

**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 for Approval of Tariffs to Adjust its : Case No. 11-5843-GA-RDR
Automated Meter Reading Cost Recovery :
Charge and Related Matters. :

PUCO

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PREFILED TESTIMONY
OF
ROBERT P. FADLEY
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO
UTILITIES DEPARTMENT
ACCOUNTING AND ELECTRICITY DIVISION

STAFF EX. _____

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April 27, 2012

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

2 A. My name is Robert P. Fadley. My business address is 180 East Broad
3 Street, Columbus, Ohio 43215.
4

5 2. Q. By whom are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO).
7

8 3. Q. What is your current position with the PUCO?

9 A. My current position is Utility Specialist 1 in the Accounting and Electricity
10 Division of the Utilities Department. I started with the Commission in
11 December of 2010.
12

13 4. Q. Would you briefly state your professional and educational background?

14 A. Prior to accepting my position with the PUCO, I worked for AT&T
15 (formerly SBC and Ameritech) for 16 years, the last four years of which I
16 was a manager in operations. I graduated Magna Cum Laude from
17 Franklin University in 2007 with a Bachelor of Science degree in
18 Accounting and I am currently 3 classes away from achieving a Master's
19 degree in Accounting, also from Franklin.
20

21 5. Q. What is the purpose of your testimony?

1 A. The purpose of my testimony is to address Staff's adjustment to
2 Dominion's (DEO or the Company) Electronic Reader-Transmitter (ERT)
3 device ending inventory.
4

5 6. Q. Can you explain the nature of Staff's adjustment?

6 A. Yes. In its October 15, 2008 Opinion and Order in Case No. 07-829-GA-
7 AIR (2008 Rate Case Order) adopting the Stipulation and Recommendation
8 filed by the parties, the Commission authorized DEO to establish an auto-
9 mated adjustment mechanism to recover the costs associated with an
10 Automated Meter Reading Device (AMRD) program.¹ The recovery
11 mechanism, in the form of an annual rider, is designed to permit the Com-
12 pany to recover its annual costs to install ERT devices on each of the nearly
13 1.3 million meters in its system over a five-year period. And while the
14 2008 Rate Case Order was not issued until October of 2008, the deploy-
15 ment phase of the program actually began in 2007. The case record for 07-
16 829-GA-AIR, as well as other related cases, clearly establishes that the
17 ERT installation program was to span five years and that it commenced

¹ *In re DEO*, Case No. 07-829-GA-AIR, *et al.* (Opinion and Order) (October 15, 2008).

1 at the beginning of 2007.² In fact, the Company submitted an Automated
2 Meter Reading Plan that “describes the steps...that [DEO] will take to
3 achieve the installation of ERT devices on the remainder of the meters for
4 active accounts by the end of 2011”.³ And since the December 31, 2011
5 deadline has passed, Commission authorization to recover costs associated
6 with the installation of ERTs through the AMRD Rider (Rider) has con-
7 cluded.

8
9 7. Q. So this Rider provides for recovery of all AMRDs installed from January 1,
10 2007 to December 31, 2011?

11 A. Not exactly. There were 18,000 ERTs that were installed prior to March
12 31, 2007.⁴ Because the Company had a base rate case (07-829-GA-AIR) in
13 which the Date Certain was March 31, 2007, those ERTs that were installed
14 prior to that date were included in base rates so it was not necessary to
15 include them in the Rider for recovery. The installations completed after
16 March 31, 2007 were, however, included in the Rider.

² See e.g. *In re DEO*, Case No. 06-1453-GA-UNC (Company Application at 4) (December 13, 2006); *In re DEO*, Case Nos. 07-829-GA-AIR, *et al.* (Staff Report at 42) (May 23, 2008); *In re DEO*, Case Nos. 07-829-GA-AIR, *et al.* (Opinion and Order at 10) (October 15, 2008); *In re DEO*, Case No. 10-2853-GA-RDR (Company Application at 2) (February 28, 2011); *In re DEO*, Case No. 09-0038-GA-UNC (Company Application at Schedule 1) (February 27, 2009).

³ *In re DEO*, Case No. 10-2853-GA-RDR (Company Application at Exhibit B) (February 28, 2011).

⁴ *In DEO*, Case Nos. 07-829-GA-AIR, *et al.* (Staff Report at 41) (May 23, 2008).

1 8. Q. Was the Company able to complete installation of ERTs on all of their
2 active meters before the end of 2011?

3 A. No. As of December 31, the Company reports 9,530 active meters that still
4 need an ERT.⁵

5
6 9. Q. What is Staff's adjustment?

7 A. In its application, the Company adjusted its ending inventory balance down
8 to reflect only the 9,530 ERTs that are left to be installed on active meters.
9 In the Company's response to Staff Data Request No. 11, this cap is
10 described as "the number of remaining ERT units available for installa-
11 tion".⁶ However, because the five-year installation phase has ended, Staff
12 further adjusted the ending inventory down to zero. The Staff believes that
13 DEO has no authorization to include ERT installation costs beyond 2011 in
14 this proceeding. As a result, the Company has no permission to install
15 those ERTs so it would be inappropriate to allow it to recover on the cost of
16 the ERTs in this year's AMRD Rider.

17

⁵ In DEO, Case No. 11-5843-GA-RDR (Company Response to Data Request No. 11, Questions 3 & 4, and attached *Dominion East Ohio Automated Meter Reading Plan Update*) (March 7, 2012).

⁶ *Id.*

1 10. Q. But the Company reports that it has completed 99% of its installations.

2 Doesn't it make sense that they should finish these last few?

3 A. Of course it should. The Staff encourages the Company to complete the
4 program and equip 100% of their customers with AMRDs. However, in
5 order to recover its costs in a future AMRD Rider the Company will need
6 authorization from the Commission to extend the installation program –
7 something that the Staff would not be opposed to. Otherwise, it will have
8 to recover these costs through another recovery mechanism such as their
9 Capital Expenditure Program or through a base rate case.

10
11 11. Q. Of the remaining meters, many are likely located in difficult to access areas
12 in which the customer has been uncooperative in permitting DEO employ-
13 ees access to complete the AMRD installation. Did the Staff consider this?

14 A. Yes. However, the Company has had five years to gain access to these
15 meters and have been given the tools necessary to ensure cooperation
16 through disconnection of gas service. And while the Company has been
17 limited to using disconnection during the warmer months, it has had ample
18 time do so. In fact, in comments filed in last years' case, Staff pointed out
19 that the shortened time frame was an obstacle and recommended that "DEO
20 begin implementing its current meter access procedures to install AMRs on

its inside (and other hard-to-access meters) well before the onset of cold weather.”⁷

12. Q. How did you apply the inventory adjustment and what are the effects to the Company’s application?

A. In response to Staff Data Request No. 7, the Company attached a spreadsheet detailing the costs of AMR devices included in the Rider. This spreadsheet included an adjustment to ending inventory that reduced the number of devices to and “Ending Inventory Cap” of 9,530. Using the Company’s spreadsheet, I changed the “Ending Inventory Cap” number to zero. This adjustment flows through the schedules to reduce the additions to plant in service by \$375,200 to \$16,529,399 for 2011, which reduces the revenue requirement by \$46,623 resulting in a reduction of the customer rate from \$0.54 to \$0.53. Staff’s Comments in this case details the adjustment.⁸

13. Q. Is there anything else you wish to add?

⁷ In DEO, Case No. 10-2853-GA-RDR (Staff Comments at 8) (March 30, 2011).

⁸ In DEO, Case No. 11-5843-GA-AIR (Staff Comments) (April 6, 2012).

1 A. Only that the Company should be allowed to include the costs of the 9,530
2 ERTs in next year's filing if the Commission approves an extension to the
3 installation program.

4
5 14. Q. Does this conclude your Prepared Direct Testimony?

6 A. Yes, it does. However, I reserve the right to submit supplemental testi-
7 mony as described herein, as new information subsequently becomes avail-
8 able or in response to positions taken by other parties.

CERTIFICATE OF SERVICE

I certify a true copy of the foregoing **Prefiled Testimony of Robert P. Fadley**, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served upon the following parties via electronic mail this 27th day of April, 2012.



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