

**FILE**

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**PUCO**

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The East Ohio :  
Gas Company dba Dominion East Ohio for : Case No. 07-829-GA-AIR  
Authority to Increase Rates for its Gas :  
Distribution Service. :

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

In the Matter of the Application of The East Ohio :  
Gas Company dba Dominion East Ohio for : Case No. 07-831-GA-AAM  
Approval to Change Accounting Methods. :

In the Matter of the Application of The East Ohio :  
Gas Company dba Dominion East Ohio for : Case No. 08-169-GA-ALT  
Approval of Tariffs to Recover Certain Costs :  
Associated with a Pipeline 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 dba Dominion East Ohio for : Case No. 06-1453-GA-UNC  
Approval of Tariffs to Recover Certain Costs :  
Associated with Automated Meter Reading and :  
for Certain Accounting Treatment. :

**SUPPLEMENTAL TESTIMONY  
OF  
STEPHEN E. PUICAN  
UTILITIES DEPARTMENT  
RATES & TARIFFS/ENERGY & WATER DIVISION  
PUBLIC UTILITIES COMMISSION OF OHIO**

Staff Exhibit \_\_\_\_\_

August 1, 2008

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Technician TM Date Processed 8/1/2008

1. Q. Would you please state your name and business address?

A. My name is Stephen E. Puican. My business address is 180 East Broad Street, Columbus, Ohio.
2. Q. What is your present employment?

A. I am currently employed as Co-Chief of the Rates & Tariffs/Energy & Water Division in the Utilities Department of the Public Utilities Commission of Ohio ("PUCO").
3. Q. Are you the same Stephen E. Puican who has previously filed testimony in this proceeding?

A. Yes, I am.
4. Q. What is the purpose of your testimony?

A. I am testifying in response to objections by Dominion and the Office of the Ohio Consumers' Counsel (OCC) to the Staff Report on Dominion's proposed Pipeline Infrastructure Replacement program.
5. Q. Dominion's objection No. 34 objects that the Staff Report fails to recognize the additional costs associated with new curb-to-meter service line installations and repair or replacements of existing service lines in its calculation of capped PIR charges. Do you agree with this objection?

- A. No, I do not. Our intent in establishing the cap was to not over-burden customers with an open-ended monthly charge. The recommended \$1 per month cap on the annual increases was believed to be reasonable and consistent with our recommendations for similar programs with other companies. Rather than raise the cap to accommodate the inclusion of the cost of new curb-to-meter service line installations and repair or replacements of existing service lines, I recommend Dominion adjust the implementation of the program so the cap can accommodate its level of annual PIR program expenditures including service lines.
6. Q. Dominion's objection No. 35 objects that the Staff Report failed to permit an allowance for inflation in capping the PIR charge. Do you agree with this objection?
- A. I understand the basis for the objection but Staff has taken a firm position that we believe the \$1 per month in unadjusted dollars reflects an appropriate balancing of the Company's ability to go forward with the PIR program and not flowing through burdensome rate increases to customers. Once again, I recommend Dominion adjust the implementation of the program so the unadjusted cap can accommodate its level of annual PIR program expenditures.

7. Q. Dominion's objection No. 36 objects that the Staff Report did not recommend recovery of all ongoing pipeline infrastructure investment as part of the PIR program. Do you agree with this objection?
- A. No, I do not. I believe the Staff Report appropriately limited recovery of ongoing pipeline projects to only that amount of investment that can be recovered while keeping within the \$1 per month annual cap on the entire PIR program.
8. Q. OCC objection 7, objects to the Staff Report's acceptance of PIR program cost estimates that OCC believes are speculative and unreliable. Do you agree with this objection?
- A. No. Forward looking cost estimates are just that – estimates. OCC cites as evidence of their unreliability, the fact that Dominion did not include estimates for repair and replacement of service lines, costs with which they have extensive experience. According to the Company those cost estimates they were not included because it was unknown at the time whether they would be given authority to assume ownership and cost responsibility of curb-to-meter service lines. Thus it was not known whether the cost responsibility would be Dominion's or the service line owners. Regardless of whether or not they should have been included, their exclusion hardly constitutes evidence of the unreliability of all the other cost estimates. Staff is comfortable recommending approval of the program because (1) only

costs that have been evaluated in the annual review will be eligible for cost recovery, (2) the annual monthly increases are capped at \$1 per month and (3) we are recommending the program be evaluated after 8 years to determine whether it should be continued beyond that initial term.

9. Q. OCC objection 9 objects to the acceptance of a 25 year schedule for the PIR because Dominion has not demonstrated it can obtain the necessary resources to complete the program on time and there is no mechanism to hold Dominion accountable for delay or cost overrun. Do you agree with this objection?

A. No. As discussed above we are not recommending Dominion strictly adhere to a 25 year time frame. We understand there are myriad reasons that the program might not be complete in that time frame. Foremost among them is our recommendation of a \$1 per month cap on annual increases to the PIR cost recovery charge. This will largely drive the annual investments which in turn will determine the length of the program. As the Staff Report discusses, we are not recommending a one-time approval of a twenty-five year program. We are recommending a review of the program after 8 years to determine whether it should continue or how it should be modified going forward. Regarding the concern of cost overruns, I believe the annual review process is sufficient to address cost overrun issues.

10. Q. OCC objection 10 objects to annual increases to the PIR charge in favor of normal rate case treatment for infrastructure replacement. Do you agree with this objection?
- A. No. The Staff Report supported the implementation of the PIR program and given that position, a PIR cost recovery charge is necessary to accomplish its objectives. If the only recovery were through rate case proceedings, there would be no accelerated program. OCC's citing of the Staff Report's recommendation of rate case treatment of certain Automated Meter Reading (AMR) is not contradictory. The Staff Report did recommend an AMR cost recovery charge but cited some limited exceptions to what expenditures can be recovered through that charge. OCC's citing of those limited exceptions has no relevance to the Staff recommendation of approval of a PIR cost recovery rider.
11. Q. OCC objection 11 objects to the Staff Report's acceptance of Dominion's assertion that recovery of PIR investments through the PIR rider will defer the need for more frequent base rate proceedings. Do you agree with this objection?
- A. No. Although I agree there are many factors that determine the need to adjust base rates, all else equal, the recovery of PIR costs through the PIR rider will result in fewer rate cases.

12. Q. OCC objection 13 objects to the Staff Report's support of the recovery of PIR expenses primarily through a fixed monthly charge. OCC objects to this as a Straight Fixed Variable (SFV)-type rate design which it believes is not economically efficient, discourages conservation, is an inappropriate guarantee of utility revenues and puts an unfair burden on low-use residential customers. Do you agree with this objection?
- A. No. I disagree with these characterizations of the SFV rate design and have addressed these issues explicitly in my prior testimony in this proceeding. Rather than restate it here, I will simply reference that testimony as my response to this objection.
13. Q. OCC objection 14 objects to the Staff Report's recommendation of including incremental O&M expenses subject to certain exclusions in the PIR cost recovery charge. Do you agree with this objection?
- A. No. The O&M expenses to be included in the PIR rider are those costs associated with the repair of customer owned service lines. Since Dominion will not own these lines until they are actually replaced, these costs cannot be capitalized. Staff nonetheless believes recovery of these costs through the PIR rider as incremental O&M is appropriate.

14. Q. OCC objection 15 objects that Staff does not specify the base year for calculating the annual reduction in O&M expenses for purposes of crediting the savings to the PIR rider. The objection further opines that the reduction should be directly credited to the PIR charge rather than as a reduction to fiscal year-end regulatory asset. Do you agree with this objection?
- A. I agree that the base year for calculating O&M savings should be specified and agree that it should be the test year level determined in this rate case proceeding. Further, I am indifferent whether the savings are credited directly to the PIR charge or as a reduction to the fiscal year-end regulatory asset. Either method achieves the same result.
15. Q. OCC objection 16 objects to the Staff Report's proposal to create the necessary regulatory assets to capture the Post-in-Service Carrying Charges associated with the PIR program because it objects to the underlying need for the PIR program. Do you agree with this objection?
- A. No. The underlying need for the PIR program has been discussed in the Staff Report, elsewhere in this testimony and in the testimony of Staff witness Steele. Staff stands by those recommendations and given that, believes it appropriate to recommend creation of a regulatory asset to facilitate recovery of those PIR costs.

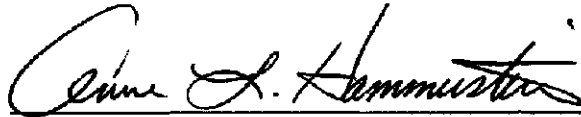


16. Q. Does that conclude your supplemental testimony?

A. Yes, it does.

## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Stephen E. Puican, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 1<sup>st</sup> day of August, 2008.



**Anne L. Hammerstein**  
Assistant Attorney General

### Parties of Record:

Joseph P. Serio  
Assistant Consumers' Counsel  
Office of the Ohio Consumers' Counsel  
10 West Broad Street, Suite 1800  
Columbus, OH 43215

David A. Kutik  
Jones Day  
North Point, 901 Lakeside Avenue  
Cleveland, Oh 44114-1190

Barth E. Royer  
Bell & Royer Co., LPA  
33 South Grant Avenue  
Columbus, OH 43215-3900

Mark A. Whitt  
Andrew J. Campbell  
Jones Day  
P.O. Box 165017  
Columbus, OH 43216-5017

M. Howard Petricoff  
Stephen Howard  
Vorys Sater Seymour & Pease  
52 East Gay Street

Joseph P. Meissner  
Legal Aid Society of Cleveland  
1223 West Sixth Street  
Cleveland, OH 44113

John M. Dosker  
General Counsel  
Stand Energy Corporation  
1077 Celestial Street, Suite 110  
Cincinnati, OH 45202-1629

Todd M. Smith  
Schwartzwald & McNair  
616 Penton Media Building  
1300 East Ninth Street  
Cleveland, Oh 44114

W. Jonathan Airey  
Gregory D. Russell  
Vorys Sater Seymour & Pease  
52 East Gay Street  
P.O. Box 1008  
Columbus, OH 43216-1008

P.O. Box 1008  
Columbus, OH 43216-1008  
David Rinebolt  
Colleen Mooney  
Ohio Partners for Affordable Energy  
P.O. Box 1793  
Findlay, OH 45839-1793

David F. Boehm  
Michael L. Kurtz  
Boehm, Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, OH 45202

Steve Beeler  
City of Cleveland  
Cleveland City Hall  
601 Lakeside Avenue  
Room 206  
Cleveland, OH 44114-1077

Samuel C. Randazzo  
Daniel J. Neilsen  
Joseph M. Clark  
McNees, Wallace & Nurick  
21 East State Street, Suite 1700  
Columbus, OH 43215