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August 5, 2008

Renee Jenkins, Secretary
Public Utilities Commission of Ohio
180 East Broad Street, 13th Floor
Columbus, OH 43215-3793

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PUCO

Re: *In re East Ohio Gas Co. dba Dominion East Ohio, PUCO Case Nos. 07-829-GA-AIR, et al., Corrected Supplemental Testimony of Stephen E. Puican*

Dear Ms. Jenkins:

Please find enclosed the Corrected Supplemental Testimony of Stephen E. Puican. The only change to the testimony that was filed on August 1, 2008 is the addition of line numbers. This change is made for the convenience of the reader.

Sincerely,

Anne L. Hammerstein
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**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. :

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

Staff Exhibit _____

August 5, 2008

1 1. Q. Would you please state your name and business address?
2 A. My name is Stephen E. Puican. My business address is 180 East Broad
3 Street, Columbus, Ohio.
4
5 2. Q. What is your present employment?
6 A. I am currently employed as Co-Chief of the Rates & Tariffs/Energy &
7 Water Division in the Utilities Department of the Public Utilities
8 Commission of Ohio (“PUCO”).
9
10 3. Q. Are you the same Stephen E. Puican who has previously filed testimony in
11 this proceeding?
12 A. Yes, I am.
13
14 4. Q. What is the purpose of your testimony?
15 A. I am testifying in response to objections by Dominion and the Office of the
16 Ohio Consumers’ Counsel (OCC) to the Staff Report on Dominion’s
17 proposed Pipeline Infrastructure Replacement program.
18
19 5. Q. Dominion’s objection No. 34 objects that the Staff Report fails to recognize
20 the additional costs associated with new curb-to-meter service line
21 installations and repair or replacements of existing service lines in its
22 calculation of capped PIR charges. Do you agree with this objection?

1 A. No, I do not. Our intent in establishing the cap was to not over-burden
2 customers with an open-ended monthly charge. The recommended \$1 per
3 month cap on the annual increases was believed to be reasonable and
4 consistent with our recommendations for similar programs with other
5 companies. Rather than raise the cap to accommodate the inclusion of the
6 cost of new curb-to-meter service line installations and repair or
7 replacements of existing service lines, I recommend Dominion adjust the
8 implementation of the program so the cap can accommodate its level of
9 annual PIR program expenditures including service lines.

10
11 6. Q. Dominion's objection No. 35 objects that the Staff Report failed to permit
12 an allowance for inflation in capping the PIR charge. Do you agree with
13 this objection?

14 A. I understand the basis for the objection but Staff has taken a firm position
15 that we believe the \$1 per month in unadjusted dollars reflects an
16 appropriate balancing of the Company's ability to go forward with the PIR
17 program and not flowing through burdensome rate increases to customers.
18 Once again, I recommend Dominion adjust the implementation of the
19 program so the unadjusted cap can accommodate its level of annual PIR
20 program expenditures.

1 7. Q. Dominion's objection No. 36 objects that the Staff Report did not
2 recommend recovery of all ongoing pipeline infrastructure investment as
3 part of the PIR program. Do you agree with this objection?

4 A. No, I do not. I believe the Staff Report appropriately limited recovery of
5 ongoing pipeline projects to only that amount of investment that can be
6 recovered while keeping within the \$1 per month annual cap on the entire
7 PIR program.

8
9 8. Q. OCC objection 7, objects to the Staff Report's acceptance of PIR program
10 cost estimates that OCC believes are speculative and unreliable. Do you
11 agree with this objection?

12 A. No. Forward looking cost estimates are just that – estimates. OCC cites as
13 evidence of their unreliability, the fact that Dominion did not include
14 estimates for repair and replacement of service lines, costs with which they
15 have extensive experience. According to the Company those cost estimates
16 they were not included because it was unknown at the time whether they
17 would be given authority to assume ownership and cost responsibility of
18 curb-to-meter service lines. Thus it was not known whether the cost
19 responsibility would be Dominion's or the service line owners. Regardless
20 of whether or not they should have been included, their exclusion hardly
21 constitutes evidence of the unreliability of all the other cost estimates. Staff
22 is comfortable recommending approval of the program because (1) only

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

5
6 9. Q. OCC objection 9 objects to the acceptance of a 25 year schedule for the PIR
7 because Dominion has not demonstrated it can obtain the necessary
8 resources to complete the program on time and there is no mechanism to
9 hold Dominion accountable for delay or cost overrun. Do you agree with
10 this objection?

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

1 10. Q. OCC objection 10 objects to annual increases to the PIR charge in favor of
2 normal rate case treatment for infrastructure replacement. Do you agree
3 with this objection?

4 A. No. The Staff Report supported the implementation of the PIR program
5 and given that position, a PIR cost recovery charge is necessary to
6 accomplish its objectives. If the only recovery were through rate case
7 proceedings, there would be no accelerated program. OCC's citing of the
8 Staff Report's recommendation of rate case treatment of certain Automated
9 Meter Reading (AMR) is not contradictory. The Staff Report did
10 recommend an AMR cost recovery charge but cited some limited
11 exceptions to what expenditures can be recovered through that charge.
12 OCC's citing of those limited exceptions has no relevance to the Staff
13 recommendation of approval of a PIR cost recovery rider.

14
15 11. Q. OCC objection 11 objects to the Staff Report's acceptance of Dominion's
16 assertion that recovery of PIR investments through the PIR rider will defer
17 the need for more frequent base rate proceedings. Do you agree with this
18 objection?

19 A. No. Although I agree there are many factors that determine the need to
20 adjust base rates, all else equal, the recovery of PIR costs through the PIR
21 rider will result in fewer rate cases.

22

1 12. Q. OCC objection 13 objects to the Staff Report's support of the recovery of
2 PIR expenses primarily through a fixed monthly charge. OCC objects to
3 this as a Straight Fixed Variable (SFV)-type rate design which it believes is
4 not economically efficient, discourages conservation, is an inappropriate
5 guarantee of utility revenues and puts an unfair burden on low-use
6 residential customers. Do you agree with this objection?

7
8 A. No. I disagree with these characterizations of the SFV rate design and have
9 addressed these issues explicitly in my prior testimony in this proceeding.
10 Rather than restate it here, I will simply reference that testimony as my
11 response to this objection.

12
13 13. Q. OCC objection 14 objects to the Staff Report's recommendation of
14 including incremental O&M expenses subject to certain exclusions in the
15 PIR cost recovery charge. Do you agree with this objection?

16 A. No. The O&M expenses to be included in the PIR rider are those costs
17 associated with the repair of customer owned service lines. Since
18 Dominion will not own these lines until they are actually replaced, these
19 costs cannot be capitalized. Staff nonetheless believes recovery of these
20 costs through the PIR rider as incremental O&M is appropriate.

21

1 14. Q. OCC objection 15 objects that Staff does not specify the base year for
2 calculating the annual reduction in O&M expenses for purposes of crediting
3 the savings to the PIR rider. The objection further opines that the reduction
4 should be directly credited to the PIR charge rather than as a reduction to
5 fiscal year-end regulatory asset. Do you agree with this objection?

6 A. I agree that the base year for calculating O&M savings should be specified
7 and agree that it should be the test year level determined in this rate case
8 proceeding. Further, I am indifferent whether the savings are credited
9 directly to the PIR charge or as a reduction to the fiscal year-end regulatory
10 asset. Either method achieves the same result.

11
12 15. Q. OCC objection 16 objects to the Staff Report's proposal to create the
13 necessary regulatory assets to capture the Post-in-Service Carrying Charges
14 associated with the PIR program because it objects to the underlying need
15 for the PIR program. Do you agree with this objection?

16 A. No. The underlying need for the PIR program has been discussed in the
17 Staff Report, elsewhere in this testimony and in the testimony of Staff
18 witness Steele. Staff stands by those recommendations and given that,
19 believes it appropriate to recommend creation of a regulatory asset to
20 facilitate recovery of those PIR costs.

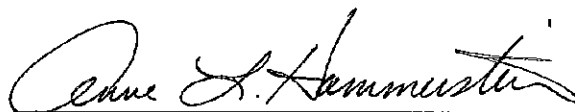
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1 16. Q. Does that conclude you supplemental testimony?

2 A. Yes, it does.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Corrected Supplemental 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 5th day of August, 2008.



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