

FILE

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

RECEIVED-DOCKETING DIV  
2008 AUG -5 PM 3:33  
PUCO

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. :

**PREFILED TESTIMONY  
OF  
EDWARD M. STEELE  
SERVICE MONITORING & ENFORCEMENT DEPARTMENT  
FACILITIES & OPERATIONS FIELD DIVISION  
PUBLIC UTILITIES COMMISSION OF OHIO**

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

August 5, 2008

This is to certify that the images appearing are an  
accurate and complete reproduction of a case file  
document delivered in the regular course of business  
Technician Am Date Processed 8/5/08

1 1. Q. Please state your name and business address.

2 A. My name is Edward M. Steele. My business address is 180 East Broad  
3 Street, Columbus, Ohio 43215.  
4

5 2. Q. What is your current position?

6 A. I am employed by the Public Utilities Commission of Ohio as Chief of the  
7 Gas Pipeline Safety Section, Facility and Operations Field Division,  
8 Service Monitoring and Enforcement Department.  
9

10 3. Q. Please summarize your education and professional qualifications?

11 A. I am a graduate of the University of Pittsburgh, where I obtained a Bachelor  
12 of Science degree in Geology. I also have completed 9 week long classes  
13 on Pipeline Safety at the Transportation Safety Institute in Oklahoma City,  
14 OK. I also completed the three Appalachian Underground Corrosion Short  
15 Courses offered at West Virginia University in Morgantown, WV. From  
16 June 2003 to September 2004, I was chairman of the National Association  
17 of Pipeline Safety Representatives (NAPSR). I am also a member of the  
18 National Association of Regulatory Utility Commissioners (NARUC).  
19

20 4. Q. Please summarize your business experience.

21 A. I began working for the Public Utilities Commission in 1986 as a compli-  
22 ance investigator in the Gas Pipeline Safety Section. My responsibilities

1 included inspection of gas company facilities, records and procedures for  
2 compliance with state and federal regulations. I prepared reports on these  
3 inspections, and, when applicable, prepared probable violation reports. In  
4 1989, I was promoted to field supervisor of the Gas Pipeline Safety Section.  
5 In this position, I was responsible for training the compliance investigators  
6 as well as reviewing reports and probable noncompliance records for accu-  
7 racy and content. I created a GPS computer database used for tracking  
8 inspections, follow ups and incidents and also entered data into this data-  
9 base. In 1991, I was promoted to my current position of Chief of the Gas  
10 Pipeline Safety Section. I am responsible for the supervision of ten full time  
11 Gas Pipeline field staff as well as the review of their reports, probable non-  
12 compliance reports, follow up investigations, incidents, complaints, sched-  
13 uling of their workload, and filing federal documents as part of the PUCO's  
14 certification program with the Pipeline and Hazardous Materials Safety  
15 Administration.

16  
17 5. Q. What is the purpose of your testimony?

18 A. I am addressing the concerns that OCC and the company had with several  
19 issues in the Staff report filed in this case.

20  
21 6. Q. What is staff's position regarding OCC's objection II 1?

1           A.     OCC objected to the PIR Staff Report's support for DEO's twenty-five  
2                 year, \$2.6 billion Pipeline Infrastructure Replacement Program that fails to  
3                 include an analysis of specific yearly information regarding the need for the  
4                 program, a prioritization schedule for pipeline replacements, type, location,  
5                 schedule and a capital budget for the gas mains and connected facilities that  
6                 are planned to be replaced. I believe that the program is vital to maintain  
7                 the integrity and safety of the DEO pipeline system. Approximately 19%  
8                 of the Dominion Pipeline System consists of bare pipe (bare steel, cast and  
9                 wrought iron). This bare pipe is spread throughout Dominion's gas system  
10                in the state of Ohio. It comprises over 1/3 of all pipelines in some of  
11                Dominion's service areas. In addition, 99% of this pipe that Dominion  
12                plans to replace was installed prior to 1960. Unprotected bare steel pipe  
13                does have a useful lifespan. Depending on the soil resistivity, these lines  
14                can already have corrosion leaks that have been repaired, corrosion leaks  
15                that are occurring as we speak, and corrosion leaks in the immediate future.  
16                Any of these leaks can allow gas to migrate and accumulate in a confined  
17                area and cause an explosion. These pipelines are not cathodically protected,  
18                and unprotected steel lines corrode in the soil, returning to their natural  
19                state. These lines need to be replaced with a prioritized schedule based on  
20                the leakage rate of each line.

21  
22    7.     Q.     What is staff's position regarding OCC objection II 2?

1           A.    OCC objected to staff's support for DEO's proposal to replace ineffectively  
2           coated mains. Ineffectively coated mains are mains that have the same cur-  
3           rent requirement for cathodic protection as bare steel mains. This means  
4           that there is no difference in the current requirement to keep the metallic  
5           line from losing metal and corroding, causing leaks. There are criteria that  
6           have been established by the National Association of Corrosion Engineers  
7           (NACE) that would show that the current requirement on these inef-  
8           fectively coated mains are the same as bare steel, thus showing that these  
9           pipelines are basically bare steel pipes and need to be replaced before they  
10          leak. These tests would be conducted by the company to ensure that these  
11          lines cannot be protected and will corrode and eventually leak.

12  
13       8.    Q.    What is staff's position regarding OCC objection II 3?

14          A.    OCC objected that the PIR will not reduce the leakage in the DEO service  
15          areas. That is an incorrect statement. When you replace pipeline that is  
16          corroding and leaking, gas is escaping into the atmosphere. Depending on  
17          the grade of leak, the gas can continue to escape for an indefinite period of  
18          time. Replacing bare steel and ineffectively coated mains will stop the  
19          leakage on the pipelines and result in a lower unaccounted for gas, less  
20          leakage, and a more safe system.

21  
22       9.    Q.    What is staff's position to OCC objections II 4 and 5?

1           A.     The PIR will result in savings in the Operating and Maintenance costs for  
2                 the company. This savings will occur in several ways. One is a reduced  
3                 number of leaks and also fewer leaks to be repaired. This will also allow  
4                 the company to go to a longer leak survey interval as specified by the pipe-  
5                 line safety regulations. Bare steel and ineffectively coated steel lines must  
6                 be leak surveyed every 3 years, and plastic pipe and cathodically protected  
7                 steel lines can be leak surveyed on a 5 year cycle. These requirements are  
8                 the same for all companies in Ohio, not just DEO. This is in addition to the  
9                 savings on the cost of the gas lost by leakage that would be eliminated. In  
10                referencing the \$8.5 million in savings for Duke Energy Ohio staff was not  
11                implying that DEO would achieve similar savings, but merely demonstrat-  
12                ing that a PIR will result in O&M savings.

13  
14    10.   Q.     What is the staff's position regarding OCC objection II 8?

15           A.     Again, by aggressively replacing pipeline infrastructure DEO will reduce  
16                 leakage and save O&M costs.

17  
18    11.   Q.     What is staff's position regarding OCC's objection II 12?

19           A.     OCC has mischaracterized the company's proposal. The company is not  
20                 proposing at this time to include the cost of moving outside meters to the  
21                 inside and recovering these charges through the PIR cost recovery charge.  
22                 The company is proposing to provide a cost benefit assessment to staff at

1 the time it files application to update the PIR Cost Recovery Charge. At  
2 that time staff would evaluate the company's proposal and make a recom-  
3 mendation to the Commission.  
4

5 12. Q. What is staff's position regarding OCC objection E. 10?

6 A. Water infiltration issues that have caused customer service freeze offs will  
7 be lessened by the PIR. Leakage rates will go down with newer pipeline.  
8

9 13. Q. What is staff's position regarding DEO's objection 31?

10 A. DEO objects to the staff recommendation that DEO not assume ownership  
11 of and responsibility for effectively coated existing customer-owned service  
12 lines that are tied into new mains unless these lines are leaking, unsafe, bare  
13 steel, ineffectively coated, or copper. Assuming ownership of these lines  
14 does not change any of the responsibility of operating or maintaining the  
15 customer-owned service lines. 49 C.F.R. Part 192 requires that service  
16 lines be operated and maintained up to the outlet of the meter, regardless of  
17 ownership. No requirements would change for Dominion by taking over  
18 ownership of these lines.  
19

20 14. Q. What is staff's position regarding DEO's objection 32?

21 A. DEO objects to staff's failure to recommend that DEO not assume owner-  
22 ship of and responsibility for effectively coated existing customer-owned

1 service lines every time an existing service line is separated from a  
2 mainline and a pressure test of the service line is required before the service  
3 line can be returned to service. Staff does not believe that ownership needs  
4 to change hands until the line is replaced or repaired. DEO is currently  
5 required by federal and state regulations to operate and maintain the service  
6 line no matter who owns the line. Taking over ownership would not  
7 change any aspect of DEO's regulatory responsibility.  
8

9 15. Q. What is staff's position regarding DEO's objection 33?

10 A. In addition, DEO objects to staff's failure to recommend how DEO should  
11 treat yard meters that are located in customers' yards rather than next to  
12 their houses. DEO wants to move existing meters that are located in the  
13 customers' yard to the customers' building wall of the home or building.  
14 Current pipeline safety requirements only apply to the outlet of the cus-  
15 tomer meter. Moving the meters from the yard to the customers' house  
16 wall limits the amount of buried pipeline that is not being checked and  
17 maintained by DEO as required by the pipeline safety regulations. I believe  
18 that safety is improved by doing this.  
19

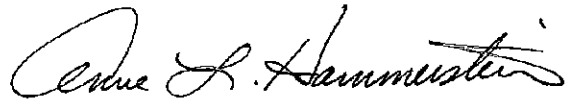
20 16. Q. Does this conclude your testimony?

21 A. Yes, it does.



## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prefiled Testimony of Edward M. Steele, 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 5<sup>th</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  
P.O. Box 1008  
Columbus, OH 43216-1008

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

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