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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The)
East Ohio Gas Company d/b/a Dominion)
East Ohio to Adjust its Pipeline) Case No. 11-3238-GA-RDR
Infrastructure Replacement Program Cost)
Recovery Charge and Related Matters.)

**COMMENTS ON THE APPLICATION OF THE EAST OHIO GAS COMPANY
D/B/A DOMINION EAST OHIO
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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September 26, 2011

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I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC"), an intervenor in the above-captioned proceeding, hereby files these Comments on the Application of the East Ohio Gas Company d/b/a Dominion East Ohio ("Dominion" or "Company") to increase the rates it charges customers for systematic repair and/or replacement of its pipeline infrastructure distribution facilities. The increase would be collected from customers via the Pipeline Infrastructure Replacement ("PIR") Program Rider ("PIR Cost Recovery Charge"), per the Application that Dominion filed on August 31, 2011 and supplemented on September 15, 2011.

Pursuant to the Stipulation and Recommendation ("Stipulation") filed on August 22, 2008, in Case No. 07-829-GA-AIR et al., and the Opinion and Order of the Public Utilities Commission of Ohio ("Commission" or "PUCO") dated October 15, 2008, the

PIR Cost Recovery Charge rates are subject to annual increases, up to a cap, in each year from 2009 through 2013.¹

On May 31, 2011, Dominion submitted a pre-filing notice of its intent to file an application for approval of an increase in the PIR Cost Recovery Charge. The Company filed a supplement to its Notice of Intent on June 1, 2011. OCC filed its Motion to Intervene in this case on August 24, 2011.

II. RESERVATION OF RIGHTS

OCC reserves the right to file expert testimony on any of its Comments that are not resolved by October 3, 2011, in the settlement process set forth in the Attorney Examiner's September 1, 2011 Entry, in this docket.

III. BURDEN OF PROOF

The burden of proof regarding the Application rests upon Dominion. 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.” Similarly, Dominion in this case bears the burden of proof. Therefore, OCC does not bear any burden of proof in this case.

¹ *In re DEO Rate Case*, Case No. 07-829-GA-AIR, et al., Stipulation at 8 (August 22, 2008); See also Case No. 08-169-GA-UNC, PIR Staff Report at 5 (June 12, 2008).

IV. COMMENTS

A. The Bonus Tax Depreciation for Plant In Service During The Year 2011 Is Not Fully Reflected In The Application.

In its testimony filed with the Application in this case, the Company discusses the sizable impact upon the PIR Cost Recovery Charge of reflecting bonus tax depreciation. The Company states that, by reflecting bonus tax depreciation in its calculation of Deferred Taxes on Liberalized Depreciation, rate base will be reduced by \$33 million in turn reducing the revenue requirement by \$3.7 million.² To the General Sales Service – Residential (“GSS-R”)/ Energy Choice Transportation Service – Residential (“ECTS-R”) customer rate class, reflection of bonus tax depreciation in the calculation would result in a reduction of \$0.22 per customer per month.³ Two weeks after the filing of its Application, the Company filed Supplemental Direct Testimony to revise its Application in order to recognize 50% bonus tax depreciation available for capital additions made in 2008 and 2009 under previous tax law.⁴ This revision by the Company reduced the revenue requirement filed in the Application from \$39.3 million to \$37.5 million and lowered the monthly PIR charge to GSS-R/ ECTS-R customers from \$2.33 to \$2.22.

Through the Job Creation and Worker Assistance Act of 2002, it was the intent of Congress to allow bonus depreciation as a means of ramping up construction projects and, as a result, create jobs in the near term. Enacted in May 2003, the Jobs and Growth Tax Relief Reconciliation Act allowed for 50% bonus depreciation deduction to be claimed in the first year for property acquired after May 5, 2003 and before January 1, 2005 as long as the property was placed in service by that date. The 50% bonus

² Direct Testimony of Vicki H. Friscic at 10 (August 31, 2011).

³ Direct Testimony of Vicki H. Friscic at 10 (August 31, 2011).

⁴ Supplemental Direct Testimony of Vicki H. Friscic at 1 (September 15, 2011)

depreciation on qualifying property still exists today after being extended several times since the enactment of the 2003 Jobs and Growth Tax Relief Reconciliation Act.

On December 17, 2010, President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 extends the first-year 50% bonus depreciation for property placed in service after December 31, 2011 and before January 1, 2013. In addition, the 2010 Tax Relief Act allows for 100% bonus depreciation on qualified property investments made after September 8, 2010 but before January 1, 2012 that are placed in service by January 1, 2012. Through the Testimony of Ms. Friscic, the Company adds that the bonus depreciation level will drop back down to 50% for capital investments placed in service between December 31, 2011 and December 31, 2012.⁵

On its Exhibit A - Revised, Schedule 8, the Company indicates that a 100% bonus depreciation is applied to first year Vintage 2011 plant placed in service between January and June 2011.⁶ However, upon review of the Excel file supporting revised Schedule 8 (provided via e-mail to OCC as a courtesy on September 16, 2011), instead of applying 100% bonus depreciation as indicated to the total tax depreciation base of \$55,206,578.66, Dominion applies only a 50% bonus depreciation reducing the total tax depreciation base to \$27,603,289.33. This has an effect of grossly understating the amount of deferred tax to be deducted from rate base on Revised Schedule 1. Property placed in service for the first time during the period January through June 2011 falls

⁵ Direct Testimony of Vicki H. Friscic at 9 (August 31, 2011).

⁶ Schedules filed on September 15, 2011 to supplement and replace Exhibit A, Schedules 1 through 15 attached to the Application filed August 31, 2011.

squarely within the period the 100% bonus depreciation would be allowed for federal income tax purposes under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

OCC estimates that if Dominion had made the aforementioned adjustment to apply 100% bonus depreciation to the \$55.2 million tax depreciation base for the property amounts designated as January –June Vintage 2011, it would have reduced the revenue requirement of \$37.5 as revised by the Company by approximately \$1.1 million. Hence, the effect on the rates of Residential customers would be to reduce the monthly PIR Cost Recovery Charge by \$0.06 from \$2.22 to \$2.16.⁷ Thus Dominion should make the OCC's recommended adjustment.

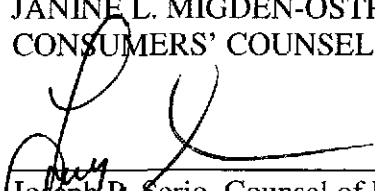
V. CONCLUSION

The Office of the Ohio Consumers' Counsel respectfully files these Comments on the Dominion PIR Application in conformance with the Stipulation and with the Attorney Examiner's September 1, 2011 Entry. OCC's Comments are directed toward producing for Dominion's approximately 1.1 million residential consumers the best result and lowest reasonable rate possible.

⁷ See OCC adjustments contained on the schedules attached hereto as Exhibit A.

Respectfully submitted,

JANINE L. MIGDEN-OSTRANDER
CONSUMERS' COUNSEL

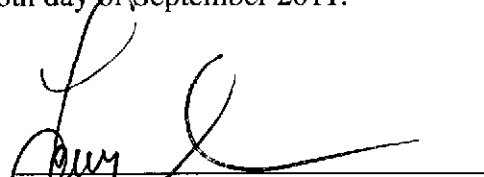


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CERTIFICATE OF SERVICE

I hereby certify that a copy of the *Comments* was served via electronic mail to the parties of record identified below, on this 26th day of September 2011.


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THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
 PIPELINE INFRASTRUCTURE REPLACEMENT (PIR) COST RECOVERY CHARGE
 CASE NO. 11-3238 -GA-RDR
 Proposed OCC Adjustments to the PIRP Revenue Requirement

Exhibit A
 Page 1 of 2

Line No.		Order Cumulative Through 6/30/10	Actual 07/01/10 Through 06/30/11	Cumulative Through 6/30/11	
1	Return on Investment				
2	Plant In Service				
3	Capital Additions	\$174,569,808.27	\$115,190,628.83	\$289,760,437.10	
4	Cost of Removal	(\$3,216,484.59)	(\$2,515,823.05)	(\$5,732,307.64)	
5	Retirements	(\$7,739,955.12)	(\$6,791,325.86)	(\$14,531,280.98)	
6	Total Plant In Service	\$163,613,368.56	\$105,883,479.92	\$269,496,848.48	
7	Less: Accumulated Provision for Depreciation				
8	Depreciation Expense	\$4,361,349.79	\$6,051,035.74	\$10,412,385.53	
9	Cost of Removal	(\$3,216,484.59)	(\$2,515,823.05)	(\$5,732,307.64)	
10	Retirements	(\$7,739,955.12)	(\$6,791,325.86)	(\$14,531,280.98)	
11	Total Accumulated Provision for Depreciation	(\$6,595,089.92)	(\$3,256,113.17)	(\$9,851,203.09)	
12	Subtotal: Net Capital Additions	\$170,208,458.48	\$109,139,593.09	\$279,348,051.57	
13	Net Regulatory Asset - Post-In-Service Carrying Cost (6.5%)	\$7,301,457.24	\$5,114,872.87	\$12,416,330.11	
14	Net Deferred Tax Balance - PISCC	(\$2,555,510.03)	(\$1,790,205.50)	(\$4,345,715.53)	
15	Deferred Taxes on Liberalized Depreciation	(\$4,137,046.07)	(\$63,757,206.46)	(\$67,894,252.53)	
16	Rate Base	\$170,817,359.62	\$48,707,054.00	\$219,524,413.62	
17	Approved Pre-Tax Rate of Return			11.36%	
18	Annualized Return on Rate Base			\$24,937,973.39	
19	Operating Expense				
20	Incremental Depreciation Expense			\$124,161.59	
21	Annualized Depreciation on Assets through 06/30/2011			\$7,579,326.08	
22	Annualized Amortization of PISCC			\$224,171.11	
23	Incremental Property Tax Expense			\$45,445.33	
24	Annualized Property Tax Expense on Assets through 6/30/2011			\$5,582,748.68	
25	O&M Expense Savings			(\$2,127,562.85)	
26	Annualized Revenue Requirement			\$36,366,263.33	
27	PIR Cost Recovery Charge by Rate Schedule				
28	GSS / ECTS			\$2.16	Per Customer Per Month
29	LVGSS / LVECTS			\$18.87	Per Customer Per Month
30	GTS / TSS			\$84.66	Per Customer Per Month
31	DTS			\$0.0324	Per Mcf

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
 PIPELINE INFRASTRUCTURE REPLACEMENT (PIR) COST RECOVERY CHARGE
 CASE NO. 11-3238 -GA-RDR
 Proposed DCC Adjustments to Deferred Taxes on Liberalized Depreciation

Exhibit A
 Page 2 of 2

Revised for Bonus Tax Depreciation

Line No.	FERC Acct	Tax Life	Approved 06/30/10	July - December 2010					January - June 2011					Jul 08-Jun 11 Vtg 2008 - 2011
				Total Vintage 2008	Total Vintage 2009	Jan - Jun Vintage 2010	Jul - Sep Vintage 2010	Oct-Dec Vintage 2010	Total Vintage 2008	Total Vintage 2009	Total Vintage 2010	Jan-Jun Vintage 2011		
Capital Additions Less Cost of Removal*														
1	3760	15/20		\$8,935,399.37	\$14,599,182.15	\$7,531,663.89	\$5,666,019.43	\$8,510,613.36	\$8,510,613.36	\$8,935,399.37	\$14,599,182.15	\$21,718,302.66	\$14,843,901.85	\$60,095,786.05
2	3760	15		\$13,459,722.81	\$23,464,242.45	\$14,492,407.16	\$7,484,991.67	\$16,957,051.62	\$16,957,051.62	\$13,459,722.81	\$23,464,242.45	\$38,934,450.45	\$18,574,792.44	\$94,493,208.15
3	3780	15/20		\$0.00	\$1,100,353.93	\$212,644.89	\$311,994.08	\$1,828,805.52	\$0.00	\$0.00	\$1,100,353.93	\$2,353,444.49	\$1,669,232.70	\$5,123,091.12
4	3760	15/20		\$0.00	\$287,883.58	\$107,704.33	\$2,910.09	\$188,387.05	\$0.00	\$0.00	\$287,883.58	\$299,001.47	\$436,349.11	\$1,023,234.16
5	3760	15		\$0.00	\$336,791.37	\$147,036.88	\$171,824.08	\$557,529.73	\$0.00	\$0.00	\$336,791.37	\$876,390.64	\$735,918.46	\$1,949,100.47
6	3800	15/20		\$3,769,492.13	\$11,579,429.36	\$5,815,545.17	\$2,977,630.84	\$3,459,024.56	\$3,769,492.13	\$3,769,492.13	\$11,579,429.36	\$12,252,200.57	\$6,377,610.21	\$34,578,732.27
7	3800	15/20		\$4,286,699.67	\$13,168,229.02	\$6,613,489.18	\$3,386,188.01	\$3,493,633.18	\$4,286,699.67	\$4,286,699.67	\$13,168,229.02	\$13,993,310.37	\$7,934,999.79	\$39,333,288.85
8	3690	15		\$0.00	\$79,528.81	\$187,721.31	\$1,731.37	\$266,440.65	\$0.00	\$0.00	\$79,528.81	\$455,893.33	\$505,191.15	\$1,040,613.29
9	3670	15		\$3,819,929.43	\$19,435,445.76	\$17,188,836.15	\$221,992.05	\$1,531,453.88	\$3,819,929.43	\$3,819,929.43	\$19,435,445.76	\$18,947,282.08	\$3,809,582.95	\$45,707,240.22
10	3030	3		\$0.00	\$733,944.88	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$733,944.88	\$0.00	\$0.00	\$733,944.88
11				\$34,271,243.41	\$84,785,031.31	\$52,297,048.96	\$20,225,281.57	\$37,242,945.55	\$34,271,243.41	\$84,785,031.31	\$109,765,276.08	\$55,206,578.66	\$284,028,129.46	
Tax Base in Services subject to:														
12				\$34,271,243.41	\$84,051,086.43	\$52,297,048.96	\$20,225,281.57	\$37,242,945.55	\$34,271,243.41	\$84,051,086.43	\$109,765,276.08	\$53,345,485.00	\$251,493,090.92	
13				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31,861,093.66	
14				\$0.00	\$733,944.88	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$733,944.88	\$0.00	\$733,944.88	
15				\$34,271,243.41	\$84,785,031.31	\$52,297,048.96	\$20,225,281.57	\$37,242,945.55	\$34,271,243.41	\$84,785,031.31	\$109,765,276.08	\$55,206,578.66	\$284,028,129.46	
Tax Rates														
16				8.55%	9.50%	5.00%	5.00%	100.00%	7.10%	8.55%	9.50%	100.00%	100.00%	
17				6.68%	7.22%	3.75%	3.75%	100.00%	6.18%	6.68%	7.22%	100.00%	100.00%	
18				33.33%	33.33%	16.67%	16.67%	100.00%	16.67%	33.33%	33.33%	100.00%	100.00%	
Tax Depreciation														
19				\$15,936,833.10	\$39,934,266.05	\$26,148,524.48	\$10,638,272.82	\$37,242,945.55	\$15,936,833.10	\$39,934,266.05	\$17,722,405.35	\$23,345,485.00	\$172,045,573.93	
20				\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$31,861,093.66	
21				\$244,648.29	\$122,324.15	\$0.00	\$0.00	\$0.00	\$244,648.29	\$122,324.15	\$0.00	\$0.00	\$489,296.59	
22				\$16,181,481.39	\$40,046,590.20	\$26,148,524.48	\$10,638,272.82	\$37,242,945.55	\$16,181,481.39	\$40,046,590.20	\$17,722,405.35	\$55,206,578.66	\$204,395,964.18	
23							\$128,707,289.61					\$59,507,193.18		
Book Depreciation - Provision for Depr Expense														
24				\$565,878.26	\$2,067,544.44	\$1,139,212.21	\$413,921.11	\$1,139,212.21	\$565,878.26	\$2,067,544.44	\$1,139,212.21	\$413,921.11	\$1,364,788.40	
25				\$906,693.44	\$2,016,632.00	\$1,139,212.21	\$413,921.11	\$1,139,212.21	\$906,693.44	\$2,016,632.00	\$1,139,212.21	\$413,921.11	\$2,207,246.97	
26				\$22,016.32	\$22,016.32	\$22,016.32	\$22,016.32	\$22,016.32	\$22,016.32	\$22,016.32	\$22,016.32	\$22,016.32	\$94,135.34	
27				\$4,139.21	\$4,139.21	\$4,139.21	\$4,139.21	\$4,139.21	\$4,139.21	\$4,139.21	\$4,139.21	\$4,139.21	\$14,747.62	
28				\$4,598.18	\$4,598.18	\$4,598.18	\$4,598.18	\$4,598.18	\$4,598.18	\$4,598.18	\$4,598.18	\$4,598.18	\$24,150.79	
29				\$1,105,962.74	\$1,105,962.74	\$1,105,962.74	\$1,105,962.74	\$1,105,962.74	\$1,105,962.74	\$1,105,962.74	\$1,105,962.74	\$1,105,962.74	\$2,695,221.28	
30				\$876,987.09	\$876,987.09	\$876,987.09	\$876,987.09	\$876,987.09	\$876,987.09	\$876,987.09	\$876,987.09	\$876,987.09	\$2,140,846.38	
31				\$2,067.50	\$2,067.50	\$2,067.50	\$2,067.50	\$2,067.50	\$2,067.50	\$2,067.50	\$2,067.50	\$2,067.50	\$14,132.66	
32				\$713,985.72	\$713,985.72	\$713,985.72	\$713,985.72	\$713,985.72	\$713,985.72	\$713,985.72	\$713,985.72	\$713,985.72	\$1,551,305.84	
33				\$159,021.33	\$159,021.33	\$159,021.33	\$159,021.33	\$159,021.33	\$159,021.33	\$159,021.33	\$159,021.33	\$159,021.33	\$305,830.25	
34				\$4,361,349.79	\$4,361,349.79	\$4,361,349.79	\$4,361,349.79	\$4,361,349.79	\$4,361,349.79	\$4,361,349.79	\$4,361,349.79	\$4,361,349.79	\$10,412,395.53	
35				\$11,820,131.60	\$11,820,131.60	\$11,820,131.60	\$11,820,131.60	\$11,820,131.60	\$11,820,131.60	\$11,820,131.60	\$11,820,131.60	\$11,820,131.60	\$193,983,578.65	
36				\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$67,894,252.54	
37													\$63,252,206.46	
38				\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$67,894,252.53	
39				35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	
40				\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$4,137,046.07	\$19,650,770.35	

Total Book Depreciation
 Tax Depreciation in Excess of Book Depreciation
 Federal Deferred Taxes @ 35.00%
 Deferred Income Tax on Current Fiscal Year
 Accumulated Deferred Income Tax (ADIT)
 Federal Deferral Rate
 Federal Deferred Taxes @ 35.00% (Actual)