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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Distribution Service.)	Case No. 08-0072-GA-AIR
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation and for a Change in its Rates and Charges.)	Case No. 08-0073-GA-ALT
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods.)	Case No. 08-0074-GA-AAM
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Revise its Depreciation Accrual Rates.)	Case No. 08-0075-GA-AAM

PREPARED SUPPLEMENTAL DIRECT TESTIMONY OF
BRAD BOHRER
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.

<input type="checkbox"/>	MANAGEMENT POLICIES, PRACTICES AND ORGANIZATION
<input type="checkbox"/>	OPERATING INCOME
<input type="checkbox"/>	RATE BASE
<input type="checkbox"/>	ALLOCATIONS
<input type="checkbox"/>	RATE OF RETURN
<input type="checkbox"/>	RATES AND TARIFFS
<input checked="" type="checkbox"/>	OTHER

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September 25, 2008

Attorneys for
COLUMBIA GAS OF OHIO, INC.

PREPARED SUPPLEMENTAL DIRECT TESTIMONY OF BRAD BOHRER

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

2 A: My name is Brad Bohrer and my business address is 200 Civic Center Dr., Columbus, OH
3 43215.

4

5 **Q.** By whom are you employed and in what capacity?

6 A. I am employed by NiSource Corporate Services Company. My current title is Manager,
7 Revenue Transactions.

8

9 **Q.** Are you the same Brad Bohrer who submitted Prepared Direct Testimony in this pro-
10 ceeding?

11 A. Yes.

12

13 **Q.** What is the purpose of your Supplemental Direct Testimony in this proceeding?

14 A. This testimony is being filed in support of the following issues raised by Columbia in its Ob-
15 jections to the Staff Report of Investigation filed in this case:

16 Objection number 21 – Pipeline Infrastructure Replacement Program – Automated
17 Meter Reading Devices – AMRD-related O&M Savings (Staff Report at 31). Columbia ob-
18 jects to Staff's belief that Columbia should have an incentive to achieve its projected level of
19 savings, and that if Columbia's actual savings are less than the projected amount, Rider IRP
20 should reflect the greater savings amount projected for that year.

1 Objection number 22 – Pipeline Infrastructure Replacement Program – Automated
2 Meter Reading Devices – AMRD-related O&M Savings (Staff Report at 31). Columbia ob-
3 jects to Staff’s recommendation that to the extent the Automatic Meter Reading Devices
4 (“AMRD”) program leads to other savings that are not reflected in Meter Reading Expense,
5 such savings shall appear as a reduction to Rider IRP.

6 Objection number 23 – Pipeline Infrastructure Replacement Program – Automated
7 Meter Reading Devices – AMRD deployment to Columbia’s full system (Staff Report at
8 31). Columbia will submit a study detailing Columbia’s net cost of continuing the AMRD
9 deployment to its full system.

10
11 **AMRD PROGRAM - INCENTIVE TO ACHIEVE PROJECTED LEVEL OF SAVINGS**

12 **Q. What did Staff recommend with regard to incentives related to the AMRD program’s**
13 **O&M savings?**

14 A. On page 31 of the Staff Report, Staff recommended that Columbia be required to flow-
15 through to customers in development of Rider IRP the greater of its projected level of sav-
16 ings or actual savings for the applicable calendar year. Staff characterized this as an incen-
17 tive for Columbia to achieve its projected level of savings.

18
19 **Q. Why does Columbia object to the Staff’s recommendation that Columbia should have**
20 **an incentive to achieve its projected level of AMRD-related O&M savings?**

21 A. Columbia does not object to including O& M savings as an offset (credit) to the amounts
22 included in the Rider IRP. Columbia projected such savings to provide the Commission with
23 the most comprehensive estimate possible, which was based on the best information avail-

1 able at the time the studies were prepared. However, by now taking these good faith esti-
2 mates and using them as hard and fast savings targets, the Staff would penalize Columbia if
3 the actual savings do not exceed these estimates.

4
5 **Q. What was the basis of Columbia's projected AMRD savings used in the development**
6 **of Rider IRP Revenue Requirement provided to Staff for evaluation of Columbia's**
7 **proposed AMRD program??**

8 A. The projected AMRD-related savings are an estimate based on historical manual meter read-
9 ing costs, anticipated AMRD reading costs, anticipated inflation, and the anticipated AMRD
10 deployment strategy and timeframe. More importantly, the savings estimate includes sav-
11 ings that are not within Columbia's control, but rather are driven solely by customers or the
12 economy (e.g. gasoline costs). Due to these multiple variables that can impact the accuracy
13 of the projected savings, it is unreasonable to place the financial risks associated with not
14 achieving the projected savings on Columbia. If the Commission feels that the initiation of
15 an AMRP program is a reasonable endeavor then it should permit Columbia to go forward
16 without unnecessary punitive restrictions. Under Columbia's proposal, Columbia will file an
17 annual update to its Rider IRP and if the Commission believes that any of the costs or offset-
18 ting savings included in the IRP filing are unreasonable then the Commission can address
19 the matter at that time.

20
21 **Q. Does Columbia have a recommended approach for accounting for O&M savings in the**
22 **IRP rider?**

1 A. Yes. Columbia recommends: (1) that the flow-through of actual savings to customers be de-
2 termined through a comparison of actual meter reading expenses to a baseline from which
3 savings will be determined; and, (2) the establishment of the baseline for determination of
4 these savings by Staff and Columbia within 90 days of the Commission's issuance of its
5 Opinion and Order in this proceeding.

6
7 **AMRD PROGRAM – PASS THROUGH OF OTHER INDIRECT COST SAVINGS**

8 **Q. Did the Staff Report contain any other recommendations related to the treatment of**
9 **savings resulting from the AMRP?**

10 A. Yes. On page 31 of the Staff Report, Staff noted that there may be additional savings other
11 than reduced meter reading expense that Columbia will realize as a result of the AMRP.
12 To the extent there are such savings Staff recommended that such savings be used to off-
13 set Rider IRP.

14
15 **Q. Does Columbia agree with this Staff recommendation?**

16 A. No. Unlike the savings related to the Meter Reading Expense (FERC Account 902), Colum-
17 bia is not able to readily identify most of these "other savings" as attributable to the AMRD
18 project. To the extent that Columbia can identify other savings (e.g., call center savings) that
19 can be directly tied to the AMRD project, Columbia is willing to include such savings as a
20 reduction to Rider IRP. However, if such savings cannot be identified, then there should be
21 no requirement to impute such savings into Rider IRP. Instead, such unidentifiable savings
22 will be reflected in Columbia's overall cost of service in future rate case filings.

1 Q. Does Columbia recommend a better approach for accounting for “Other” O&M sav-
2 ings in Rider IRP?

3 A. Yes, Columbia recommends: (1) the flow-through of actual savings to customers be deter-
4 mined through a comparison of actual identifiable “other” savings to a baseline from which
5 savings will be determined; and (2) the establishment of the baseline for determination of
6 these savings by Staff and Columbia within 90 days of the Commission’s issuance of its
7 Opinion and Order in this proceeding.

8
9 **AMRD PROGRAM - NET COST OF CONTINUING DEPLOYMENT ON FULL SYSTEM**

10 Q. What did Staff recommend with respect to Columbia’s proposed deployment of
11 automatic meter reading devices?

12 A. The Staff supported Columbia’s partial AMRD deployment plan, but recommended that
13 the Commission order Columbia to submit a study detailing Columbia’s net cost of con-
14 tinuing the AMRD deployment to Columbia’s full system, but on a less aggressive time-
15 frame than Columbia proposed in its partial deployment plan.

16
17 Q. What is Columbia’s response to this Staff recommendation?

18 A. Columbia is willing to deploy automatic meter reading devices throughout its entire sys-
19 tem, consistent with Staff’s suggestion. Therefore, Columbia is submitting the recom-
20 mended study as an attachment to the Supplemental Direct Testimony of Columbia wit-
21 ness Martin. The study prepared by Columbia witness Martin reflects: (1) Columbia’s esti-
22 mated deployment of AMRDs to all of Columbia’s meters over a period of five years; and
23 (2) the projected meter reading cost savings achieved by transitioning from manual meter

1 reading to automated meter reading. Attachment BB-1 attached to my testimony sets forth
2 the development of the projected savings together with incremental savings produced
3 through a total deployment program. I provided the estimated program investment and sav-
4 ings to Columbia witness Martin so that he could use the information in his calculation of
5 the revenue requirement impact.

6
7 **Q. Have you reviewed the results of the study prepared by Columbia witness Martin?**

8 A. Yes.

9
10 **Q. What conclusion have you reached with regard to the deployment scope of Columbia's**
11 **proposed AMRD program?**

12 A. While I had originally proposed that Columbia install AMRDs for those customers with in-
13 side meters or hard to access outside meters, after performing the studies recommended by
14 Staff, I believe that customers will be better served if Columbia install AMRDs on all of its
15 residential and commercial meters. Columbia's customers will benefit from a full deploy-
16 ment type program for several reasons. First, installation of AMRD devices on all meters
17 will enable Columbia to read customer meters on a monthly basis, instead of the bimonthly
18 schedule that Columbia currently uses. Such a move to monthly meter reading would result
19 in the elimination of scheduled calculated bills – a source of numerous customer complaints,
20 both formal and informal. Instead, every month all Columbia customers will receive a bill
21 based on actual gas usage. Furthermore, the change to monthly meter reading better aligns
22 actual gas quantities consumed with the monthly adjustments to the commodity rates.

1 **Q. Are there operational benefits from AMRD deployment on Columbia's full system?**

2 A. Yes. With partial AMRD deployment, meter readers would have to continue to walk a large
3 percentage of meter reading routes. By contrast, with full AMRD deployment the meter
4 readers drive the routes in a vehicle equipped with a Mobile Data Collection unit to gather
5 consumption data from the radio-based AMRD modules. This should result in additional re-
6 ductions in the cost to read the meter, improved employee safety, and further reductions in
7 manual meter reading errors and billing exceptions. In addition, full AMRD deployment
8 will further reduce customer inconvenience that stems from the need for Columbia to gain
9 access to the meter to obtain manual meter readings.

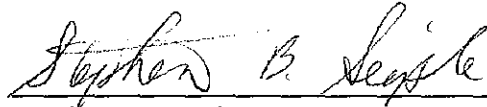
10

11 **Q. Does this conclude your Prepared Supplemental Direct Testimony?**

12 A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Supplemental Direct Testimony of Brad Bohrer was served upon all parties of record by electronic mail and regular U. S. mail this 25th day of September, 2008.



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COH METER READING SAVINGS

Attachment BB-1

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Meter Reading Cost Savings	834	2,583	4,039	5,226	6,959	7,583	7,502	8,307	8,328	8,348	9,123	9,145	9,168	10,018	10,043
O&M Costs of New System	(532)	(1,743)	(2,478)	(2,886)	(3,133)	(3,414)	(3,526)	(3,641)	(3,759)	(3,882)	(4,008)	(4,139)	(4,273)	(4,413)	(4,556)
Net Savings	202	840	1,561	2,341	3,826	4,169	4,076	4,666	4,569	4,467	5,115	5,007	4,895	5,606	5,487

Manual Meter Reading Costs															
Number of Meters (adj for mkt growth 0.25%)	1,405,032	1,408,545	1,412,066	1,415,596	1,419,135	1,422,683	1,426,240	1,429,805	1,433,380	1,436,963	1,440,556	1,444,157	1,447,767	1,451,387	1,455,015
Cost per Meter (adj for inflation-8% every 3 yrs)	\$ 4.75	\$ 4.89	\$ 4.89	\$ 4.89	\$ 5.33	\$ 5.33	\$ 5.33	\$ 5.81	\$ 5.81	\$ 5.81	\$ 6.33	\$ 6.33	\$ 6.33	\$ 6.90	\$ 6.90
Meter Reading Costs (\$000's)	\$ (6,674)	\$ (6,888)	\$ (6,905)	\$ (6,922)	\$ (7,564)	\$ (7,583)	\$ (7,602)	\$ (8,307)	\$ (8,328)	\$ (8,348)	\$ (9,123)	\$ (9,145)	\$ (9,168)	\$ (10,018)	\$ (10,043)
Avg % of Meters Installed	12.50%	37.50%	58.50%	75.50%	92.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Net Cost Savings (\$000's)	834	2,583	4,039	5,226	6,959	7,583	7,502	8,307	8,328	8,348	9,123	9,145	9,168	10,018	10,043

O&M Costs															
Number of Meters (adj for mkt growth 0.25%)	1,405,032	1,408,545	1,412,066	1,415,596	1,419,135	1,422,683	1,426,240	1,429,805	1,433,380	1,436,963	1,440,556	1,444,157	1,447,767	1,451,387	1,455,015
Avg % of Meters Installed	12.50%	37.50%	58.50%	75.50%	92.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Net Meters Installed	175,829	528,204	826,059	1,068,775	1,305,804	1,422,683	1,426,240	1,429,805	1,433,380	1,436,963	1,440,556	1,444,157	1,447,767	1,451,387	1,455,015
Cost per AMR Meter Read (adj for inflation 3%)	\$ 3.60	\$ 3.30	\$ 3.00	\$ 2.70	\$ 2.40	\$ 2.40	\$ 2.47	\$ 2.55	\$ 2.62	\$ 2.70	\$ 2.78	\$ 2.87	\$ 2.95	\$ 3.04	\$ 3.13
O&M Costs (\$000's)	(532)	(1,743)	(2,478)	(2,886)	(3,133)	(3,414)	(3,526)	(3,641)	(3,759)	(3,882)	(4,008)	(4,139)	(4,273)	(4,413)	(4,556)