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Columbia Exhibit No.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Application of Columbia Gas of Ohio, Inc. for an Adjustment to Rider IRP and Rider DSM Rates)	Case No. 11-5803-GA-RDR

PREPARED DIRECT TESTIMONY
OF LARRY MARTIN
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.

COLUMBIA GAS OF OHIO, INC.

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COLUMBIA GAS OF OHIO, INC.

February 28, 2012

PREPARED DIRECT TESTIMONY OF LARRY MARTIN

Q. Please state your name and business address.

A. Larry Martin, 200 Civic Center Drive, Columbus, Ohio 43215.

Q. By who are you employed?

A. I am employed by Columbia Gas of Ohio, Inc. ("Columbia").

Q. Will you please state briefly your educational background and experience?

A. I attended West Virginia State College located in Institute, West Virginia where I majored in Business Administration. Columbia employed me in January 1969 in the Finance Department. During that same year I was promoted to the position of Rate Accountant in the Rate Department. Since then, I have held the positions of Senior Rate Accountant, Rate Analyst, Senior Rate Analyst, Rate Engineer and Senior Rate Engineer. In 1991, I was promoted to Director-Regulatory Services, where I became responsible for all technical regulatory matters for Columbia. During 1996 as Columbia reorganized its operations, I accepted the position of Director, Regulatory Planning and became jointly responsible for all technical regulatory matters. I have testified before the Pennsylvania Utility Commission, the Virginia State Corporation Commission, the Ohio Board of Tax Appeals and Public Utilities Commission of Ohio.

Q. What are your job responsibilities as Director, Regulatory Affairs?

A. My primary responsibilities include the planning, supervision, preparation and support of all Columbia regulatory filings before the Public Utilities Commission of Ohio ("Commission"). These responsibilities also include the preparation of exhibits, proposed tariff changes and testimony filed by Columbia in support of the Infrastructure Replacement Program ("IRP") rider proposed by Columbia in this case.

Q. What is the purpose of your testimony?

A. My testimony is to support the reasonableness of Columbia's request for the proposed rate adjustments in Riders IRP and DSM. I am providing detailed explanation of the program and the schedules filed by Columbia on February 28, 2012 in support of the proposed adjustments.

Q. What Schedules do you sponsor in this proceeding?

A. Following, is list and brief description of the schedules sponsored by me in this proceeding:

Schedule/Exhibit	Description
Schedule AMRP-1	Summary of Rate Base and Revenue Requirement.
Schedule AMRP-2	Detail of Monthly and Cumulative Plant Additions
Schedule AMRP-3	Detail of Monthly and Cumulative Cost of Removal
Schedule AMRP-4	Detail of Monthly & Cumulative Original Cost Plant Retired
Schedule AMRP-5	Detail of Monthly & Cumulative Provision for Depreciation
Schedule AMRP-6	Detail of Computation of Post in Service Carrying Costs
Schedule AMRP-7	Computation of Annualized Property Tax Expense
Schedule AMRP-8	Computation of Deferred Taxes – Liberalized Depreciation
Schedule AMRP-9A	Operation &Maintenance Expenses
Schedule AMRP-9B	Computation of Operation &Maintenance Expense Savings
Schedule AMRP-10	Reconciliation of Revenue With Prior Revenue Requirement
Schedule AMRP-11	Computation of Revised IRP Rate Component
Schedule R-1	Summary of Rate Base and Revenue Requirement.
Schedule R-2	Detail of Monthly and Cumulative Plant Additions
Schedule R-3	Detail of Monthly and Cumulative Cost of Removal
Schedule R-4	Detail of Monthly & Cumulative Original Cost Plant Retired
Schedule R-5	Detail of Monthly & Cumulative Provision for Depreciation
Schedule R-6	Detail of Computation of Post in Service Carrying Costs
Schedule R-7	Computation of Annualized Property Tax Expense
Schedule R-8	Computation of Deferred Taxes – Liberalized Depreciation
Schedule R-9	Operation &Maintenance Expenses
Schedule R-10	Reconciliation of Revenue With Prior Revenue Requirement

Schedule/Exhibit	Description
Schedule R-11	Computation of the Revised IRP Rate Component
Schedule AMRD-1	Summary of Rate Base and Revenue Requirement.
Schedule AMRD-2	Detail of Monthly and Cumulative Plant Additions
Schedule AMRD-3	Detail of Monthly and Cumulative Cost of Removal
Schedule AMRD-4	Detail of Monthly & Cumulative Original Cost Plant Retired
Schedule AMRD-5	Detail of Monthly & Cumulative Provision for Depreciation
Schedule AMRD-6	Detail of Computation of Post in Service Carrying Costs
Schedule AMRD-7	Computation of Annualized Property Tax Expense
Schedule AMRD-8	Computation of Deferred Taxes – Liberalized Depreciation
ScheduleAMRD-9A	Operation &Maintenance Expenses
Schedule AMRD-9B	Computation of Operation &Maintenance Expense Savings
Schedule AMRD-10	Reconciliation of Revenue With Prior Revenue Requirement
Schedule AMRD-11	Computation of the Revised IRP Rate Component

EXPLANATION OF RIDER IRP PROGRAM:

Q. Are you familiar with the Stipulation and Recommendation ("Stipulation") filed with the Commission on October 24, 2008, and approved by the Commission in its Opinion and Order ("Order") dated December 3, 2008 in Case No. 08-0072-GA-AIR?

A. Yes.

Q. When was Rider IRP first authorized by Commission?

A. Columbia was first authorized to establish Rider IRP by the Commission in its Opinion and Order ("Order") issued on December 8, 2008 in Case No. 08-0072-GA-AIR. Pursuant to that Order, Rider IRP shall provide for recovery of and the return on Columbia's plant investment and related expenses as provided for in the stipulation filed on October 24, 2008.

Q. According to the Rate Case Order, what information should be included in the annual application to adjust Rider IRP?

A. Columbia's Application will include three independent revenue requirement calculations. Each calculation will be computed in the same manner, based on the costs of the specific program. The Application will be based on actual data through December of the prior year. A true-up of authorized revenues to those actually collected will be included in each subsequent filing. Columbia will also list its AMRP construction plans for the current calendar year. Columbia will provide evidence in its annual Rider IRP applications to show that the rider was not used to recover the costs of projects that otherwise would have been included in its capital replacement program. Columbia also agreed to provide Commission Staff with audited accounting and billing records, prepared by Columbia's external auditor.

Q. Please describe Rider IRP.

A. Rider IRP consists of three components. The first component recovers the costs associated with the replacement of natural gas risers that are prone to failure, along with the costs associated with the installation, maintenance, repair and replacement of customer service lines that have been determined to present an existing or probable hazard to persons and property. Schedules filed in support of this component are identified through the use of the letter "R".

The second component recovers the costs associated with Columbia's Accelerated Mains Replacement Program ("AMRP"). Under the AMRP, Columbia plans to replace approximately 4,000 miles of priority pipe and an estimated 350,000 to 360,000 metallic service lines over a period of approximately 25 years. Schedules filed in support of this component are identified through the use of the acronym "AMRP".

The third component recovers costs associated with Columbia's installation of Automated Meter Reading Devices ("AMRD") on all residential and commercial meters served by Columbia over approximately five years, beginning in 2009. Schedules filed in support of this component are identified through the use of the acronym "AMRD".

Q. Did Columbia include each of these components in the schedules or supporting testimony filed February 28, 2012 in support of this proceeding?

A. Yes. The three independent revenue calculations are detailed on Schedules AMRP-1, AMRD-1, and Riser-1. AMRP construction plans for calendar year 2012 are detailed in Columbia witness Belle's testimony. Columbia witness Belle also addresses the factors used to determine the pipe replacement priority. Attachment LWM-1 of my testimony demonstrates that Rider IRP was not used to recover the cost of projects that otherwise would have been included in Columbia's capital replacement program.

Q. Has an Independent Accountant's Report been separately docketed in this case?

A. No. On December 7, 2010 in Case No. 10-2353-GA-RDR, Columbia filed a motion for waiver to forego the audit requirement. On March 9, 2011, the Commission issued an Entry in that case in which it found Columbia's motion for waiver of the audit requirement reasonable in that case and all future filings to update Rider IRP and Rider DSM unless otherwise ordered by the Commission.

Q. How are the schedules included in Columbia's November 30, 2011 Notice of Intent different from the updated schedules filed in this proceeding on February 28, 2012?

A. The schedules included in Columbia's Notice of Intent contained nine months actual and three months estimated calendar year 2011 data, while the schedules filed February 28, 2012 contain twelve months of actual calendar year 2011 data.

Q. Does your testimony support the estimated data?

A. No. My testimony supports the actual data filed in this proceeding on February 28, 2012 in support of the Rider IRP rate calculated on Attachment A of the Application that will ultimately be billed to customers.

Q. What is included in the annualized IRP revenue requirement calculations?

A. Each of the revenue requirements set forth on Schedules AMRP-1, R-1 and AMRD-1 includes return on and return of Columbia's investment in each of these programs and related costs such as program operating expenses and deferred expenses. The Rate Case Order authorizes the pre-tax return on rate base of 10.95%. Costs included for determination of revenue requirement are consistent with those costs components identified for recovery in the Joint Stipulation and Recommendation filed in Case 08-0072-GA-AIR et al. on October 24, 2008 and the Order issued on December 3, 2008.

Q. What types of IRP related costs are capitalized and included in rate base?

A. The development of Rate Base used for computation of pretax return on rate based is also shown on Schedules AMRP-1, R-1 and AMRD-1. Capitalized costs include contract labor and associated expenses, materials and supplies, internal labor and associated overheads, and AFUDC are examples of the types of costs included in rate base. The plant additions are capitalized at Columbia's actual cost of replacement and shown as an increase to rate base as projects are placed in service. The associated accumulated reserve for depreciation is detailed as a reduction to rate base. Each of the rate base components is based on the cumulative investment made by Columbia during the four calendar years ended December 31, 2011.

Q. What types of IRP related deferred expenses are included in rate base?

A. Deferred Depreciation Expense, Deferred Property Tax Expense and Deferred PISCC are the three types of deferred expenses included in rate base. In general, expenses are deferred beginning with the month the plant goes in service or the month the expense is incurred until Columbia begins earning a return on its investment through rates. The cumulative deferred expenses recorded during calendar years 2008-11 have been included as part of rate base in this filing.

Q. Why are deferred taxes shown as a reduction to rate base?

A. Deferred taxes are a non-investor source of funds, resulting from a tax treatment of expense that is different from the book treatment. Recognition of deferred taxes properly measures Columbia's net investment resulting from implementation of the IRP program. These non-investor sources of funds reflected as offset to rate base include deferred taxes resulting from the use of higher tax depreciation and current year recognition of deferred PISCC and property taxes.

Q. Describe how recent federal tax legislation impacts deferred taxes.

A. Pursuant to recent federal tax legislation, the costs associated with capital projects that began and were placed in service after September 8, 2010 were treated as 100% depreciation expense for federal tax purposes. The costs associated with the majority of Columbia's remaining calendar year 2010 projects qualified for 50% tax depreciation expense in 2010. The costs associated with all 2011 capital projects qualified for 100% tax depreciation in 2011. The deferred taxes resulting from the higher tax depreciation treatment, net of the associated net operating losses, have been reflected in Columbia's deferred tax calculations. This federal tax legislation results in a reduction to rate base, reflecting the non-investor source of funds.

Q. What types of Operating Expenses are included in the IRP revenue requirements calculation?

A. Annualized depreciation, annualized property tax, annualized amortization of deferred expenses, customer education expenses, and riser survey and investigation expenses are included in the IRP revenue requirement calculations. In addition, one quarter of Columbia's 2008 customer education expenses were included in the AMRP and Riser revenue requirements calculations per the Joint Stipulation and Recommendation in Case No. 09-006-GA-UNC.

Q. Please describe the property tax calculation set forth on Scheduled AMRP-7, R-7 and AMRD-7.

A. These schedules provide for the computation of property tax based on the sum of plant additions excluding the original cost retired. The calculation follows the process used in Columbia's Annual Report to the Ohio Department of Taxation to determine the Net Property Valuation and uses the latest projected average property tax rate per $1,000 of valuation. It reflects the ongoing property tax that Columbia projects it will incur during the twelve months that the proposed IRP rate will be in effect. These schedules further detail the development of the deferred property taxes and annualized amortization of the deferred expenses included in the revenue requirement.

Q. Is a common basis used to calculate accumulated depreciation, depreciation expense, and deferred depreciation expense shown on Schedules AMRP-5 and AMRP-6, R-5 and R-6 and AMRD-5 and AMRD-6?

A. No. Pursuant to the Joint Stipulation and Recommendation in Case No. 09-006-GA-UNC, accumulated depreciation was calculated using gross plant additions; however, deferred depreciation and annualized depreciation expense were calculated using plant additions net of retirements. In all three cases, the depreciation rates used were those most recently approved by the Commission.

Q. Please explain the annualized amortization of deferred expenses calculations.

A. Deferred expenses such as deferred depreciation, deferred property taxes, and deferred PISCC are amortized over the life of the associated assets using the current depreciation rate. Amortization does not start until Columbia begins recovering the associated expense through rates and is calculated based on the cumulative date certain balance and current depreciation rate. Amortization of Deferred Depreciation Expense is shown on Schedules AMRP-5, R-5 and AMRD-5. Amortization of Deferred PISCC is shown on Schedules AMRP-6, R-6 and AMRD-6 with the determination of the amortization of Deferred Property Taxes being set forth AMRP-7, R-7 and AMRD-7.

Q. Is there recognition of O&M savings included in the revenue requirement calculation?

A. Yes. The combined Revenue Requirement provides for recognition of $2.5 million of O&M savings. There are two types of savings passed back to customers: meter reading expense savings of $2.30 million, and mains and service expense savings of $0.16 million. Both types of savings are included as a reduction in the associated revenue requirements.

Q. Please describe how meter reading expense savings on Schedule AMRD-9b were calculated.

A. The Rate Case Order states that each annual IRP filing shall contain a comparison of that year's meter reading expense (FERC 902) against the meter reading expense for the twelve months ended September 30, 2008. If that year's meter reading expense is lower than the test year amount, the savings should appear as a reduction to the revenue requirement. The parties further agreed that additional savings (e.g. meter reading plan and call center savings) that may result from the AMRD program should also be passed back to customers. Subsequently, Staff, OCC and Columbia agreed to four separate AMRD savings baseline calculations. Savings in one baseline calculation will not be netted against added costs in another. The first is the FERC 902 savings described above. The second calculation compares the expense incurred on minimum gas service standard mailings from the twelve months ended September 2008 to the current year's expense. If the current year's expense is lower than the test year, the savings will appear as a reduction to the revenue requirement. The next calculation compares the expense incurred for meter reading contacts at the customer call center from the twelve months ended September 2008 to the current year's expense. If the current year's expense is lower than the test year expense, the savings will appear as a reduction to the revenue requirement. The final calculation removes the amount of AMRD installation expense that is included in base rates to further ensure Rider IRP is not used to recover costs already embedded in base rates.

Q. Please describe how mains and services O&M expense savings shown on Schedule AMRP-9b were calculated.

A. The Stipulation approved by the 2010 Order, issued in Case No. 09-1036-GA-RDR, changed the calculation of future O&M savings related to mains and services. Rather than using the methodology detailed in Case No. 08-0072-GA-AIR, the savings attributable to Columbia's AMRP program is now calculated by including only those account activities subsequently agreed upon by the parties. Only those activities experiencing savings are included in the calculation of O&M savings; therefore, activities experiencing increased expenditures are not included.

Q. Did the parties agree to the mains and services activities that should be included?

A. Subsequent to the issuance of the 2010 Order, PUCO Staff, OCC, and Columbia spent time better understanding each of the mains and service activities. It is my understanding that the parties informally agreed to four activities that should be included in the O&M savings calculation: leak inspection, leak repair, general/other, and half of supervision and engineering. Columbia's application contains a comparison of 2011's expense for these four O&M activities against the expense for these activities during the twelve months ended September 30, 2008. Only those activities experiencing savings are included in the calculation of O&M savings.

Q. What is the basis for including all of the items described in the paragraphs above in the development of the IRP revenue requirement?

A. Each item included in the revenue requirement is a reasonable, necessary, business-related expense directly resulting from the implementation of the IRP specifically identified for recovery in Joint Stipulation and Recommendation and or Commission Order issued in Case No. 08-0072-GA-AIR *et al.*

Q. How are the revenue requirements to be spread over Columbia's customer base?

A. Each of the respective revenue requirements is allocated by customer rate class based on cost occurrence reported in the Class Cost of Service Study filed as Schedule E-3.2-1 in Case No. 08-0072-GA-AIR. Next, the allocated program costs will be converted to a monthly fixed charge based on the class specific total actual number of bills for the calendar year 2011. The impact on individual rate schedules for each program will then be aggregated for determination of Rider IRP. The AMRP revenue requirement is allocated by rate class based on the gross plant in service for distribution plant account 376, Mains to customers in all of the Small General Service, General Service, and Large General Service rate schedules. The allocation of the AMRP revenue requirement and development of the applicable IRP rate component is shown on AMRP-11. The Riser and Hazardous Services revenue requirement is allocated by rate class based on the gross plant account 380, Services to customers in all of the Small General Service and General Service rate schedules. This allocation of revenue requirement and development of applicable rate component is detailed on Schedule R-11. The AMRD revenue requirement is allocated by rate class based on the gross plant account 381, Meters to customers in all of the Small General Service and General Service rate schedules with allocation of the revenue requirement and development of the applicable rate component shown on Schedule AMRD-11.

Q. What is the source for the actual data shown on these schedules?

A. Generally, the information came from either the General Ledger or the supporting sub-ledgers of Columbia. When data came from another source, it was indicated on the appropriate schedule or elsewhere in this testimony.

Q. What evidence has been provided to show that Rider IRP was not used to recover the costs of projects that otherwise would have been included in Columbia's capital replacement program?

A. Attachment LWM-1 is consistent with the methodology Staff used in Case No. 09-1036-GA- RDR to show that Columbia placed in service more capital, after removing IRP plant in service, since the inception of Rider IRP than it did on average in the five historical years leading up to Rider IRP. Staff limited its interpretation to the six plant-in-service accounts that are included in Rider IRP: 376 Mains, 380 Services, 381 Meters, 382 Meter Installs, 383 House Regulators, and 384 House Regulator Installs.

Q. Do you find Staff's methodology to be reasonable?

A. Yes, with a couple of clarifications. First, growth projects need to be removed from all of the years because growth projects have typically been considered revenue generating and not considered "replacement" jobs. Second, $42 million in costs related to three large scale projects need to be removed from the historical period because these projects are not "routine" replacement projects. Finally, post-in-service carrying costs ("PISCC") recorded to FERC 101 need to be removed from the historical data. This is because the Order in Case No. 09-0006-GA-RDR required Columbia to begin recording PISCC to FERC account 182.

Q. Describe the three large scale projects that were removed from the historical average.

A. The Columbus Northern Loop Project, the DB-157 Looping from the Northern Loop Project, and the Southwest Delaware County Supply Line Project were removed from the calculation. All three projects were part of an overall infrastructure investment effort designed to increase supply in support of growth and development in the northern Columbus and southern Delaware County area. Together, these projects resulted in the installation of over thirty-six miles of new, high pressure distribution mains, the reconstruction of the New Albany Border Station, and the installation of two new district regulator stations.

Q. Why were these three large scale projects removed from the historical average?

A. These projects were removed because they would not have been routinely funded by Columbia's capital replacement program.

Q. Based on this approach, did Columbia include investment costs in Rider IRP that would have routinely been included in its capital replacement program?

A. No. Over the first four years of Rider IRP, Columbia has placed in service over $126 million of capital investments that were not included in Rider IRP. This includes replacing curb to main service lines, mandatory system relocates, meter replacements, and all other age and condition projects that did not contain priority pipe. Cumulatively, this exceeds the annual historical average by more than $14 million ($28 million times 4 years of additions = $112 million; $126 million four year cumulative plant in service additions - $112 million historical average).

EXPLANATION OF RIDER DSM SCHEDULES:

Q. Are you familiar with Columbia's Application to Establish Demand Side Management Programs, Case No. 08-0833-GA-UNC, filed on July 1, 2008 and approved by the Commission on July 23, 2008?

A. Yes. Among other things, this Application defines the DSM program portfolio, program benefits, funding limits, customer base, program evaluation plan, and program time frames.

Q. What other cases impact Columbia's DSM program?

A. On February 1, 2008, Columbia filed its Application for Approval to Change Accounting Methods in PUCO Case No. 08-0074-GA-AAM, in which Columbia requested authority to defer expenses incurred in the development and implementation of the DSM program. On March 3, 2008, Columbia filed its Application for Authority to Increase Rates for Gas Distribution Service and for Approval of an Alternative Regulation Plan in PUCO Case Nos. 08-0072-GA-AIR et al. As part of its Alternative Regulation Plan, Columbia requested approval of the proposed Rider DSM to recover DSM costs, including those deferred expenses incurred in the development and implementation of the DSM programs. The Order in Case Nos. 08-0072-GA-AIR et al. approves the requested accounting authority and implementation of Rider DSM.

Q. Please describe Rider DSM.

A. Rider DSM authorizes Columbia to implement a comprehensive, ratepayer funded, cost-effective energy efficiency program made available to all residential and commercial customers during calendar years 2009-

2011. Total ratepayer funding was expected to approximate $24.9 million over three years.

Rider DSM will be determined annually based on the actual cost of the program for the previous calendar year with rates to become effective the following May. The procedure for the filing of Rider DSM adjustments is identical to the filing procedure applicable to Rider IRP, as set forth in the Order.

Q. How are the schedules included in Columbia's November 30, 2011 Notice of Intent different from the updated schedules filed in this proceeding on February 28, 2012?

A. The schedules included in Columbia's Notice of Intent contained nine months actual and three months estimated calendar year 2011 data. The schedules filed February 28, 2012 contain twelve months of actual calendar year 2011 data.

Q. Does your testimony support the estimated data?

A. No. My testimony supports the actual data filed in this proceeding on February 28, 2012 because the actual data is what supports the Rider DSM rate calculated on Schedule DSM-5 that will ultimately be billed to customers.

Q. What types of DSM expenses are deferred?

A. Expenses incurred in the development, implementation, and administration of the comprehensive energy efficiency programs are deferred using actual costs as incurred. In addition, carrying costs were deferred as actual costs and calculated using Columbia's actual 2011 weighted cost of debt rate, 5.80%. The Commission Order approving Case No.08-0833-GA-UNC authorizes the inclusion of carrying costs.

Q. What is included in the annualized DSM revenue requirement?

A. Deferred expenses incurred through December 31, 2011 have been included in the DSM revenue requirement.

Q. How is the DSM revenue requirement allocated to Columbia's customer base?

A. Pursuant to the Commission's Order in Case No. 08-0833-GA-UNC, the DSM program costs will be recovered from those customer classes eligible to participate – Small General Service customers. The total revenue requirement calculated on Schedule DSM-1 is divided by the projected annual throughput for the twelve months rates will be in effect and the resulting rate will be billed volumetrically.

Q. What is the basis for including all of the items described in the paragraphs above in the development of the DSM revenue requirement?

A. Each item included in the revenue requirement is a reasonable, necessary, business-related expense directly resulting from the development, administration, and implementation of the DSM program.

Q. What is the source for the actual data shown on these schedules?

A. Generally, the information came from either the General Ledger or the supporting sub-ledgers of Columbia. When data came from another source, it was indicated on the appropriate schedule or elsewhere in this testimony.

Q. What schedules did Columbia file in support of its proposed Rider DSM rate?

A. As part of its Application filed at the same time as this testimony, Columbia filed the following schedules:

Schedule/Exhibit	Description
Schedule DSM-1	DSM Revenue Requirement Calculation
Schedule DSM-2	Detail of Deferred DSM Expenditures by Month
Schedule DSM-3	Detail of DS< Recoveries by Month
Schedule DSM-4	Computation of DSM Carrying Costs
Schedule DSM-5	Computation of DSM Rate per Customer

<u>DSM-5</u> calculates the proposed volumetric DSM rate.

EXPLANATION OF REMAINING SCHEDULES:

Q. Are there any other schedules included in the Application?

A. Yes. Columbia included the following remaining schedules.

Schedule/Exhibit	Description
Attachment A	Summary of Rates by Class
Attachment B	Proposed Rate Schedules
Attachment C	Typical Bill Comparison

Q. Would you please provide a brief explanation of each of the schedules?

A. Attachment A computes the proposed combined monthly IRP rate by customer class. It also computes the volumetric DSM rate.

Attachment B details the rate schedules to which Rider IRP applies.

Attachment C compares typical bills for each rate schedule between current rates and the proposed Rider IRP and DSM rates.

REASONABLENESS OF REQUESTED INCREASE AND BENEFITS TO RATEPAYERS AND THE PUBLIC INTEREST

Q. Did Columbia agree to a Rider IRP rate cap for the Small General Service ("SGS") class of customers?

A. Yes. The cap mechanism defined in the Stipulation limits the IRP rate that becomes effective May 2012 to $4.20 per SGS customer per month.

Q. Are Columbia's proposed rates within the permitted caps?

A. Yes. Columbia's proposed SGS class rate is $3.61 per customer per month beginning May 2012.

Q. Does the combined revenue requirement detailed on Schedules R-1, AMRP-1, AMRD-1, and DSM-1 exceed what was presented in Columbia's Notice of Intent filed in this docket on November 20, 2011?

A. Yes. Columbia is proposing a combined annualized revenue requirement of $69,243,122 in the updated schedules supported by my testimony. This exceeds the combined annualized revenue requirement of $68,951,229 estimated on November 30, 2011. Due to the fact the actual revenue requirement supports higher rates than those requested in the Notice of Intent the rates produced from the actual AMRP component have been adjusted to reflect rates at a level equal to or lower than those requested in Columbia's November 30, 2011 Notice of Intent. Columbia estimates that the rate changes proposed herein, if granted in full and factoring in the applicable rate caps approved by the Commission, would increase gross revenues by an additional $27,929,190 or 2.6%.

Q. Do you have an opinion regarding whether Columbia's request to adjust Riders IRP and DSM are reasonable?

A. Yes. I believe Columbia's request to adjust its Riders IRP and DSM is fair and reasonable. I believe that the costs of service are properly allocated to the appropriate customer classes and the rate design was properly computed in accordance with the terms and conditions of prior Commission orders. Furthermore, the proposed Rider IRP rates are within the rate cap established in the Order.

Q. Do these programs benefit ratepayers and the public interest?

A. Yes.

Q. How do these programs promote safety and reliability?

A. Columbia has invested more than $210 million since 2008 to replace its aging distribution system. These types of investments will eventually result in fewer leaks, fewer outages and reduce the need to excavate in roads and streets to make repairs. In addition, Columbia has invested over $223 million to resolve safety issues associated with prone-to-failure risers and hazardous customer service lines through its systematic replacement program.

Q. Explain the anticipated benefits of Rider IRP on natural gas consumption.

A. Repairing leaks has reduced the amount of natural gas needed to operate Columbia's system because less gas is leaking from the system. Because Columbia's customers pay for natural gas lost through leaks through the gas cost portion of their bill, customers are paying less for gas now than they otherwise would.

The volumetric impact of these leaks cannot be easily quantified; however, by resolving these leaks, less gas is needed in Columbia's system. This has already resulted in a reduction to the gas cost portion of customer's bills.

Q. Are there additional financial benefits to Rider IRP not specifically quantified in this application?

A. Yes. Over the past four years, Columbia has invested approximately $412 million in labor and materials related to the IRP. New jobs have been created, local taxes have been generated, and the output or sales of materials have increased as a direct result of Columbia's infrastructure investments. Although harder to quantify, these investments have also stimulated indirect economic ripple effects throughout the economy. Over 300 jobs have been created by Columbia's investments in these programs. Numerous additional jobs are currently supported by the IRP. Throughout 2012, additional jobs will be required to support Columbia's increased infrastructure investment efforts. Revenue generated by state and local government wage taxes has increased because of the new jobs. Additionally, there has been an increase in property tax base for local communities across the State of Ohio. Over four years, Columbia's IRP investment has generated an incremental $21.7 million in property taxes for local communities.

Q. Are there anticipated benefits of the AMRD program?

A. Yes, and they are explained in the testimony of Columbia witness Bohrer.

Q. Explain the anticipated benefits of Rider DSM on natural gas consumption?

A. The DSM programs will provide residential and small commercial customers easy access to energy saving measures, which will directly reduce natural gas usage, improving the affordability of natural gas service. Columbia's energy usage reduction targets for the DSM programs are three-quarters percent to one percent of Columbia's total annual residential and commercial tariff sales, adjusted for weather. This is further discussed in the testimony of Columbia witness Laverty.

Q. Are there other benefits from program DSM?

A. Beyond the value of energy savings, DSM programs provide other non-energy benefits such as: economic development through hiring of firms and employees to provide DSM services, increased sales of products made in Ohio and sold by Ohio firms, improved health, safety, durability and comfort, reduced greenhouse gas emissions and a lower carbon footprint, and reduced water and electricity consumption.

Q. Does this complete your Prepared Direct Testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Direct Testimony of Larry Martin was served upon all parties of record by electronic mail or regular U.S. Mail this 28th day of February 2012.

Stephen B. Seiple
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COLUMBIA GAS OF OHIO, INC.
FERC 101 Per Annual Report

	Five Year Historical Additions:	5 Year Historical Avg	2007	2006	2005	2004	2003
1	376 Mains	$31,082,549	$30,111,077	$62,903,959	$26,519,156	$19,409,302	$16,469,252
2	380 Services	$18,255,272	$19,536,252	$18,008,600	$18,442,533	$19,853,416	$15,435,559
3	381 Meters	$1,266,450	$375,866	$3,904,430	$546,716	$363,366	$1,141,870
4	382 Meter Installation Exp	$551,161	$562,321	$21,960	$12,555	$2,161,812	($2,843)
5	383 House Regulators	$5,143,022	$4,949,305	$3,062,339	$3,192,350	$10,975,945	$3,535,172
6	384 House Reg. Installations	$792,338	$0	$0	$0	$2,341	$3,959,351
7	Subtotal 5 Year Historical Additions	$57,090,792	$55,534,821	$87,901,288	$48,713,310	$52,766,182	$40,538,361
8	Less: Growth & Non-Routine Investments	$26,401,453	$18,751,641	$54,028,848	$19,563,760	$23,542,218	$16,120,796
9	Less: PISCC recorded to FERC 101	$2,604,659	$7,395,876	$4,245,742	$1,369,737	$11,940	
10	Historical Additions (Lines 7 - 8 - 9)	$28,084,681	$29,387,304	$29,626,698	$27,779,813	$29,212,024	$24,417,565

	Additions:	2008	2009	2010	2011
11	376 Mains	$63,265,605	$36,931,302	$30,139,994	$87,825,936
12	380 Services	$71,013,298	$99,509,704	$104,999,617	$93,903,375
13	381 Meters	$15,076,369	$11,614,146	$26,127,532	$25,069,665
14	382 Meter Installation Exp	$1,371,781	$337,162	$612,298	$846,214
15	383 House Regulators	$9,736,359	$1,925,337	$1,302,310	$1,643,051
16	384 House Reg. Installations	$0	$0	$0	$0
17	Subtotal Additions	$160,463,412	$150,317,651	$163,181,751	$209,288,241
18	Less: Growth Projects	$13,601,294	$16,440,341	$15,962,486	$18,420,351
19	Net Plant In Service Investment (Lines 17 - 18 - 19)	$146,862,118	$133,877,310	$147,219,265	$190,867,890
20	Additions included in IRP	$81,800,418	$111,290,139	$129,509,329	$169,592,298
21	Non IRP FERC 101 Additions	$65,061,700	$22,587,171	$17,709,936	$21,275,592
22	5 Year Historical Average (Line 10)	$28,084,681	$28,084,681	$28,084,681	$28,084,681
23	Annual Additions Over (Under) 5 Year Average	$36,977,019	($5,497,510)	($10,374,745)	($6,809,089)
24	Cumulative Additions Over 5 Year Average	$36,977,019	$31,479,510	$21,104,765	$14,295,676