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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

2007 APR -9 PM 4: 16

In the Matter of the Application of the East )  
Ohio Gas Company d/b/a Dominion East )  
Ohio for Certain Waivers of Chapter )  
4901:1-12, Ohio Administrative Code. )

Case No. 06-1452-GA-UNC

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In the Matter of the Application of the East )  
Ohio Gas Company d/b/a Dominion East )  
Ohio for Approval of Tariffs to Recover )  
Certain Costs Associated with Automated )  
Meter Reading Deployment Through an )  
Automatic Adjustment Clause, and for )  
Certain Accounting Treatment. )

Case No. 06-1453-GA-UNC

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**RESPONSE TO COMMENTS OF OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO"), pursuant to Rule 4901-1-12(B)(1), Ohio Administrative Code, submits the following response to the comments of the Office of Ohio Consumers' Counsel ("OCC").

**I. INTRODUCTION**

DEO's request for a temporary waiver of Rule 4901:1-12 (Case No. 06-1452) and request for approval of tariffs to recover costs associated with deployment of automated meter reading ("AMR") through an automatic adjustment mechanism (Case No. 06-1453) were filed to address new regulations enacted as part of the Minimum Gas Service Standards ("MGSS"). The MGSS rules require LDCs, among other things, to obtain actual meter readings at least once per year and make reasonable attempts to obtain actual reads every other month. DEO proposes to meet those requirements by installing AMR devices throughout its system. AMR deployment would occur on a 5-year schedule, and certain associated costs would be recovered through an

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automatic adjustment mechanism; *i.e.*, a rider.<sup>1</sup> In conjunction with AMR deployment and the meter reading plan submitted to Commission Staff pursuant to Rule 4901:1-12-04(G)(1)(a)-(c), DEO requests a waiver of the MGSS rules to permit it to continue treating reads taken by remote index devices as actual reads. Once the AMR deployment is complete, DEO will be able to obtain an actual meter read from every meter, every month, using fewer resources than it does currently to read its meters every other month.

In its comments to DEO's Applications, OCC acknowledges that "A system-wide deployment of AMR could benefit DEO and residential ratepayers." (OCC Comments, p. 8.) OCC, however, raises two objections. First, OCC objects to DEO's request for a waiver of Rule 4901:1-13-04(G)(1) to allow meter readings taken from remote index equipment to count as actual reads. OCC contends that a waiver is unnecessary because DEO points to "only" 5,090 meters that DEO has been unable to access for an actual read in the past 12 months. However, OCC's representation of the 5,090 figure is based on a misunderstanding of the data provided to it by DEO. Absent a waiver allowing it to treat readings from remote index equipment as actual reads, DEO must plan on attempting to read another 373,000 inside meters already equipped with remote index devices, and many of those would go unread despite DEO's best efforts to obtain an actual read. DEO has aptly demonstrated a legitimate need for the requested waiver.

Second, although generally supportive of the idea of a system wide deployment of AMR, OCC objects to DEO's proposal to deploy AMR on a 5-year schedule and to recover certain costs associated with the deployment through an automatic adjustment mechanism. OCC argues that DEO should deploy AMR as part of the Company's normal 15-20 year capital budgeting

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<sup>1</sup> In its Application filed in Case No. 06-1453-GA-UNC, DEO requests recovery of the depreciation, incremental property taxes and post in-service carrying charges associated with the program as offset by meter reading savings generated by the program. Such recovery mirrors the treatment that would be provided in a base rate case with the only difference being that recovery commences when the units are placed in service rather than at some later point when the costs are reflected in rates and charges established in a base rate case.

process and recover the costs in base rates. The problem with this approach is that without an accelerated deployment, the benefits of AMR are substantially diminished and could be delayed by more than a decade. Significant cost savings and customer benefits would be realized from AMR only when the system is fully or nearly-fully deployed. Additionally, with a 15-20 year piecemeal deployment, customers will begin to pay for AMR through base rates long before receiving the full direct benefit available from a system-wide deployment. An accelerated deployment with cost recovery through a rider better matches the costs of AMR with the benefits. An accelerated deployment is reasonable, cost effective and should be approved.

For these reasons, the Commission should reject OCC's comments and approve DEO's Applications pursuant to their terms.

## **II. RESPONSE**

### **A. Waiver Request Application (Case No. 06-1452)**

DEO's application requests 7 specific waivers of certain provisions of the MGSS rules. The only waiver request that OCC objects to is the request for a temporary waiver of Rule 4901:1-13-04(G)(1).<sup>2</sup> This rule requires LDCs to make reasonable attempts to obtain actual meter reads every other month, and imposes an affirmative obligation to obtain an actual read at least once every 12 months. Readings taken by electronic means, such as through AMR, are considered "actual reads" under the rule. Readings taken by mechanical remote index devices do not count as actual reads. As stated in the Application, approximately 373,000 meters in DEO's service area are equipped with remote index devices. (Application, p. 1.) DEO's Application

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<sup>2</sup> OCC's understanding of the limited scope of DEO's requests for temporary waivers of Rules 4901:1-13-05(A) (new service installations) and 4901:1-13-05(C) (notification of unmet appointments) is correct. Additionally, OCC does not oppose the request for temporary waivers of Rules 4901:1-13-05(A)(3) (pressure test requirement), 4901:1-13-09(C) (disconnect notice for fraudulent practices) and 4901:1-13-04(D) (notification of meter test results). OCC takes no position on the request for waivers of rules applicable to commercial customers; i.e., Rules 4901:1-13-04(G)(3) and 4901:1-13-11(B)(26) concerning small commercial customer payment plans.

requests a temporary waiver of Rule 4901:1-23-04(G)(1) to permit DEO to treat readings from these remote index devices as actual reads.

OCC objects to the requested waiver because “the alleged problem of not obtaining at least one actual meter reading per year from inside meters is not nearly as significant as the Company has portrayed it to be.” (OCC Comments, p. 5.) OCC bases this statement on a misinterpretation of data submitted by DEO. As indicated, of DEO’s 556,000 accounts with inside meters, 373,000 are equipped with a remote index. In compiling the data that the OCC requested concerning the number of meters with no actual reads in the previous 12 months, DEO, consistent with the approach in its waiver request, considered reads from remote index devices as actual reads. Thus, the 5,090 inside meters with no actual read in the past 12 months were essentially from the population of 183,000 inside meters *not* equipped with a remote index device.<sup>3</sup> Although DEO does get an actual read on many of the 373,000 inside meters equipped with a remote index device as a result of customer service orders, meter replacements and DOT inspections, nearly 210,000 of those meters have not had an actual read within the past 12 months. As a result, the problem is over 40 times as large as OCC’s comments would suggest.

Consequently, if DEO’s request for a waiver is denied, DEO will face the difficult and costly task of attempting actual bi-monthly and annual reads not only from the 183,000 meters without remote index devices, but also from the 373,000 meters that are equipped with these devices. The population of inside meters with a remote index device (373,000) is roughly twice as large as the population without a remote index (183,000). By extrapolation, the number of remote index equipped meters that DEO would not be able to access (all other things being equal)

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<sup>3</sup> DEO does not mean to imply that OCC intentionally misrepresented the data provided by DEO in any way. DEO attributes the mistaken interpretation of the data to a simple misunderstanding or, perhaps, miscommunication between DEO and OCC.

would be twice as large – around 10,000. Adding these additional 10,000 meters to the approximately 5,000 meters referenced by OCC would result in almost 15,000 meters that potentially would not be read at least once annually. That represents more meters than many small gas companies have on their entire system.

As explained in DEO's Application, requiring DEO to obtain actual reads for all 556,000 inside meters poses a significant short-term problem for the Company and potentially significantly higher cost to customers. A short-term, cost-effective solution is to permit the Company to treat remote index reads as actual reads. This will enable to the Company to focus its initial efforts during the AMR deployment on the 183,000 inside meters not equipped with a remote index. A long-term solution, discussed below, is the system-wide deployment of AMR. The program will also enable the Company to proactively and methodically replace aging remote index devices, whose batteries will need replacements in the years ahead, with state-of-the-art AMR devices.

**B. AMR Cost Recovery Application (Case No. 06-1453)**

OCC correctly acknowledges that "A system-wide deployment of AMR could benefit DEO and residential ratepayers." (OCC Comments, p. 8.) The Commission has likewise noted that it "generally supports the introduction of AMR technology by the utilities in Ohio" and "encourages all gas and natural gas companies to include the introduction of AMR technology in their plans to comply with [Rule 4901:1-13-04]." (May 16, 2006 Entry on Rehearing in Case No. 05-602-GA-ORD, p. 16.) One of the most obvious benefits of AMR is that this technology allows customers to receive accurate price signals every single month. Currently, bi-monthly meter reading effectively results in 12 estimated reads per year, even though the meter is read every other month. In months where the meter is not read, customers' bills reflect an estimate of usage. When the meter is read the next month, the bill for that month is essentially a true-up bill

in that it reflects cumulative actual usage minus cumulative estimated usage from the prior month. Thus, even an “actual” read every other month does not accurately measure consumption. And without an accurate measure of consumption, customers lack accurate price signals that are needed to guide decisions about shopping for suppliers or engaging in conservation measures. Given the volatility of natural gas prices, even a single mcf billed in one month that should have been billed in another can impact bills by more than a year’s worth of anticipated first year rider costs, as would have been the case when DEO’s Standard Service Offer price rose from \$5.641 in October 2006 to \$8.693 in November 2006. AMR is the only feasible, cost-effective way to read every meter, every month, so that all customers consistently receive accurate price signals and obtain the benefit of conservation measures on a real-time basis.

AMR also solves the problems associated with multiple consecutive estimated reads of inside or no-access meters. Even if DEO were able to access inside meters only once every 12 months (thereby complying with Rule 4901:1-13-04(G)(1)), the accounts would still receive far too many consecutive estimates. Furthermore, the estimated bills that are generated are not likely to be very accurate because there are not enough actual data points to develop good estimating algorithms. In many ways, the problem of multiple consecutive estimates is more pronounced than the failure to gain access because many more accounts are affected. For example, while 5,090 inside meters with remote devices were not read within the past 12 months, fully 105,564 other accounts in that group had fewer than 2 reads within the last year. AMR would eliminate both the non-access and consecutive estimate problems. Effectively addressing those problems will also provide important ancillary benefits in such areas as call center performance that will improve when call center representatives no longer have to field calls from

customers questioning their estimated bill or requesting a meter read when they have received multiple consecutive estimated bills.

While not disputing the benefits of AMR, OCC claims that DEO "has provided little or no cost benefit analysis to justify accelerated deployment of AMR meters to all of its customers." (OCC Comments, p.8.) Apparently, OCC's position is that a system-wide deployment over a 15 to 20-year period with cost recovery through base rates would be acceptable, but an accelerated deployment over 5 years with costs recovered through a rider would not. But OCC's cost/benefit argument misses the point. DEO estimates that when fully deployed, AMR will result in O&M savings that will exceed the estimated annual depreciation, property tax and return on rate base associated with a system-wide AMR deployment. OCC does not dispute that there will be a savings. The real point is that the savings possible through AMR cannot be fully realized until the technology is deployed system-wide, or at least reaches a "critical mass" of customers. Until that time, DEO would still need to retain additional meter readers to continue its efforts to obtain actual readings on those accounts where the AMR devices have not yet been installed. Under OCC's approach, savings from implementation of AMR would not be fully realized until the end of the 15 to 20 year deployment. In addition, many of the efficiencies of a more rapid and methodical deployment over 5 years will be lost if the company moves to the piecemeal installations that will occur over a much longer time frame.

An additional problem with a 15 to 20 year deployment, coupled with cost recovery in base rates, is that customers would begin paying for AMR long before receiving the full benefit of the technology. A longer deployment schedule would necessarily dictate a more piecemeal approach in which DEO would convert meters to AMR one small area or neighborhood at a time. Even though all customers would pay for AMR through base rates, some customers would not

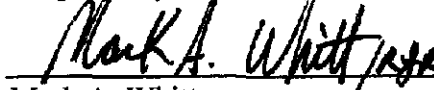
receive the benefit of AMR for up to 20 years. In contrast, under a 5-year deployment with rider recovery, there is greater symmetry between when the costs are incurred and the benefits received. And, the cost would be minimal: less than \$.25 cents per customer per month initially, rising to at most \$1.00 per customer per month later in the deployment until the larger cost savings, which are credited against the amounts to be recovered via the rider, or inclusion of the cost in base rates reduces the rider to zero. An accelerated deployment with rider recovery is inherently fairer to ratepayers than a long-term deployment with recovery in base rates.

### III. CONCLUSION

DEO's request for a waiver of Rule 4901:1-13-04(G)(1) and request for a rider to recover the costs associated with a system wide, 5-year deployment of AMR are reasonable and will provide substantial benefits to ratepayers. The Commission should approve both Applications.

Dated: April 9th, 2007

Respectfully submitted,



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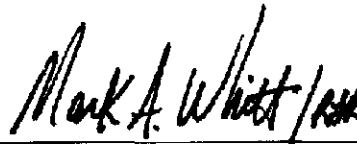
## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Response to Comments of Office of The Ohio Consumers' Counsel was sent by regular U.S. Mail to the following this 9th day of April, 2007:

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A handwritten signature in black ink, appearing to read "Mark A. Whitt / ASK", written over a horizontal line.

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