FILE

2011 MAR 28 PM 4:24

RECEIVED-DOCKETING DIV

PUCO

14

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Columbia Gas of Ohio, Inc. for an	)	Case No. 10-2353-GA-RDR
Adjustment to Rider IRP and Rider DSM	)	
Rates to Recover Costs Incurred in 2010.	)	

COMMENTS ON THE APPLICATION OF COLUMBIA GAS OF OHIO BY THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

JANINE L. MIGDEN-OSTRANDER
OHIO CONSUMERS' COUNSEL

Larry S. Sauer, Counsel of Record
Joseph P. Serio
Kyle L. Verrett
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215
(614) 466-8574 – Telephone
sauer@occ.state.oh.us
serio@occ.state.oh.us
verrett@occ.state.oh.us

March 28, 2011

TABLE OF CONTENTS

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia Gas of Ohio, Inc. for an Adjustment to Rider IRP and Rider DSM Rates to Recover Costs Incurred in 2010.	))))	Case No. 10-2353-GA-RDR

COMMENTS ON THE APPLICATION OF COLUMBIA GAS OF OHIO
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC") hereby files these Comments on the Application of Columbia Gas of Ohio, Inc. ("Columbia" or "Company") to increase the Infrastructure Replacement Program Rider ("Rider IRP"), per the Application that Columbia filed on February 28, 2011. Rider IRP is supposed to provide for collecting from customers the costs incurred for:

> (a) The future maintenance, repair and replacement of customer-owned service lines that have been determined by Columbia to present an existing or probable hazard to persons and property, and the systematic replacement, over a period of approximately three years, of certain risers prone to failure if not properly assembled and installed. The replacement of customer-owned service lines and prone-to-failure risers was previously approved by the Commission in its opinion and order dated April 9, 2008, in Case No. 07-478-GA-UNC; (b) The replacement of cast iron, wrought iron, unprotected coated steel, and bare steel pipe in Columbia's distribution system, as well as Columbia's replacement of company-owned and customer-owned metallic service lines identified by Columbia during the replacement of all the above types of pipe (referred to as the Accelerated Mains Replacement Program or AMRP); and (c) The installation, over approximately a

> five-year period, of Automatic Meter Reading Devices ("AMRD") on all residential and commercial meters served by Columbia.[1]

Pursuant to the Stipulation and Recommendation ("Stipulation") filed on October 24, 2008, in Case No. 08-72-GA-AIR et al., and the Opinion and Order of the Public Utilities Commission of Ohio ("Commission" or "PUCO") dated December 3, 2008, the Rider IRP rates are subject to increases, up to a cap, in each year 2009 through 2013.[2]

In addition, Columbia has filed for the recovery of costs related to the implementation of a demand side management ("DSM") program. The DSM program is intended to allow customers to reduce bills through various conservation programs as set forth in Case No. 08-833-GA-UNC.[3]

On November 30, 2010, Columbia submitted a pre-filing notice of its intent to file an application for approval of an increase in the IRP rider rates and DSM Rider rate that customers pay. OCC filed its Motion to Intervene in these cases on December 20, 2010. OCC's Motion to Intervene was granted by an Attorney Examiner Entry, dated March 3, 2011 ("Entry").

On March 3, 2011, the PUCO issued an Entry establishing a procedural schedule that, *inter alia*, established the Comment filing date as March 28, 2011.[4] OCC hereby files its Comments in accordance with that Entry.

---

[1] Application at 2.

[2] *In re Columbia Rate Case*, Case No. 08-72-GA-AIR, et al., Opinion and Order at 9 (December 3, 2008).

[3] *In re DSM Case*, Case No. 08-833-GA-UNC, Application (July 1, 2008), and approved by the Commission in Finding and Order (July 23, 2008).

[4] Entry at 2.

II. RESERVATION OF RIGHTS

OCC reserves the right to file additional comments and to file expert testimony on April 6, 2011 in support of any of its Comments that are not resolved by April 1, 2011, in the settlement process set forth in the Entry.[5]

III. BURDEN OF PROOF

The burden of proof regarding the Application rests upon Columbia. In a hearing regarding a proposal that does involve an increase in rates, R.C. 4909.19 provides that, "[a]t any hearing involving rates or charges sought to be increased, the burden of proof to show that the increased rates or charges are just and reasonable shall be on the public utility." Therefore, neither OCC nor any other intervenor bears any burden of proof in this case.

IV. COMMENTS

A. The Commission Should Modify The Columbia IRP Rate Consistent With OCC's Following Adjustments.

1. O&M Cost Savings Methodology Is Not Agreed Upon.

In Columbia's Application, it reported Operation and Maintenance ("O&M") cost savings of $413,613.[6] Cost savings reduce what customers would otherwise have to pay to Columbia. Cost savings are expected because as Columbia replaces the leakiest pipe in its distribution system, it should require less O&M expense to repair leaks. OCC takes issue with Columbia's characterization of the O&M cost savings methodology.

---

[5] Entry at 2.

[6] Application at Schedule AMRP-1 (February 28, 2011).

Columbia witness Stephanie Noel[7] stated that there is an informal agreement between the parties with regard to the methodology for calculating O&M cost savings in this case. That is not accurate.

There were discussions among Columbia, OCC and the PUCO Staff regarding different O&M cost savings methodologies. In the course of those discussions different proposals were made by different parties. But there was never a formal or informal agreement reached on any proposal discussed during those settlement discussions. The lack of any agreement, informal or otherwise, is illuminated by the fact that Columbia has not produced or cited to any agreement that supports the witness' claims.

Despite the lack of any agreement pertaining to the O&M cost saving methodology used by Columbia in this case, OCC is accepting the cost saving methodology for the purposes of this case only. But again, there is not an agreement and OCC's acceptance does not bind it to any settlement agreement as there is none.

2. Level Of O&M Cost Savings Is Inadequate.

The clear intent of the OCC and the PUCO Staff was to ensure that the level of O&M cost savings, achieved in the accelerated IRP program, is sufficient to provide a reasonable benefit to customers. But the level of O&M cost savings reported by Columbia in this case is inadequate.

The Commission has affirmed that accelerated O&M cost savings is a goal of the accelerated pipeline infrastructure replacement programs. In the Dominion Pipeline Infrastructure Replacement case the PUCO stated, "[i]mmediate customer savings were

---

[7] *In re 2010 Columbia Riders IRP & DSM Case*, Case No. 10-2353-GA-RDR, Direct Testimony of Stephanie D. Noel at 12 (February 28, 2011).

articulated as a goal of the PIR program,"[8] Columbia does not appear to have achieved this goal of immediate customer savings based on its reporting of $413,613 in O&M cost savings.

This inadequacy is especially apparent when the $413,613 in O&M cost savings in Columbia's current Application is compared to the level of O&M cost savings from last year's case ($1.8 million) and the annual level of O&M cost savings achieved by Duke Energy Ohio, Inc. ("Duke") in its accelerated mains pipeline replacement program. Duke reported $8.5 million in O&M cost savings during the first five years of its Accelerated Mains Replacement Program (2003 - 2007) or an average of $1.7 million per year.[9] Columbia on the other hand, proposed $0 savings in year one,[10] $0 savings in year two,[11] and $413,613 this year in year three,[12] or an average of only $137,871 per year.[13] **Thus Duke averaged over ten times more in O&M cost savings on average per year for customers than Columbia.** Moreover, it should be kept in mind that Columbia is a significantly larger Local Distribution Company than Duke, serving almost four times as many customers, making the disparity in O&M cost savings even more alarming. This begs the question of how could Duke achieve such significant O&M cost savings and Columbia can not.

---

[8] *In the Matter of 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-RDR, Opinion and Order (December 16, 2000) at 11.

[9] *In re Duke Rate Case*, Case No. 07-589-GA-AIR, et al., Direct Testimony of Sandra Meyer at 22 (August 1, 2007).

[10] *In re 2008 Columbia IRP Case*, Case No. 09-06-GA-UNC, Stipulation at Attachment 2 (June 2, 2009).

[11] *In re 2009 Columbia IRP Case*, Case No. 09-1036-GA-RDR, Application (February 26, 2010) at Schedule AMRP-1. (Not only did Columbia propose no O&M cost savings, but the Company actually reported an increase in the O&M expenses of approximately $1.8 million over the baseline). See Schedule AMRP-9B.

[12] Application at Schedule AMRP-1.

[13] $0 + $0 + $413,613 = $413,613 ÷ 3 = $137,871.

Surprisingly, Columbia failed to provide an explanation for this disparity, or justify the significant decline in O&M cost savings achieved from last year to this year in its testimony. Columbia's current methodology may be suspect because in any of the infrastructure replacement proceedings, the O&M cost savings are derived from the accounting records, and the Company has total control over how O&M expenses are accounted for. This potentially could lead to a situation where a change in accounting could significantly impact O&M cost savings resulting in disparities from one year's IRP case to the next. At the same time it is virtually impossible for the OCC, Staff or any other intervenor to confirm and/or challenge any such accounting details (e.g. labor or expenses being charged in one year to one account and to a different account in an ensuing year). One means of removing the accounting anomalies from the O&M cost savings calculation is to tie such cost savings to the dollars spent per mile of cast iron and bare steel pipe replaced each year.

Therefore, OCC urges the Commission to re-emphasize the goal of significant accelerated O&M cost savings for customers. And the Commission should require Columbia to provide a complete explanation that reconciles the disparity in O&M cost savings from last year's IRP case compared to the O&M cost savings level proposed in this proceeding. The Commission should order Columbia to arrive at a methodology for future cases that will provide more assurances that an appropriate level of O&M savings will be achieved.

3. The Commission Should Exclude The Costs Related To The Replacement Of Plastic Pipe From The IRP Monthly Charge.

OCC recommends that any costs associated with the removal and replacement of plastic pipe be excluded from recovery from customers in the Rider IRP mechanism. The

Columbia Rate Case Stipulation states Rider IRP will provide for recovery of costs incurred in: "Columbia's replacement of cast iron, wrought iron, unprotected coated steel and bare steel pipe in its distribution system, as well as Columbia's replacement of company-owned and customer-owned metallic service lines identified by Columbia during the replacement of all the above types of pipe."[14] There is and was no expectation of the Parties, pursuant to the Columbia Rate Case Stipulation or the Opinion and Order, that Columbia would recover the costs of the replacement of plastic mains through the IRP Rider.

To this end, the Commission, in the Opinion and Order approving the Columbia Rate Case Stipulation, states:

> while we are willing to approve the establishment of the rider, our understanding of the projects to be recovered under the rider are projects that would not otherwise be funded by Columbia's existing capital replacement program (Columbia Ex. 13 at 18). Our intent is that Rider IRP should not be used to recover investment costs that would routinely be included in and funded by the company's existing capital replacement program.[15]

It is OCC's position that the AMRP rider should not be the mechanism to collect from customers the costs of replacing old plastic with new plastic mains and services.

Columbia's testimony in this case states: "that 39,411 feet of plastic pipe has been replaced during 2010 in the course of the IRP and those costs will be recovered through the IRP Rider."[16] Columbia witness Eric Belle further states: "that these plastic pipes typically are short sections of plastic main consisting primarily of Priority Pipe and, in some cases; Columbia abandons the plastic main because it is being moved to a different

---

[14] Stipulation at 8 (October 24, 2008).

[15] Opinion and Order at 14 (December 3, 2008).

[16] Columbia Direct Testimony of Eric T. Belle at 3-4 (February 28, 2011).

location."[17] This scenario does not fit into the IRP as no metallic mains are being removed in the process -- only lengths of plastic main are being moved/replaced because of some main relocation project.

In its Application, Columbia does not break out the capital investment and associated costs of replacing its mains and services by pipe composition (cast iron, bare steel, plastic, etc.). Columbia also indicated in its discovery responses to OCC that it did not separately track the Plant-in-Service Additions and Retirements associated with the replacement of plastic mains included in IRP projects.[18] The Company also stated that "Columbia is unable to provide a separate calculation of revenue requirement for the replacement of plastic main segments in 2010 because the cost to replace plastic segments of pipe and the associated retirements are included in the overall project costs/retirements."[19] Therefore, OCC must estimate the cost associated with the inclusion of the plastic main replacement in the revenue requirement in this proceeding.

In the absence of specific capital investment and cost data associated with replacing plastic mains, OCC used the average capital investment and associated costs of the IRP main replacement projects to estimate the capital investment and associated costs of replacing plastic mains. The elimination of the costs associated with new plastic mains that replace the existing plastic mains in 2010 from the IRP Rider calculation will impact the total expense and annualized return on rate base numbers that makes up the revenue requirement to be collected. OCC proposes to reduce the 2009 IRP-related

---

[17] Id. at 4.

[18] Columbia's response to OCC Interrogatory No. 33.

[19] Columbia's response to OCC Interrogatory No. 34.

revenue requirement by $576,010.[20] This reduction of revenue requirement associated with the exclusion of costs associated with replacing plastic mains will result in a decrease of $0.02 (from $0.64 to $0.62) in the proposed monthly IRP charge for residential customer (SGS Class), a decrease of $0.25 (from $6.37 to $6.12) for GS (small commercial and industrial) Class customers, and a decrease of $7.93 (from $202.11 to $194.18) for LGS (large commercial and industrial) Class customers.[21]

V. CONCLUSION

The Office of the Ohio Consumers' Counsel respectfully submits these Comments on the Columbia Application in conformance with the Stipulation and with the Attorney Examiner's Entry. OCC's recommendations are directed toward producing for Columbia's approximately 1.2 million residential consumers the best result and lowest reasonable rate possible.

Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL

Larry S. Sauer, Counsel of Record
Joseph P. Serio
Kyle L. Verrett
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
(614) 466-8574 – Telephone
sauer@occ.state.oh.us
serio@occ.state.oh.us
verrett@occ.state.oh.us

[20] See OCC Attachment 1.

[21] See OCC Attachment 2.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Comments on the Application of Columbia Gas of Ohio by the Office of the Ohio Consumers' Counsel* was served via electronic mail to the parties of record identified below, on this 28th day of March 2011.

Larry S. Sauer
Assistant Consumers' Counsel

PARTIES

William Wright, Esq.
Attorney General's Office
Public Utilities Section
180 East Broad Street, 6th Floor
Columbus, Ohio 43215
william.wright@puc.state.oh.us

Stephen B. Seiple, Esq.
Columbia Gas of Ohio, Inc.
200 Civic Center Drive, P.O. Box 117
Columbus, Ohio 43216-0117
sseiple@nisource.com

Colleen L. Mooney, Esq.
Ohio Partners For Affordable Energy
231 West Lima Street
P.O. Box 1793
Findlay, Ohio 45839-1793
cmooney2@columbus.rr.com

OCC Attachment 1: ESTIMATED REVENUE REQUIREMENT REDUCTION ASSOCIATED WITH PLASTIC MAINS REPLACEMENT

2010 Columbia Rider IRP
AMRP Adjustments for Plastic Mains Replacement

Type	Footage	Share	Capital Investment	AMRP Revenue Requirement
Steel	317,311	85.122%	$26,755,631	$4,637,650
Iron	16,050	4.306%	$1,353,334	$234,578
Plastic	39,411	10.572%	$3,323,131	$576,010
Total	372,772	100.000%	$31,432,097	$5,448,239
Additional Revenue Req. Deduction				-$576,010

OCC Attachment 2: RATE IMPACT OF EXCLUDING COSTS ASSOCIATED WITH PLASTIC MAINS REPLACEMENT

Columbia Gas of Ohio, Inc.
Case No. 10-2353-GA-RDR
Computation of Projected Impact per Customer - AMRP
For Rates Effective May 2011

Line No.	Description	Reference	Amount
1	**TOTAL REVENUE REQUIREMENT**		**$14,665,413**
	Reduction due to Plastic Mains		**$576,010**
	NET TOTAL REVENUE REQUIREMENT		**$14,089,403**
2	Allocated Plant in Service per Case No. 08-0072-GA-AIR		
3	SGS Class		$613,479
4	GS Class		$187,259
5	LGS Class		$47,039
6	TOTAL		$847,777
7	Percent by Class		
8	SGS Class	Line 3/Line 6	72.36%
9	GS Class	Line 4/Line 6	22.09%
10	LGS Class	Line 5/Line 6	5.55%
11	TOTAL		100.00%
12	Revenue Requirement Allocated to Each Class		
13	SGS Class	Line 8 * Line 1	$10,195,550
14	GS Class	Line 9 * Line 1	$3,112,101
15	LGS Class	Line 10 * Line 1	$781,752
16	TOTAL Revenue Requirement		$14,089,403
17	Number of Actual Bills TME December 2010		
18	SGS Class		16,528,242
19	GS Class		508,296
20	LGS Class		4,026
21	TOTAL number Actual Annual Bills		17,040,564
22	**PROJECTED IMPACT PER MONTH - SGS CLASS**		**$0.62**
23	**PROJECTED IMPACT PER MONTH - GS CLASS**		**$6.12**
24	**PROJECTED IMPACT PER MONTH - LGS CLASS**		**$194.18**