

FILE

OCC EXHIBIT NO. _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-829-GA-AIR
Ohio for Authority to Increase Rates for its)
Gas Distribution Service.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-830-GA-ALT
Ohio for Approval of an Alternative Rate)
Plan for its Gas Distribution Service.)

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East) Case No. 07-831-GA-AAM
Ohio for Approval to Change Accounting)
Methods.)

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 a Pipeline) Case No. 08-169-GA-ALT
Infrastructure Replacement Program)
Through an Automatic Adjustment Clause)
and for Certain Accounting Treatment.)

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 and for Certain Accounting)
Treatment.)

PUCO

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RECEIVED-BOOKETING DIV

PUBLIC VERSION

**DIRECT TESTIMONY
OF
PATRICIA A. TANNER**

**ON BEHALF OF THE
OFFICE OF THE OHIO CONSUMERS' COUNSEL
10 West Broad St., Suite 1800
Columbus, OH 43215**

June 23, 2008

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TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. PURPOSE OF TESTIMONY.....	2
III. COLUMBUS OFFICE LOBBYING EXPENSE	3
IV. INCENTIVE COMPENSATION.....	7
V. CONCLUSION.....	14

SCHEDULES

PAT C-3.18	Lobbying Expense Adjustment
PAT C-3.18A	Columbus Office Lobbying Expense Adjustment
PAT C-3.10	Incentive Plan Expense Adjustment

ATTACHMENTS

PAT-1	DEO response to OCC Interrogatory No. 278
PAT-2	DEO response to OCC Interrogatory No. 170a
PAT-3	DEO response to OCC Interrogatory No. 110
PAT-4	DEO response to OCC Interrogatory No. 171
PAT-5	DEO response to OCC Interrogatory No. 279
PAT-6	DEO response to OCC Request to Produce No. 67 (CONFIDENTIAL)

1 **I. INTRODUCTION**

2 ***Q1. PLEASE STATE YOUR NAME, ADDRESS AND POSITION.***

3 ***A1.*** My name is Patricia A. Tanner. My business address is 10 West Broad Street, Suite
4 1800, Columbus, Ohio 43215-3485. I am employed by the Office of the Ohio
5 Consumers' Counsel ("OCC" or "Consumers' Counsel") as a Utility Rate Analyst
6 Coordinator.

7
8 ***Q2. WHAT IS YOUR EDUCATIONAL BACKGROUND?***

9 ***A2.*** I earned a Bachelor Business Administration degree from Otterbein College in September
10 2002. I also earned an Associate Degree in Accounting from Columbus State
11 Community College in June 1990.

12
13 ***Q3. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.***

14 ***A3.*** I joined the OCC in August 1985. During my course of employment at OCC, I have held
15 various positions including Utility Rate Analyst 2. My current duties as Utility Rate
16 Analyst Coordinator include research, investigation and analysis of utility applications
17 for increases in rates, gas cost recovery filings, and other utility issues.

18
19 ***Q4. HAVE YOU PREVIOUSLY FILED TESTIMONY BEFORE THIS COMMISSION?***

20 ***A4.*** Yes, I have filed testimony on behalf of the OCC in Valley Utility Company Rate Case,
21 Case No. 92-581-WW-AIR; the East Ohio Gas and River Gas Companies Rate Case,

1 Case No. 93-2006-GA-AIR; and in Cincinnati Bell Telephone Company, Case No. 96-
2 899-TP-ALT.

3
4 **Q5. WHAT HAVE YOU RELIED UPON IN THE PREPARATION OF YOUR**
5 **TESTIMONY?**

6 **A5.** I have reviewed the Dominion East Ohio (“DEO” or “the Company”) Rate Case
7 Application,¹ Standard Filing Requirements and associated workpapers, Company
8 testimony, the Public Utilities Commission of Ohio (“PUCO” or “Commission”) Staff
9 Report of Investigation (“Staff Report”) and associated workpapers, the Report of
10 Conclusions and Recommendations on the Financial Audit of the East Ohio Gas
11 Company d/b/a Dominion East Ohio performed by Blue Ridge Consulting Services, Inc.
12 (“Blue Ridge Report”), Company responses to Blue Ridge discovery and Company
13 responses to OCC discovery. My review also included documents and Opinion and
14 Orders from other proceedings.

15
16 **II. PURPOSE OF TESTIMONY**

17 **Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

18 **A6.** My testimony will support certain OCC objections to the Staff Report, and address the
19 issues raised by those objections as they relate to the determination of operating income,
20 and present quantification on those issues. Specifically, I will address OCC’s objections

¹ *In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service*, Case No. 07-829-GA-AIR, et. al. (August 30, 2007). (“Rate Case Application”)

1 related to Columbus Office Lobbying Expense, Industry Dues and Incentive
2 Compensation. My adjustments have been incorporated into the OCC recommended
3 revenue requirement as reflected in the testimony of OCC witness Beth Hixon.

4
5 **III. COLUMBUS OFFICE LOBBYING EXPENSE**

6 ***Q7. WHAT ADJUSTMENT DID THE COMPANY MAKE REGARDING TEST YEAR***
7 ***LOBBYING EXPENSE?***

8 ***A7.*** The Company eliminated \$45,850 for Corporate Lobbying Expense allocated to DEO, on
9 Schedule C-3.19.

10
11 ***Q8. WHAT ADJUSTMENT DID THE PUCO STAFF MAKE REGARDING LOBBYING***
12 ***EXPENSE?***

13 ***A8.*** The Staff accepted the Company's exclusion of Corporate Lobbying Expense allocated to
14 DEO, on Schedule C-3.18.

15
16 ***Q9. ARE THERE OTHER COSTS INCLUDED IN TEST YEAR OPERATING EXPENSE***
17 ***RELATED TO LOBBYING THAT SHOULD BE EXCLUDED?***

18 ***A9.*** Yes. While I agree with the Company and Staff exclusion of allocated Corporate
19 Lobbying Expense, it is my recommendation that all lobbying-related costs related to the
20 Columbus office also should be excluded from test year expense. The Company's
21 response to OCC Interrogatory No. 278, identified Columbus office expenses. The
22 document "Columbus Office Costs for DEO Test Year Costs-2007" shows a total cost of

1 \$246,957. However, that total does not include Office Rent. Therefore, including the
2 test year costs for Office Rent increases the total to \$301,234. Thus, the Columbus office
3 expenses included in the test year expenses are \$301,234 less Civic/Political Activities
4 and Lobbying (\$36,579), and Employee Relations and Entertainment Expenses (\$4,607),
5 which are excluded through other adjustments, for a net total inclusion of \$260,048.

6 (Attachment PAT 1)

7
8 ***Q10. WHY DOES THE COMPANY MAINTAIN AN OFFICE SPACE IN COLUMBUS?***

9 ***A10.*** According to the Company's response to OCC Interrogatory No. 170a, "the Columbus
10 office is used by DEO's Manager of State Government Affairs and on occasion by other
11 DEO employees while in Columbus on Company business." (Attachment PAT 2)

12
13 ***Q11. DID THE PUCO STAFF MAKE AN ADJUSTMENT TO EXCLUDE ANY***
14 ***EXPENSES ASSOCIATED WITH THE COLUMBUS OFFICE?***

15 ***A11.*** No. Other than accepting the Company's Corporate Lobbying Expense exclusion, it
16 appears Staff made no additional adjustment to exclude other lobbying expenses
17 including lobbying expenses associated with the Columbus office.

18
19 ***Q12. WHAT IS YOUR RECOMMENDATION REGARDING THE INCLUSION OF***
20 ***LOBBYING EXPENSE ASSOCIATED WITH THE COLUMBUS OFFICE?***

21 ***A12.*** I recommend that lobbying expenses associated with the Columbus office also be
22 excluded from test year expense. These expenses were incurred as a direct result of the

Public Version
Direct Testimony of Patricia A. Tanner
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No 07-829-GA-AIR et al.

1 same type of lobbying activities that the PUCO Staff excluded in accepting DEO's
2 Corporate Lobbying Expense adjustment. Expenses associated with lobbying activities
3 should be excluded because these expenses do not provide a direct and primary benefit to
4 consumers nor are these expenditures necessary for the rendition of utility service.
5 Moreover, the Commission has consistently excluded Lobbying-related expenses. In
6 Ohio Power Company, Case No. 85-726-EL-AIR, the Commission stated, "The
7 Commission does not allow either lobbying expenses or institutional or promotional
8 advertising expenses as test year expenses."² In Cleveland Electric Illuminating
9 Company, Case No. 86-2025-EL-AIR, in response to the Company's argument that
10 public relations costs and Edison Electric Institute ("EEI") expenses support activities
11 designed to create greater public understanding and appreciation of energy issues, the
12 Commission stated, "The arguments raised by the company are the same arguments
13 raised in prior cases. We are no more persuaded now than we were then that these costs
14 should be included in the company's cost of service."³ Finally, in Toledo Edison
15 Company, Case No. 86-2026-GA-AIR, regarding EEI dues attributable to lobbying, per
16 the Opinion and Order, the company objected to the figure, but was not opposed to
17 excluding the lobbying portion of the dues. In the Order, the Commission ruled "* * *
18 that only the lobbying portion of the \$19,000 EEI dues should be excluded from test-year

² *In the Matter of the Ohio Power Company for Authority to Increase Certain of its Filed Schedules Fixing Rates and Charges for Electric Service*, Case No 85-726-EL-AIR, Opinion and Order (July 10, 1986) at 51.

³ *In the Matter of the Application of the Cleveland Illuminating Company for Authority to Amend and Increase its Filed Schedules for Electric Service*, Case No 86-2025-EL-AIR, Opinion and Order (December 15, 1987) at 80.

1 expenses.”⁴ In these cases, the Commission agreed with Staff that the EEI dues related to
2 lobbying and other lobbying type activities such as a Media Communications Fund
3 should be excluded from test year expenses because they are not appropriate cost of
4 service expenses.

5
6 ***Q13. HOW DID YOU DETERMINE THE AMOUNT OF LOBBYING EXPENSE***
7 ***ASSOCIATED WITH THE COLUMBUS OFFICE TO EXCLUDE?***

8 ***A13.*** Within the response to OCC Interrogatory No. 278, the Company provided for each
9 month of the test year, the percentage of time spent on lobbying activities for the
10 Columbus office. I multiplied each month’s percentage by each month’s salary, office
11 rent, and miscellaneous expenditures to arrive at the amount of lobbying expenses
12 associated with the Columbus office that should be excluded.

13
14 ***Q14. WHAT IS THE EFFECT OF YOUR RECOMMENDATION TO EXCLUDE THE***
15 ***COST OF THE COLUMBUS OFFICE THAT IS ASSOCIATED WITH LOBBYING***
16 ***ACTIVITIES?***

17 ***A14.*** My recommendation reduces test year operating expenses by an additional \$80,404, as
18 reflected on Schedule PAT-C-3.18, for an overall reduction of \$126,254.

19
20

⁴ *In the Matter of the Application of the Toledo Edison Company for an Increase in Rates for Electric Service*, Case No. 86-2026-GA-AIR, Opinion and Order (December 15, 1987) at 38.

1 **IV. INCENTIVE COMPENSATION**

2 **Q15. DID THE COMPANY INCLUDE ANNUAL INCENTIVE PLAN EXPENSE IN ITS**
3 **TEST YEAR OPERATING EXPENSES?**

4 **A15.** Yes. The Company made an adjustment to increase test year Annual Incentive Expense
5 by \$1,102,593 for a total adjusted test year operating expense of \$4,873,246 on Schedule
6 C-3.25.

7
8 **Q16. WHAT IS THE PUCO STAFF'S POSITION REGARDING ANNUAL INCENTIVE**
9 **PLAN EXPENSE?**

10 **A16.** Staff accepted the Company's \$4,873,246 Annual Incentive Plan Expense but made two
11 adjustments: 1) Limiting the annual incentive plan expense to the O&M portion of the
12 expense, thus excluding those amounts that have been capitalized, and 2) Recognizing the
13 test year unadjusted incentive plan expense to be \$4,393,005 rather than \$3,770,653 on
14 Schedule C-3.10. These changes result in a Staff adjustment to increase test year
15 incentive plan expense by \$378,670.

16
17 **Q17. WHAT IS YOUR POSITION REGARDING DEO'S AND STAFF'S INCLUSION OF**
18 **ANNUAL INCENTIVE PLAN EXPENSE IN TEST YEAR OPERATING**
19 **EXPENSES?**

20 **A17.** I agree with the changes made by Staff to the Company's Annual Incentive Plan Expense
21 adjustment that are related to the O&M ratio and the correction of unadjusted test year
22 expense. However, I further recommend that the cost of DEO's Annual Incentive Plan

1 Expense should be shared between the Company's customers and shareholders, which
2 would result in a reduction to what DEO and the PUCO Staff have recommended for
3 collection from customers.

4
5 According to the Company's response to OCC Interrogatory No. 110(c) (Attachment
6 PAT 3), the Annual Incentive Plan is "designed to pay cash awards based on [1]
7 corporate and operating group earnings performance, [2] operational and stewardship
8 achievement, and [3] Six Sigma success." As explained below, two of these performance
9 goals are related to achieving corporate earnings.

10
11 Since customers and shareholders both benefit from the Company's increased
12 profitability through the achievement of operational and financial goals, they should
13 share in the cost of providing the compensation. However, because the Company failed
14 to provide the percentage of the incentive compensation attributable to corporate
15 earnings, and due to various aspects of the plan tied to earnings, I recommend a 50/50
16 sharing of the incentive compensation expense between the Company's customers and
17 shareholders.

18
19 ***Q18. HAS STAFF IN OTHER PROCEEDINGS RECOMMENDED THE EXCLUSION***
20 ***OF ANY PORTION OF A UTILITY'S INCENTIVE COMPENSATION EXPENSE?***

21 ***A18.*** Yes. In a pending Ohio American Water Company (Case No. 07-1112-WS-AIR), rate
22 case, Staff recommended an exclusion of 40% of incentive pay because it was based on

1 the achievement of financial goals. It is the Staff's opinion that achievement of the
2 financial goals benefits the Company's shareholders.⁵

3
4 Also, in the current pending rate case for the First Energy Companies (Ohio Edison,
5 Cleveland Electric Illuminating and Toledo Edison), Case No. 07-551-EL-AIR, et al., the
6 Staff witness testified in agreement with OCC's recommendation that the portion of
7 incentive pay based on the achievement of financial goals should be borne by the
8 Companies' shareholders.⁶ Therefore, Staff recommended that 20% of the incentive pay
9 (i.e., the portion attributable to financial goals) be eliminated from test year expenses.⁷

10
11 ***Q19. WHAT INFORMATION LEADS YOU TO RECOMMEND A 50/50 SHARING OF***
12 ***THE ANNUAL INCENTIVE PLAN EXPENSE?***

13 ***A19.*** As indicated in the response to OCC Interrogatory No. 171 (Attachment PAT 4), DEO
14 failed to provide any percentage estimate attributable to the achievement of the
15 Company's corporate level financial goals. When asked by OCC to provide the
16 percentage of the actual incentive amount paid in 2007 that was attributable to the
17 achievement of corporate level financial goals, the Company's response was "DEO does
18 not compile or keep any summary of the payouts by basis of calculation." In addition, as

⁵ *In the Matter of the Application of the Ohio American Water Company to Increase its Rates in its Entire Service Area for Water Service and Sewer Service*, Case No. 07-1112-WS-AIR, Staff Report (May 28, 2008) at 12-13.

⁶ *In the Matter of the Application of Ohio Edison Company, the Cleveland Electric Illuminating Company and the Toledo Edison Company to File an Application to Increase Distribution Rates for Electric Service and for Tariff Approval*, Case No. 07-551-EL-AIR, prefiled testimony of Trisha J. Smith (February 11, 2008) at 7.

⁷ *Id.*

1 noted in the response to OCC Interrogatory No. 279 (Attachment PAT 5), DEO also
2 failed to provide any breakdown of the costs by specific goals. When asked to provide a
3 breakout of the actual incentive payout based on the three key elements on which the plan
4 goals are based, the Company's response was that "details of the actual payments made
5 are not maintained by group."

6
7 Because the Company failed to provide the percentage of incentive compensation
8 attributable to the achievement of corporate earnings, and after review of the Dominion
9 2007 Annual Incentive Plan Employee Overview ("Overview") (Attachment PAT 6)
10 provided in response to OCC Request to Produce No. 67, it is my belief that a 50/50
11 sharing of the incentive plan expense represents a reasonable sharing of responsibility
12 between customers and shareholders.

13
14 My recommendation to exclude 50 percent of the annual incentive plan expense results in
15 a reduction to the test year operating expense of \$1,542,607 as reflected on Schedule
16 PAT-C-3.10, for an overall OCC recommended reduction of \$1,921,277.

17
18 **Q20. WHAT DO THE DETAILS ABOUT THE COMPANY'S INCENTIVE PLAN**
19 **REVEAL ABOUT PORTIONS OF THE AWARDS THAT ARE TIED TO EARNINGS**
20 **PERFORMANCE?**

21 **A20. [BEGIN CONFIDENTIAL DISCUSSION]** [REDACTED]

22 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]

9 [REDACTED]

10 **Q21. WHAT ARE THE KEY ELEMENTS OF THE ANNUAL INCENTIVE PLAN?**

11 **A21.** [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 1) [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 2) [REDACTED]
18 [REDACTED]
19 [REDACTED]

20 3) [REDACTED]
21 [REDACTED]

1

[REDACTED]

2

[REDACTED]

3

4 **Q22. WHAT IS THE PURPOSE OF THE FUNDING LEVEL?**

5 **A22.**

[REDACTED]

6

[REDACTED]

7

[REDACTED]

8

[REDACTED]

9

[REDACTED]

10

[REDACTED]

11

[REDACTED]

12

[REDACTED]

13

14 **Q23. WHAT IS THE PURPOSE OF THE "GOAL SCORE?"**

15 **A23.**

[REDACTED]

16

[REDACTED]

17

[REDACTED]

18

[REDACTED]

19

[REDACTED]

⁹ Overview at 3.

1 **Q24. WHAT IS THE WEIGHTING THAT IS APPLIED TO THE ACCOMPLISHED KEY**
2 **ELEMENTS?**

3 **A24.** [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]

13 **Q25. PLEASE SUMMARIZE YOUR RECOMMENDATION TO EXCLUDE A PORTION**
14 **OF THE ANNUAL INCENTIVE PLAN EXPENSE.**

15 **A25.** [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 **[END CONFIDENTIAL DISCUSSION]**

20 Shareholders directly benefit from increased earnings and therefore should share in the

¹⁰ Id. at p. 8.

¹¹ Id. at p. 11-12.

1 cost of compensating the Company's employees for working to increase the Company's
2 profitability. As reflected on Schedule PAT-C-3.10, I recommend an adjustment to
3 reduce test year operating expense by \$1,542,607.

4
5 **V. CONCLUSION**

6 ***Q26. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?***

7 ***A26.*** Yes. However, I reserve the right to incorporate new information that may subsequently
8 become available. I also reserve the right to supplement my testimony in the event the
9 PUCO Staff fails to support the recommendations made in the Staff Report and/or
10 changes positions made in the Staff Report.

East Ohio Gas Company d/b/a Dominion East Ohio
 Case No. 07-829-GA-RTR
Lobbying Expense Adjustment

(1) Elimination of Lobbying Expense (a)	\$	(45,850)
(2) OCC Columbus Office Lobbying Expense (b)	\$	<u>(89,404)</u>
(3) Total OCC Recommended Elimination of Lobbying Expense (1) + (2)	\$	<u>(126,254)</u>

(a) Applicant's Schedule C-3.19
 (b) OCC Witness Tanner Schedule PAT-C-3.16A

Dominion East Ohio Gas
Case No. 07-829-GA-AIR
Columbus Office Lobbying Expense Adjustment

	ACTUAL												PLAN												TOTAL	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
Activity Alloc - Management - Briggs	\$19,795	\$7,211	\$20,191	\$13,863	\$14,144	\$14,237	\$14,238	\$14,237	\$13,956	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$13,957	\$173,743	
DRS Billing True-Up	\$401	\$407	(\$46)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$782
Misc Supplies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous Outside Services	\$1,722	\$0	\$58	\$40	\$40	\$35	\$40	\$40	\$45	\$50	\$45	\$50	\$50	\$45	\$50	\$35	\$50	\$45	\$45	\$50	\$45	\$50	\$35	\$50	\$50	\$2,165
Office Supplies	\$0	\$11	\$11	\$0	\$0	\$100	\$33	\$33	\$45	\$38	\$45	\$75	\$60	\$75	\$60	\$60	\$75	\$60	\$60	\$60	\$75	\$60	\$60	\$60	\$60	\$373
Industry Association Dues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,250	\$0	\$1,250	\$1,250
Other Dues & Membership	\$125	\$0	\$237	\$120	\$120	\$150	\$400	\$400	\$120	\$120	\$120	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$140	\$3,122
Postage, Shipping, & Freight	\$2	\$0	\$4	\$50	\$0	\$38	\$0	\$0	\$0	\$50	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$38	\$0	\$0	\$38	\$0	\$220
Travel - Meals (50% Non-Deductible)	\$379	\$0	\$584	\$500	\$295	\$320	\$330	\$330	\$325	\$175	\$320	\$330	\$330	\$330	\$330	\$330	\$330	\$330	\$330	\$330	\$330	\$330	\$330	\$330	\$330	\$3,888
Travel Expense	\$806	\$16	\$68	\$1,000	\$1,000	\$1,250	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,250	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,250	\$1,000	\$1,000	\$10,390
Utilities - Phone	\$81	\$129	\$82	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$210	\$2,172
Utilities - Wireless Services - Cell Phone	\$0	\$0	\$0	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$125	\$1,125
Vehicle Expenses	\$0	\$0	\$0	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$729	\$6,561
Office Rent	\$1,756	\$1,765	\$1,781	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$5,444	\$54,277
TOTAL (a)	\$25,067	\$9,539	\$22,950	\$22,081	\$22,107	\$22,638	\$22,549	\$22,178	\$21,989	\$23,398	\$23,470	\$22,072	\$22,072	\$23,398	\$23,470	\$22,072	\$22,072	\$23,398	\$23,470	\$22,072	\$22,072	\$23,398	\$23,470	\$22,072	\$22,072	\$260,048
Percentage of Time Spent on Lobbying Activities	30%	46%	34%	36%	54%	24%	14%	26%	35%	47%	18%	12%	47%	18%	12%	47%	18%	12%	47%	18%	12%	47%	18%	12%	47%	12%
Total Lobbying Related Cost to be removed from Test Year expenses	\$7,520	\$4,388	\$7,803	\$7,949	\$11,938	\$5,433	\$3,157	\$5,766	\$8,580	\$10,997	\$4,225	\$2,649	\$10,997	\$4,225	\$2,649	\$10,997	\$4,225	\$2,649	\$10,997	\$4,225	\$2,649	\$10,997	\$4,225	\$2,649	\$2,649	\$80,404

(a) Civic/Political Activities and Lobbying and Employee Relations and Entertainment expenses are not included because these expenses were excluded through other Company adjustments.

Source: Attachments provided in response to OCC Interrogatory No. 278.

East Ohio Gas Company d/b/a Dominion East Ohio
 Case No. 07-829-GA-ATR
Incentive Plan Expense Adjustment

(1) Hourly Incentive Plan Expense (a)	\$	2,945,510
(2) Salary Incentive Plan Expense (a)		<u>2,839,736</u>
(1) Total (1) + (2)		4,785,246
(3a) OCC Recommended Incentive Plan Expense (3) x 50% (b)		2,416,623
(4) Test Year Expense (c)		<u>4,393,095</u>
(5) OCC Recommended Adjustment (3a) - (4)		(1,976,472)
(6) OSM Ratio (d)		<u>78.85%</u>
(7) OCC Recommended OSM Expense Adjustment (5) x (6)	\$	<u><u>(1,542,607)</u></u>

- (a) Applicant's Schedule WPC-3.25
- (b) Testimony of OCC witness Tanner
- (c) Staff's Schedule C-3.10
- (d) Applicant's Schedule C-9.1

The East Ohio Gas Company d/b/a Dominion East Ohio
Case No. 07-0829-GA-AIR
Response to Data Requests

Requesting Party:

OCC

Data Request Set:

Interrogatories - 9th Set

Question Number:

278

Subpart:

Request Date:

04/10/2008

Due Date:

04/30/2008

Topic:

Section C - Operating Income

Question:

Referring to the Company's response to OCC Interrogatory No. 170(c):

- a. For each month, what percentage of the Salary was for the performance of strictly lobbying activities;
- b. For each month, what percentage of the office space rent expense was utilized for strictly lobbying activities;
- c. For each month of the test year, for Salary and Rent, what were the actual test year costs for the Columbus office;
- d. For each month of the actual cost, what percentage was strictly for Lobbying activities; and
- e. To what FERC account(s), and associated SAP account(s), are the Salary and Rent expenses for the Columbus office charged?

Answer:

DEO objects to this request on the grounds that the phrases "lobbying activities" and "strictly lobbying activities" are vague and undefined.

Subject to and without waiving this objection, DEO responds as follows:

In the course of obtaining data for this response, it was determined that the test year costs for the Columbus, OH office provided in response to OCC Interrogatory No. 170 were not complete. A revised schedule of test year costs is attached below.

- a. Please see the attached file "OCC-INT-278 - 2007 Lobbying.xls".
- b. The percentage of the office space rent expense utilized for lobbying activities is estimated to be commensurate with the time spent on lobbying activities. Please see the response to subpart (a).
- c. Please see the attached file "2007 Actual Costs - Columbus Office.xls".
- d. The percentage of the actual costs provided in response to subpart (c) that are attributable to lobbying activities is estimated to be commensurate

with the time spent on lobbying activities. Please see the response to subpart (a).

c. The lobbying salary expense is charged to SAP general ledger account 5998160 - Corporate Charges - External Affairs and to FERC account 923 - Outside Services Employed. The office rent expense is charged to SAP general ledger accounts 5307010 - Rent Expense - Buildings (office) and 5307090 - Rent Expense Miscellaneous (parking space) and to FERC account 931 - Rents.

Preparer Of Response:

Vicki Friscie

Date Prepared:

04/11/2008 10:35:11 AM EDT

Attachments:

Yes

Attachment Names:

2007 Test Yr Costs - Columbus Office REVISED.xls

OCC-INT-278 - 2007 Lobbying.xls

2007 Actual Costs - Columbus Office.xls

**Columbus Office Costs for DEO
Test Year Costs - 2007**

	Actual												Plan											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007		
Activity Alloc - Management - Briggs	18,795	7,211	20,181	13,863	14,144	14,237	14,238	14,237	13,956	13,957	13,957	13,957	173,744											
DRS Billing True-Up	401	407	(46)	0	0	0	0	0	0	0	0	0	0											
Civic/Politic Activities	0	120	2,159	1,500	2,500	800	2,400	2,000	500	1,800	2,000	3,500	19,279											
Civic/Politic Lobby	0	0	0	0	700	2,000	3,100	3,000	3,500	2,500	1,000	1,500	17,300											
Employee Relations Expense	0	0	0	0	0	0	0	0	0	0	0	0	0											
Entertainment Expense	0	196	251	200	310	366	350	325	275	225	375	225	3,097											
Entertainment Expense - Non-Deductible	35	0	375	100	100	125	150	125	125	125	150	100	1,510											
Misc Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0											
Miscellaneous Outside Services	1,722	0	58	40	40	35	40	50	45	50	35	50	2,165											
Office Supplies	0	11	11	0	0	100	33	38	45	75	0	60	373											
Industry Association Dues	0	0	0	0	0	0	0	0	0	0	1,250	0	1,250											
Other Dues & Membership	125	0	237	120	120	150	400	120	120	1,450	140	140	3,122											
Postage, Shipping, & Freight	2	0	4	50	0	38	0	50	0	38	0	38	220											
Travel - Meals (50% Non-Deductible)	379	0	584	500	295	320	330	175	325	330	330	320	3,888											
Travel Expense	806	16	68	1,000	1,000	1,250	1,000	1,000	1,000	1,000	1,250	1,000	10,390											
Utilities - Phone	81	129	82	210	210	210	210	210	210	200	210	210	2,172											
Utilities - Wireless Services-Cell Phone	0	0	0	125	125	125	125	125	125	125	125	125	1,125											
Vehicle Expenses	0	0	0	729	729	729	729	729	729	729	729	729	6,561											
Office Rent	1,756	1,765	1,761	5,444	5,444	5,444	5,444	5,444	5,444	5,444	5,444	5,444	54,277											
Grand Total	23,346	8,090	23,974	18,437	20,273	20,484	23,106	22,184	20,855	22,604	21,551	21,954	246,957											

Notes:

- Costs associated with Mr. Briggs (lobbyist) are charged to a corporate cost center shared with his boss, who is not a lobbyist. For purposes of this schedule, 50% of costs other than the activity allocation were attributed to Mr. Briggs.
- The activity allocation for Mr. Briggs includes salary, benefits, payroll taxes, and corporate overheads.
- The DRS billing true-up adjusts costs from the activity allocation rate to actual.
- Civic/Political activities and lobbying costs were excluded from test year through adjustment on C-3.19.
- Employee relations and entertainment expenses were excluded from test year through adjustment on C-3.23.

Dominion East Ohio
2007 Lobbying

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Lobbying Activities (estimated hours)	56	74	60	60	100	40	24	48	62	86	32	20
Total Weekday Hours/Month	184	160	176	168	184	168	176	184	160	184	176	168
Percentage of Time Spent on Lobbying Activities	30%	46%	34%	36%	54%	24%	14%	26%	39%	47%	18%	12%

**Columbus Office Costs for DEO
Actual Costs - 2007**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2007
Activity Alloc - Management - Briggs	19,795	7,211	20,191	9,604	6,372	21,795	10,796	0	28,510	5,938	17,274	15,115	163,603
DRS Billing True-Up	401	407	(46)	385	152	(162)	184	291	(310)	163	211	63	1,739
Office Rent	1,756	1,765	1,761	1,761	1,235	1,761	1,761	1,761	1,761	1,875	1,875	1,875	20,947
Grand Total	20,196	7,618	20,145	9,989	6,524	21,633	10,980	281	28,200	6,101	17,485	15,178	165,342

Notes:

- The activity allocation for Mr. Briggs includes salary, benefits, payroll taxes, and corporate overheads.
- The DRS billing true-up adjusts costs from the activity allocation rate to actual.

The East Ohio Gas Company d/b/a Dominion East Ohio
Case No. 07-0829-GA-AIR
Response to Data Requests

Requesting Party:

OCC

Data Request Set:

Interrogatories - 4th Set

Question Number:

170

Subpart:

a-b

Request Date:

01/18/2008

Due Date:

01/24/2008

Topic:

Section C - Operating Income

Question:

If the response to OCC Interrogatory No. 169 is affirmative:

- a. Why does the Company maintain office space in Columbus;
- b. What is the cost per year of the office space in Columbus, broken down by various components -- e.g., rent, salary, supplies; and

Answer:

- a. The office in Columbus is used by DEO's Manager of State Government Affairs and on occasion by other DEO employees while in Columbus on Company business.
- b. Please see the response to subpart c.

Preparer Of Response:

Vicki Friscie

Date Prepared:

01/18/2008 01:14:05 PM EST

Attachments:

No

The East Ohio Gas Company d/b/a Dominion East Ohio
Case No. 07-0829-GA-AIR
Response to Data Requests

Requesting Party:

OCC

Data Request Set:

Interrogatories - 3rd Set

Question Number:

110

Subpart:**Request Date:**

01/17/2008

Due Date:

01/23/2008

Topic:

Section C - Operating Income

Question:

Does the Company's labor expense include any incentive pay for any employee whose labor or a portion of labor is included in the test year:

- a. If the response to OCC Interrogatory No. 109 is affirmative, please list the employees whose incentive pay is included in the Company's labor expense and how much incentive pay is included;
- b. If the response to OCC Interrogatory No. 109 is affirmative, what is the amount of incentive pay included in the test year;
- c. If the response to OCC Interrogatory No. 109 is affirmative, please describe each of the types of incentive pay the Company provides to its employees;
- d. Are any of the incentives listed in response to Interrogatory No. 109 (c) based on the Company's profits or earnings; and
- e. If the response to OCC Interrogatory No. 109 (d) is affirmative, which of the incentives listed in response to Interrogatory No. 109 (c) are based on the Company's profits or earnings and how much of the amount of incentive pay of each is associated with the level of the Company's profits or earnings?

Answer:

Yes.

- a. Please see the response to subpart c for the employees eligible for Dominion's incentive plans. For 2007, DEO's gross labor expense included \$8.8 million in incentive payments, a portion of which was capitalized through labor rates charged to capital projects.
- b. Annual Incentive Plan expense included in DEO's test year amounts to \$4,873,246 (see WPC-3.25). The test year also includes \$603,596 for other incentive programs described in subpart c.
- c. Dominion has an Annual Incentive Plan that is designed to pay cash awards based on corporate and operating group earnings performance, operational and stewardship achievement, and Six Sigma success. It covers all non-union employees and those employees covered under collective bargaining agreements

which include a provision for participating in their company's incentive plan, under the terms agreed to in the applicable union contracts.

Dominion has a Long Term Incentive plan that is designed to grant shares of Dominion stock in the form of restricted and goal-based (performance) shares; all non-union, exempt employees are eligible; however, the awards of Long Term Incentive shares of stock are granted on a discretionary basis for key contributors. Restricted stock vests after three years. Performance-based awards vest after the end of a 24-month performance period and are held an additional year as restricted stock.

Dominion has an incentive plan for individuals who certify as Black Belt and Master Black Belt in its Six Sigma program and who meet all performance requirements at 6 months and 12 months post-certification; they are also eligible for re-entry awards based on project and financial contributions.

In addition, Dominion has a program for spot cash awards to provide financial recognition of outstanding individual and/or small team performance. Spot cash awards are discretionary awards determined by management.

d. Funding of Dominion's Annual Incentive Plan is based on the company's profits or earnings. Funding of performance-based awards under Dominion's 2007 Long-Term Incentive Plans is based on Total Shareholder Return and Return on Invested Capital.

c. Funding of Dominion's Annual Incentive Plan is based on the company's profits or earnings and the plan is funded at a guaranteed level of 25% for non-officers with the ability to fund up to a possible maximum of 200% based on the company's profits or earnings. Individual awards depend on achievement of business unit and individual goals.

Funding of performance-based awards under Dominion's 2006 and 2007 Long Term Incentive Plans is based 50% on Total Shareholder Return and 50% on Return on Invested Capital.

Funding of spot cash and Six Sigma Black Belt Incentive Plans are not based on the company's profits or earnings.

Preparer Of Response:

Vicki Friscic

Date Prepared:

01/18/2008 03:31:20 PM EST

Attachments:

No

The East Ohio Gas Company d/b/a Dominion East Ohio
Case No. 07-0829-GA-AIR
Response to Data Requests

Requesting Party:

OCC

Data Request Set:

Interrogatories - 4th Set

Question Number:

171

Subpart:

Request Date:

01/18/2008

Due Date:

01/24/2008

Topic:

Section C - Operating Income

Question:

Referring to WPC-3.25 of the Company's Application:

- a. What were the monthly actual payments for salaried and for hourly personnel for each year 2002 through 2006; and
- b. What are the actual monthly payments for salaried and for hourly personnel for each year 2002 through 2006 by group:
 - i. Operating Group Financials;
 - ii. Operating & Stewardship; and
 - iii. Six Sigma?

Answer:

- a. Attached is a worksheet showing payments by month made to DEO's salaried and hourly employees under Dominion's Annual Incentive Plan for the years 2002 - 2006.
- b. Details of the actual payments made are not maintained at the level of detail requested.

Preparer Of Response:

Joyce Laley

Date Prepared:

01/18/2008 01:17:49 PM EST

Attachments:

Yes

Attachment Names:

OCC Data Req #171_AIP by mo 2002-06.xls

The East Ohio Gas Company d/b/a Dominion East Ohio
Case No. 07-0829-GA-AIR
Response to Data Requests

Requesting Party:

OCC

Data Request Set:

Interrogatories - 9th Set

Question Number:

279

Subpart:

Request Date:

04/10/2008

Due Date:

04/30/2008

Topic:

Section C - Operating Income

Question:

Referring to the Annual Incentive Plan Expense, WPC-3.25:

a. What percentage of the "Actual amount paid in 2007" was attributable to the achievement of corporate level financial goals?

Answer:

DEO objects to this request on the grounds that the phrase "attributable to the achievement of corporate level financial goals" is vague and undefined. DEO also objects that this request would subject DEO to annoyance, oppression, and undue burden or expense. DEO does not compile or keep any summary of the payouts by basis of calculation. Payouts are calculated pursuant to a variety of specific criteria, based on the grade, department and business unit of the employee, i.e., the payouts are calculated on an employee by employee basis based on operational goals that provide direct benefits to ratepayers. Attempting to derive the specific basis of payouts made to employees on a gross basis would require reviewing and compiling information from more than one thousand employees and therefore is information which is not readily or reasonably accessible.

Preparer Of Response:

Vicki Friscie

Date Prepared:

04/11/2008 10:48:20 AM EDT

Attachments:

No

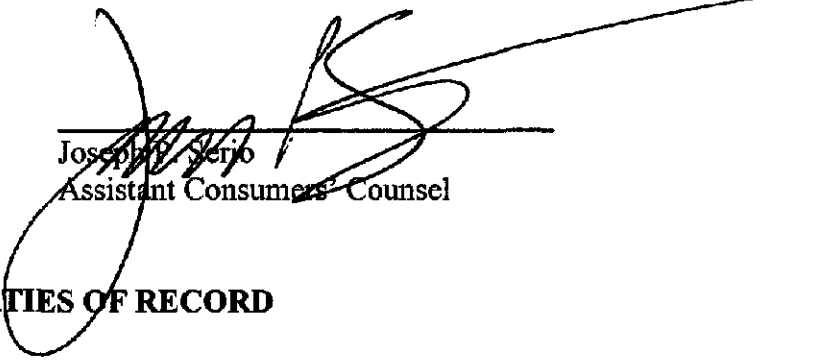
CONFIDENTIAL

Attachment PAT-6

HAS BEEN OMITTED

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing the *Public Version Direct Testimony of Patricia A. Tanner on Behalf of the Office of the Ohio Consumers' Counsel* has been served via First Class US Mail (electronically upon DEO & DEO Counsel), this 23rd day of June, 2008.



Joseph E. Serio
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