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October 9, 2009

Via Hand Delivery

Public Utilities Commission of Ohio
Docketing Division
180 East Broad Street
Columbus, Ohio 43215-3793

Re: Case No. 09-458-GA-UNC

Dear Docketing

Attached are hard copy filings of the following documents for the above-referenced case which were electronically filed today:

- DEO Exhibit 2 – Supplemental Direct Testimony of Vicki H. Friscic on behalf of Dominion East
- OhioDEO Exhibit 3 – Direct Testimony of Mike Reed on behalf of Dominion East Ohio
- DEO Exhibit 4 – Direct Testimony of Eric Hall on behalf of Dominion East Ohio
- Statement Informing the Commission whether the issues raised in the Comments filed by Staff and Interveners have been resolved

We electronically filed a document on October 6, 2009 in this case. We called the electronic filing contact number and we were subsequently transferred to the Utilities Department, where we confirmed that an electronic filing was satisfactory and no hard copy backup was necessary.

Very truly yours,

P A Colbert

Paul A. Colbert

COI-1429921v1

DEO EXHIBIT 4

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Application of the East Ohio Gas Company d/b/a Dominion East Ohio to Adjust its Pipeline Infrastructure Replacement Program Cost Recovery Charge and Related Matters.	**Case No. 09-458-GA-UNC**

DIRECT TESTIMONY OF
ERIC HALL
ON BEHALF OF
DOMINION EAST OHIO

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I. INTRODUCTION

Q1. Please state your name, occupation and business address.

A1. My name is Eric Hall. I am employed by The East Ohio Gas Company, d/b/a Dominion East Ohio ("DEO"), as Director of Operations. My business address is 1201 East 55th Street; Cleveland, Ohio 44103.

Q2. Please describe your educational background and work experience.

A2. In 1982, I received a Bachelor of Science degree in mechanical engineering from Case Western Reserve University. In 1989, I received my Masters in Business Administration from Case Western. For the past 27 years, I have worked for DEO or its predecessors. Since April 2006, I have served as Director of Operations. Prior to this position, I served in a variety of roles in distribution, transmission and storage operations, and marketing, including positions as Director of Compliance and Director of Transmission Storage Operations.

Q3. What are your job responsibilities as Director of Operations?

A3. I am responsible for pipeline safety compliance, including distribution pipelines as well as DEO's transmission pipeline integrity program. Other areas of operations responsibility includes underground facility damage prevention as well as our leak repair, leak surveillance, and corrosion control programs.

Q4. Have you previously testified before the Commission?

A4. No.

Q5. Are you familiar with DEO's Application to adjust its Pipeline Infrastructure Replacement ("PIR") Cost Recovery Charge?

A5. Yes.

Q6. Are you familiar with the leak repair, leak surveillance, corrosion monitoring and corrosion remediation Operation and Maintenance ("O&M") expenses that are reflected on Schedule 16 of DEO's Application in this case?

A6. Yes.

Q7. How are you familiar with these expenses?

A7. Managing DEO's processes for leak repair, leak surveillance, corrosion monitoring and corrosion remediation activities are a large part of my day-to-day responsibilities. I supervise the employees who conduct these activities, and I regularly monitor the amount of time and money DEO spends on these programs. Expenses for these programs comprise approximately half of my organization's O&M budget.

Q8. What is the purpose of your testimony in this proceeding?

A8. The purpose of my testimony is to explain the reasons for increases in the leak repair, leak surveillance and corrosion monitoring O&M expenses between the July 2007—June 2008 and July 2008—June 2009 time periods.

II. ANALYSIS OF CHANGES IN O&M EXPENSES

Q9. What are the categories of O&M expense included the calculation of the O&M baseline for this case?

A9. There are four categories: leak repair, leak surveillance, corrosion monitoring, and corrosion remediation.

Q10. How has the PIR program contributed to increases in the leak repair, leak surveillance and corrosion monitoring expense categories?

A10. In implementing the PIR program, DEO has effectively moved from a reactive to a proactive approach to leak repair and related activities. The company's proactive

approach involves the prioritization of pipeline replacements that have an impact on the incurrence of leak repair costs. Over a long period of time, leak repair costs will decrease as more and more of DEO's older-vintage bare-steel pipelines are replaced. However, in the short-term, the prioritization of replacements may result in certain pipelines being repaired under an O&M expense category rather than being replaced under a capital expense.

Upon discovering a leak in the past, DEO may have replaced a very short segment of the affected pipeline, the cost of which would have been treated as a capital expenditure. As a result of the PIR program, DEO now proactively assesses whether that part of its pipeline system should be included in a larger section of pipeline that has not been identified for replacement in the current year's prioritized list. If the section on which the leak is discovered is part of a larger project scheduled for the following year or some other later date, the leak will be repaired under an O&M expense to make it safe until the larger section encompassing that area is included in the prioritized queue of PIR projects. While there is a short-term increase in such O&M expenses due to the PIR project, the management of the project on a prioritized basis will ultimately lead to the lowest total cost to customers and the largest benefit as leak repair costs decline over time. It is unrealistic to expect that initial PIR replacements will yield such decreases. As indicated above, the PIR program will have the opposite effect in the very near term due to the prioritization of projects within a given fiscal year's capital budget. As a result, those costs should be considered when assessing O&M savings from a baseline expense level.

Q11. Are there other reasons why leak repair expenses increased?

A11. Yes. East Ohio has been experiencing an increasing number of leaks repaired on an annual basis, and so it makes sense that leak repair expenses would go up when comparing the Base Line Period to the Recovery Period. (Help me make the table here) DEO's actual O&M Leak Repairs are shown below;

2006	2007	2008	2009 YTD August
9150	10,321	11,499	11,117

As DEO pointed out in PIR application Testimony, pipes develop leaks at an increasing rate over time. (See Figure 11, page 23 from Black and Veach report). While DEO has begun a pipeline replacement program which will eventually reduce overall leakage, it must be pointed out that the overwhelming majority of bare steel pipe has NOT YET been replaced under that program and therefore DEO's leak experience is continuing to grow, and will probably continue to grow for some time to come.

Moreover, the initial focus of the PIR program has been on the larger-diameter bare steel transmission pipelines. But the overwhelming majority of the leaks we repair are found on distribution lines. Therefore, it is not surprising that we would not realize leak-repair savings in the initial stages of the PIR program. Those savings will become more apparent as DEO replaces more distribution pipe.

Q12. Why did corrosion monitoring expenses increase?

A12. Pursuant to the parties' Stipulation and Recommendation and the Commission's Opinion and Order in Case Nos. 07-829-GA-AIR, *et al.*, DEO is replacing ineffectively-coated pipe as part of the PIR program. As ineffectively-coated pipe is taken out of service, DEO and its customers will begin to realize savings associated with reduced corrosion monitoring of that pipe. Because DEO initially has focused on replacing bare steel pipe

rather than ineffectively-coated pipe, however, those savings have not yet been realized. In fact, the total number of test points that East Ohio must monitor annually has INCREASED since the program began. This is because some of the bare steel pipe replaced on higher pressure systems has been replaced with steel pipe. This new pipe must be coated and cathodically protected as required by federal pipeline safety code and so additional test points are installed. Consequently DEO had 125,228 test points to monitor in 2009, but only 122,404 to monitor in 2008.

Q13. What types of expenses are included in the corrosion remediation category?

A13. This category includes expenses associated with the improvement of cathodic protection on our pipe, most commonly including the installation of anodes.

Q14. Please describe the change in corrosion remediation O&M expense from the Baseline Period to the Recovery Period.

Q14. As reflected on Schedule 16 to Exhibit A of DEO's Application, O&M expenses for corrosion remediation were $4,087,204.47 during the Baseline Period and $3,532,903.83 during the Recovery Period. Corrosion remediation expenses thus decreased $554,300.64, or 13.5%.

Q15. Why did corrosion remediation expenses decrease?

A15. I do not attribute these savings to the PIR program, which is still in its early stages. Rather, our corrosion remediation savings result from the consolidation of our corrosion management process over the last few years. During that time, we have placed all of our corrosion management employees under one manager. We have invested heavily in training for our corrosion management employees. We also have implemented several process efficiency improvements in this area in recent years. Because of these measures,

which are unrelated to PIR, our corrosion management employees are performing at an even higher level.

Further, the commission is focusing it's O&M savings approach on the totality of DEO's corrosion monitoring program . DEO wishes to point out that the bulk of corrosion monitoring and correction activity occurs on pipe that was installed after 1970. The PIR program focuses on replacing pipe that was installed BEFORE 1970, most of which has no cathodic protection. It makes no sense to focus on corrosion control savings that may occur on pipe that is specifically excluded from cost recovery under the PIR program.

Q16. Any final comments on this issue ?

A16. The O&M expenses included in the PIR baseline are influenced by many factors. Some of the factors influence costs positively, like reductions in leaks that will at some point be attributed to the pipe replacement program. Improvements in technology and process management can also drive cost savings exclusive of the pipe replacement program.

Other factors can increase costs from year to year. These include inflation on material costs, labor rate changes, contractor pricing changes, and weather.

Replacement of bare steel pipe is obviously only one of many factors which influence the total amount of O&M dollars spent on PIR Baseline activities.

Since these factors all combine to influence the total annual O&M expense for these items it is not rational to assume that all O&M reductions in any given year are due solely to bare steel pipe replacement, and that all O&M increases are not.

Q17. Please Summarize DEO's Position.

A17. During the initial year of the PIR program DEO has experienced increases in the categories identified in the Stipulation to provide cost savings to customers. These

increases are related to the PIR program. Ultimately, DEO expects each category to experience cost reductions. DEO voluntarily identified an additional related category, corrosion remediation, which contained cost savings unrelated to the PIR program that DEO was willing to aggregate with the cost increases associated with the categories identified by the Parties to the Stipulation to provide customers with savings in the first year of the PIR program. DEO should not be penalized for its voluntary inclusion of such savings.

Q17. Does this conclude your testimony?

A17. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was sent by electronic mail to the following parties on this 9th day of October, 2009.

/s Grant W. Garber
Grant W. Garber

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