Columbia Exhibit No. 7

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| --- | --- | --- | --- | --- |
| In the Matter of the Annual Application of  Columbia Gas of Ohio, Inc. for an Adjustment to Rider IRP and Rider DSM Rates |  | )  )  ) |  | Case No. 11-5803-GA-RDR |

#### **PREPARED SUPPLEMENTAL DIRECT TESTIMONY**

#### **OF THOMAS J. BROWN, JR.**

#### **ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

**COLUMBIA GAS OF OHIO, INC.**

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**April 10, 2012 COLUMBIA GAS OF OHIO, INC.**

**PREPARED SUPPLEMENTAL DIRECT TESTIMONY**

**OF THOMAS J. BROWN, JR.**

**INTRODUCTION**

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

A: My name is Thomas J. Brown, Jr. and my business address is 200 Civic Center Drive, Columbus, Ohio 43215.

**Q. By whom are you employed and in what capacity?**

A. I am employed by Columbia Gas of Ohio, Inc. (“Columbia”) as Director, Regulatory Affairs.

**Q. What is the purpose of your Direct Testimony in this proceeding?**

A. I am supporting the Stipulation and Recommendation (“Stipulation”) filed in this case on April 10, 2012. I believe the Stipulation represents a fair and reasonable compromise of the issues in these proceedings and that it should be adopted and approved by the Public Utilities Commission of Ohio (“Commission”).

**THE STIPULATION**

**Q. Please describe the Stipulation.**

A. The Stipulation is a comprehensive settlement of all issues in this case. The major provisions of the Stipulation include:

(1) a recommended Rider IRP revenue requirement of $68.5 million, which reflects a $0.8 million reduction to Columbia’s application filed February 28, 2012; and,

(2) a recommended Rider DSM revenue requirement of $14.2 million.

**Q. Does the Stipulation satisfy the Commission’s criteria for evaluating the reasonableness of a stipulation?**

A. Yes. The Stipulation satisfies each of the Commission’s criteria for evaluating the reasonableness of a stipulation: the Stipulation is the result of serious bargaining among capable, knowledgeable parties; the Stipulation benefits ratepayers and the public interest; and, the Stipulation does not violate any important regulatory principle or practice.

**THE STIPULATION IS A PRODUCT OF SERIOUS BARGAINING AMONG CAPABLE, KNOWLEDGEABLE PARTIES**

**Q. Do you believe the Stipulation filed in this case is the product of serious bargaining among knowledgeable parties?**

A. Yes. The Stipulation is the product of an open process in which all parties were represented by able counsel and technical experts. There were extensive negotiations. The Stipulation represents a comprehensive compromise of the issues raised by parties with diverse interests. The signatory parties have adopted it as a reasonable resolution of all of the issues. The Stipulation recommended by the parties for adoption and approval by the Commission is a fair, balanced and reasonable resolution of this proceeding.

Each party to the Stipulation regularly participates in rate proceedings and other regulatory matters before the Commission, and each party was represented by similarly experienced and competent counsel.

A broad range of interests is represented by the parties including Columbia, the Staff of the Public Utilities Commission of Ohio (“Staff”), the Office of the Ohio Consumers’ Counsel (“OCC”) and Ohio Partners for Affordable Energy (“OPAE”). The negotiations were conducted based on thorough analyses of Columbia’s applications by the Staff, the OCC and OPAE.

As a result of these negotiations, the Stipulation provides that Columbia should be authorized to implement a revenue increase that is $0.8 million lower than that requested in Columbia’s application.

**Q. What were the major issues in this proceeding?**

A. Columbia, the Staff and the OCC had different positions concerning issues regarding the costs related to Operations and Maintenance expense savings associated with the Accelerated Main Replacement Program, the replacement of plastic pipe, and the level of Columbia’s capital investment during 2011.

**Q. Does the Stipulation resolve these issues?**

A. Yes. The settlement is a “black box” settlement in which the issues were resolved by an adjustment without specifying the resolution of each individual issue.

**Q. Were all parties to this case included in the negotiations that resulted in the Stipulation?**

A. Yes.

**Q. Which parties have signed the Stipulation?**

A. In addition to Columbia, the Staff, the OCC and OPAE signed the Stipulation.

**Q. Are there parties who are not part of the Stipulation?**

A. No.

**THE SETTLEMENT BENEFITS RATEPAYERS AND THE PUBLIC INTEREST**

**Q. Does the Stipulation, as a package, benefit ratepayers and the public interest?**

A. Yes.

**Q. Will the Stipulation promote safety and reliability?**

A. Yes. Columbia invested approximately $210 million in its natural gas distribution system since 2008 to replace its aging distribution system. This will eventually result in fewer leaks, fewer outages and reduce the need to excavate in roads and streets to make repairs. In addition, Columbia has invested more than $223 million since 2008 to begin resolving the safety issues associated with prone-to-failure risers and hazardous customer service lines through its systematic replacement program. In addition, Columbia has invested $54.9 million since 2009 in the installation of AMRDs throughout its service territory.

**Q. Will the Stipulation enhance customer service?**

A. Yes. First, the installation of AMRDs will eventually enable Columbia to read meters on a monthly basis, instead of the bi-monthly schedule currently utilized. Full deployment of AMRDs in Columbia’s Findlay and Fremont operating areas resulted in the transition from bi-monthly to monthly meter reading during 2010. Furthermore, the completion of full deployment of AMRDs in Columbia’s Toledo, Norwalk, Lorain, Middleburgh Heights and Springfield operating areas during 2010 resulted in the transition from bi-monthly to monthly meter reading for those customers in 2011. The move to monthly meter reading eliminates scheduled calculated bills. Additional customer benefits include: the reduction of meter access issues, increased meter reading performance, reduction in meter reading and certain call center costs, and the elimination of the $35 customer installation fee.

**Q. Will the Stipulation promote energy saving measures?**

A. Yes. Columbia’s DSM programs will provide residential and small commercial customers easy access to energy saving measures, which will directly reduce natural gas usage, improving the affordability of natural gas service.

**Q. What is the Stipulation’s financial impact on customers?**

A. The Stipulation provides for a revenue increase of approximately $27.1 million or 2.6%, which is $0.8 million less than what Columbia had requested in its application.

**Q. Are there additional financial benefits to Riders IRP and DSM not specifically quantified in Columbia’s application?**

A. Yes. These programs promote economic development through job creation, generation of state and local tax revenues, and increased revenues related to the associated sales of equipment and materials. Over the past four years, Columbia has invested approximately $488 million in labor and materials related to the IRP. This investment has generated an incremental $20.3 million in property taxes for local communities. Over 300 jobs have been created and numerous additional jobs are supported by the IRP.

**THE SETTLEMENT DOES NOT VIOLATE ANY IMPORTANT REGULATORY**

**PRINCIPLE OR PRACTICE**

**Q. Does the Stipulation violate any important regulatory principle or practice?**

A. No. The Stipulation does not violate any important regulatory principle or practice.

Additionally, the Stipulation is based in large part on the findings and recommendations of the Staff Report of Investigation, which analyzed Columbia’s application and made recommendations for the purpose of ensuring that the resulting rates, terms and conditions of service comply with sound regulatory principles and practices. The Stipulation also reflects the concerns expressed by the OCC and OPAE in their Comments.

**Q. Is the Stipulation consistent with recent Commission decisions involving similar applications of other Ohio gas utilities?**

A. Yes. I believe the Stipulation is consistent with the Commission orders involving similar facility improvement programs for Dominion East Ohio, Vectren Energy Delivery Ohio and Duke Energy Ohio, Inc.

**CONCLUSION**

**Q. Are you recommending that the Commission approve the Stipulation?**

A. Yes. I believe the Stipulation represents a fair, balanced and reasonable compromise of diverse interests and provides a fair result for customers. I believe that the Stipulation meets all of the Commission’s criteria for adoption of settlements and that the Commission should promptly issue an order approving the settlement.

**Q. Does this conclude your Prepared Supplemental Direct Testimony?**

A. Yes, it does.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Prepared Supplemental Direct Testimony of Thomas J. Brown, Jr. was served upon all parties of record by email or hand-delivery this 10th day of April 2012.

/s/ Stephen B. Seiple

Stephen B. Seiple

Attorney for

**COLUMBIA GAS OF OHIO, INC.**

**SERVICE LIST**

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