submit supplemental testimony
12 as described herein, as new information subsequently becomes available or
13 in response to positions taken by other parties.

³ *Id.*

CERTIFICATE OF SERVICE

This is to certify that the foregoing **Testimony of Carla Swami** has been served upon all of the parties of record in Case No. 16-1725-PL-AIR by electronic and/or U.S. mail, postage pre-paid mail this 31st day of August, 2018.

/s/Werner L. Margard III

Werner L. Margard III

Assistant Attorney General

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

8/31/2018 4:22:45 PM

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Case No(s). 16-1725-PL-AIR

Summary: Testimony of Carla Swami electronically filed by Ms. Tonneta Scott on behalf of
PUC