

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of the East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Certain Waivers of Chapter) Case No. 06-1452-GA-UNC
4901:1-12, Ohio Administrative Code.)

PUCO

In the Matter of the Application of the East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Recover) Case No. 06-1453-GA-UNC
Certain Costs Associated with Automated)
Meter Reading Deployment Through an)
Automatic Adjustment Clause, and for)
Certain Accounting Treatment.)

REPLY TO DOMINION EAST OHIO'S RESPONSE TO COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

I. INTRODUCTION

On December 13, 2006, Dominion East Ohio ("DEO" or "Company") filed its Waiver Application and Cost Recovery Application with the Public Utilities Commission of Ohio ("Commission" or "PUCO") in the above-captioned proceedings. In the Waiver Application, Case No. 06-1452-GA-UNC, DEO requested waiver of certain rules designed to protect consumers in the recently promulgated Minimum Gas Service Standards ("MGSS").¹ In the Cost Recovery Application, Case No. 06-1453-GA-UNC, DEO requested authority for tariffs to collect from customers the costs associated with the deployment of automatic meter reading ("AMR") equipment through an automatic

¹ 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, Application, (December 13, 2006) ("Waiver Application") at 1.

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adjustment mechanism, and for the authority to defer those costs for subsequent collection from customers.² On March 23, 2007, the Office of the Ohio Consumers' Counsel ("OCC") filed a consolidated Motion to Intervene and Comments ("Comments") in the above-cited cases. Through those comments OCC expressed opposition to one of the requests for waiver and also opposed DEO's Application seeking accelerated collection from customers of AMR deployment costs. On April 9, 2007, DEO filed a response to the comments originally filed by OCC.³

II. ARGUMENT

A. Application for waiver of Ohio Adm. Code 4901:1-13-04(G)(1).

DEO requested waivers of seven specific rules in the MGSS. OCC opposed only one of the requests for waiver, being DEO's request to waive the rule requiring local distribution companies ("LDCs") to make "reasonable" attempts to obtain actual meter reads every other month and to obtain an actual meter read at least annually.⁴ Nothing in DEO's response to OCC's Comments diminishes the applicability of the PUCO's rule or the soundness of OCC's support for the PUCO's rule.

DEO notes in its Response that the Company failed to obtain an actual read of 5,090 of its approximately 556,000 inside meters in a twelve-month period.⁵ This

² *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, Application, (December 13, 2006) ("Cost Recovery Application") at 1.

³ Response to Comments of the Office of the Ohio Consumers' Counsel ("Response").

⁴ OCC did not oppose DEO's requests for waivers of Ohio Adm. Code 4901:1-13-05(A), Ohio Adm. Code 4901:1-13-05(C), Ohio Adm. Code 4901:1-13-05(A)(3), Ohio Adm. Code 4901:1-13-09(C), Ohio Adm. Code 4901:1-13-04(D), Ohio Adm. Code 4901:1-13-04(G)(3), and Ohio Adm. Code 4901:1-13-11(B)(26).

⁵ DEO Response at 4.

information was cited in OCC's Comments.⁶ DEO clarifies in its Response that the 5,090 meters which had not been read in the prior twelve months were among 183,000 of DEO's inside meters that are *not* equipped with remote meter index ("RMI") devices -- meaning that approximately 178,000 of these meters were read in the timeframe required by the rule. An RMI is located outside the premises and, being connected to the inside meter, allows for a reading without access to the actual meter that is inside the premises.

DEO states that of its additional 373,000 inside meters equipped with RMI devices, an actual read has not been performed on an additional 210,000 meters within the preceding twelve months. The Company further states that for purposes of its Waiver Application, it counted readings of RMI devices as actual reads.⁷ RMI readings do not count as actual reads for purposes of Ohio Adm. Code 4901:1-13-04(G)(1). DEO, after including the RMI meters in its count of meters that it read, "extrapolates" that up to 15,000 of the meters in its service area could not be accessed annually.⁸

The Company suggests in its Response that obtaining actual reads of the RMI-equipped meters in compliance with the new MGSS rule could result in "significantly higher costs to customers."⁹ That assertion is interesting. DEO's distribution rates presumably are based on its costs, under Ohio law. DEO's costs should be based on its service and that service should be in compliance with regulations including tariffs. Prior

⁶ Comments at 5.

⁷ Response at 4.

⁸ Response at 4-5.

⁹ Response at 5.

to the MGSS, DEO's tariffs already contained the annual meter reading requirement that largely mirrored DEO's preexisting tariff language regarding meter reading¹⁰.

OCC does not believe that the Company can accurately calculate the number of meters that it will be unable to access if its waiver request is not granted. There is no evidence that the failure to read the 210,000 RMI-equipped meters was due to access problems. OCC is also skeptical as to what additional costs could be imposed on customers if the Company is required to comply with the rule. The Company has provided no accounting of such potential costs.

The new MGSS rule is not nearly as onerous as the Company would suggest. Ohio Adm. Code 4901:1-13-04(G)(1) requires only that natural gas companies make "reasonable" efforts to perform bi-monthly actual readings. Additionally, Ohio Adm. Code 4901:1-13-04(G)(1)(a) requires natural gas companies to file a plan with the Commission. The plan lists the steps a company will take to perform annual meter reads as well as notices it provides to customers to ensure there has been a good-faith effort by the company to perform an annual meter read. If DEO complies with its plan filed pursuant to the rule, it will be in compliance with the annual meter-reading requirement. In other words, as long as DEO can demonstrate that it made good faith efforts to perform an annual read of a customer's meter, it will be in compliance with the meter reading rule¹¹ even in instances where it the Company is unable to gain access to a premises to perform an actual read.

¹⁰ Dominion East Ohio Gas Tariff, Original Sheet K 4, Paragraph 15, April 11, 2001. "East Ohio will use its best efforts to obtain an actual meter reading by Company personnel or agents at least once within each full calendar year of service. "Actual meter reading" shall mean reading of an indoor or outdoor meter."

¹¹ Ohio Adm. Code 4901:1-13-04(G)(1).

It should be understood that the defect rates of the RMI devices utilized by DEO are a principal reason why the actual meters should be read.¹² For this reason, the Commission should not permit RMI readings to be considered as actual reads.¹³

The ink is barely dry on the MGSS which the PUCO recently promulgated in a case in which DEO participated. DEO had an opportunity to address the issues as did others. The PUCO should enforce the rules it adopted as minimum standards and give consumers the intended benefit of the rule. The Commission's admonition to the telephone industry is applicable here as well. The Company's request for a waiver should be denied.

B. Automated Meter Reading cost recovery.

DEO proposes in its Cost Recovery Application to deploy AMR throughout its service territory over a five-year period. The Company also requests that the Commission approve tariffs that would permit DEO to recover costs for the deployment through an automatic adjustment mechanism.¹⁴ The Company has yet to provide a cost-benefit analysis to justify accelerated deployment of AMR meters to all of its customers while projecting costs between \$100 and \$110 million for full deployment. (The AMR meter allows the utility's employees driving a route to obtain actual meter readings through the use of mobile data recorders installed in their vehicles.¹⁵)

¹² Cost Recovery Application at 4. DEO states in the Application that the defect rate of its 319,000 Hexagram remote meters is 1.8% while the defect rate of its 54,000 American and Badger RMI meters is 9.5% and 21.4% respectively.

¹³ *In the Matter of the Amendment of Chapters 4901:1-13, Ohio Administrative Code, to Establish Minimum Gas Service Standards*, Case No. 05-602-GA-ORD, Entry on Rehearing, May 16, 2006, at 17.

¹⁴ Cost Recovery Application at 1-2.

¹⁵ *Id.* at 3.

DEO has provided only two scenarios for deployment of AMR and associated cost recovery for the deployment of the new technology. First, the Company proposes to collect from customers its costs through an automatic adjustment mechanism, more commonly referred to as a rider, with a five-year deployment schedule for the AMR.¹⁶ The Company estimates that if its Cost Recovery Application is approved it will deploy AMR units at the rate of approximately 250,000 per year after 2007 with full AMR deployment over a five-year period for all 1.1 million of its residential customers.¹⁷

Secondly, DEO asserts that if cost recovery is not permitted through the automatic adjustment mechanism, then deployment funded through its normal capital budgeting process will take 15-20 years.¹⁸ DEO presents no alternative to the two approaches. The lack of flexibility is notable considering that the Company has not provided an adequate analysis of the benefits that will be realized by its customers for early deployment of AMR.

In addition, the Company has not explained why a capital budgeting process of less than its "normal" 15-20 years term is not possible. Nor has the Company indicated why a rider is the only alternative to its normal capital budgeting process. If the Company determines that the costs for deploying AMR necessitate seeking additional revenue, then cost recovery should be pursued through a rate case. R.C. 4929.11 has been cited in the past by natural gas companies to address the volatility of the price of natural gas. DEO's request is not consistent with this past resort to the statute which is an

¹⁶ Cost Recovery Application at 1. The Companies cite R.C. 4929.11 as permitting the Commission to allow natural gas companies to have automatic adjustment mechanisms that fluctuate in accordance with changes in specified costs.

¹⁷ Id. at 4.

¹⁸ Cost Recovery Application at 4.

exception to the usual ratemaking practice of filing a general rate case. In permitting an adjustment mechanism related to uncollectible expenses, the Commission stated “[a]n expense recovery mechanism that moves with the volatility to allow more contemporaneous recovery of expenses or costs is an understandable business approach.”¹⁹ No such volatility exists in the instant case. DEO’s Application for cost recovery under R.C. 4929.11 should be denied.

III. CONCLUSION

DEO’s waivers are not founded in Ohio law or reason. The Commission should not approve DEO’s waiver request and a rider-funded accelerated AMR deployment schedule. Regarding the deployment of new meters, PUCO approval would negatively impact residential customers, *inter alia*, through probable future increases in gas distribution rates, without adequate support for why such expenses are just or reasonable. On behalf of DEO’s approximately 1.1 million residential gas customers, OCC recommends that the Commission deny DEO’s request that an RMI reading of a customer’s meter be counted as an actual reading and deny the Company’s request for a rider to collect from customers the costs of accelerated deployment of AMR.

¹⁹ *In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio, Columbia Gas of Ohio, Inc., Vectren Energy Delivery of Ohio, Northeast Ohio Natural Gas Corp., and Oxford Natural Gas Company for Approval, Pursuant to Revised Code Section 4929.11, of Tariffs to Recover Uncollectible Expense Pursuant to an Automatic Adjustment Mechanism*, Case No. 03-1127-GA-UNC, Finding and Order (December 17, 2003) at 11.

Respectfully submitted,

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A handwritten signature in cursive script, reading "Richard C. Reese", is written over a horizontal line.

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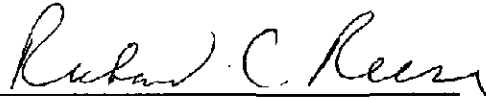
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that true and correct copies of the foregoing
Reply has been served upon the below-stated individuals, via regular U.S. Mail, postage
prepaid, this 19th day of April 2007.



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