

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

|   |   |                         |
|---|---|-------------------------|
| In the Matter of the Application of The | ) |                         |
| East Ohio Gas Company d/b/a Dominion    | ) | Case No. 11-6024-GA-UNC |
| East Ohio to Implement a Capital        | ) |                         |
| Expenditure Program.                    | ) |                         |

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|---|---|-------------------------|
| In the Matter of the Application of The | ) |                         |
| East Ohio Gas Company d/b/a Dominion    | ) | Case No. 11-6025-GA-AAM |
| East Ohio for Authority to Change       | ) |                         |
| Accounting Methods.                     | ) |                         |

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**SUPPLEMENTAL REPLY COMMENTS  
BY  
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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**I. INTRODUCTION**

On December 23, 2011, Dominion East Ohio, ("Dominion" or "the Company") filed an Application for an estimated \$95 million Capital Expenditure Program ("CAPEX"), a program that could ultimately result in rate increases for Ohio customers.<sup>1</sup> The Application was only the second CAPEX Application filed at the Public Utilities Commission of Ohio ("PUCO") by a Local Distribution Company ("LDC") pursuant to R.C. 4909.18 and 4929.111. The CAPEX Application was for an Alternative Regulation case, not for an increase in rates, for the period October 1, 2011 through December 31, 2012.<sup>2</sup>

A CAPEX presents an opportunity for a gas utility to defer and subsequently seek recovery of Post in Service Carrying Charges ("PISCC") on assets that are placed in service but not yet included in the Company's rates as plant in service, depreciation expenses of those

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<sup>1</sup>Dominion Application at Attachment A.

<sup>2</sup>Dominion Application at 1.

facilities, and property taxes associated with those facilities. On January 23, 2012, the Office of the Ohio Consumers' Counsel ("OCC") filed a Motion to Intervene in these cases. On January 27, 2012, the Attorney Examiner issued an Entry that granted the OCC Motion to Intervene, and also established a procedural schedule for Initial Comments (due March 12, 2012) and Reply Comments (due March 22, 2012). On March 12, 2012, Staff and OCC filed Comments. On March 22, Staff, OCC and Dominion filed Reply Comments.

On August 3, 2012, Dominion filed Supplemental Reply Comments. On September 20, 2012, the PUCO Staff filed Sur-Reply Comments. The Attorney Examiner's January 27, 2012 procedural Entry did not allow for, or contemplate, such additional Reply Comments. However, in light of their filing, OCC is submitting these Supplemental Reply Comments.

## **II. SUPPLEMENTAL REPLY COMMENTS**

### **A. Dominion Agrees to File Annual Informational Reports**

In its Comments, Staff recommended that Dominion should make annual filings, each March 15th, that detail the monthly CEP capital investments and the calculations used to determine the deferred amounts to be recorded.<sup>3</sup> In its Supplemental Reply Comments, Dominion agrees with Staff's recommendation to the extent that it be allowed to make its annual filing by April 30th of each year instead of March 15th.<sup>4</sup>

An initial review of the information that Dominion proposed to provide in its Supplemental Reply comments appears to mirror the items that Staff had requested in its initial comments.<sup>5</sup> However, in Sur-Reply Comments, Staff recommends that DEO should also

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<sup>3</sup> Staff Comments at 12. *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval to Implement a Capital Expenditure Program*, Case Nos. 11-5351-GA-UNC and 11-5352-GA-AAM. February 17, 2012.

<sup>4</sup> Dominion Supplemental Reply Comments at 5.

<sup>5</sup> Staff Comments at 12.

provide a breakdown of CAPEX investments by budget class, a capital budget for the year succeeding the year covered in the informational filing, a schedule showing the potential impact on GSS customer rates if the deferrals were included in rates, and schedules showing the calculations and inputs for the deferrals.<sup>6</sup> OCC would agree with Staff in this regard as OCC has stated similar concerns in its Reply Comments in this case. But, consistent with OCC's comments below, the schedule showing the potential impact on General Sales Service ("GSS") customer rates should reflect the impact of both the deferrals and the investment being included in rates.<sup>7</sup>

**B. Dominion Does Not Oppose a Monetary Limit on its Deferral Authority**

In its Initial Comments, OCC suggested that the deferrals associated with Dominion's CAPEX program be limited to the date of new base rates going into effect or December 31, 2016, whichever date comes first.<sup>8</sup> As OCC stated in its Initial Comments, imposing a reasonable time limit for the deferrals would ensure that they do not grow to unreasonable levels. In its Comments, Staff supports a Dominion Application in 2013 for the recovery of the deferred asset created in these cases either through an automatic adjustment mechanism or an alternative rate plan that consumers would be asked to pay.<sup>9</sup> If Dominion does not seek recovery of the deferred asset in 2013, Staff recommends that the deferrals cease on December 31, 2014, in order to prevent the deferrals from growing to unreasonable levels.<sup>10</sup>

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<sup>6</sup> Staff Sur-Reply Comments at 8.

<sup>7</sup> OCC Reply Comments at 5 filed March 22, 2012.

<sup>8</sup> OCC Initial Comments at 11 filed March 12, 2012.

<sup>9</sup> Staff Initial Comments at 12.

<sup>10</sup> *Id.* at 12.

OCC believes that limit on deferrals is consistent with the Commission's recent pronouncement that “\* \* \* this Commission is generally **opposed to the creation of deferrals**, \* \* \*.”<sup>11</sup> The Commission further clarified this statement by explaining that the deferrals in the AEP ESP Case were in response to “extraordinary circumstances presented before us, which allow for AEP-Ohio to fully participate in the market in two years and nine months as opposed to five years, necessitate that we remain flexible and utilize a deferral to ensure we reach our finish line of a fully-established competitive electric market.”<sup>12</sup> Thus, the extraordinary circumstance in the AEP ESP case is that the deferral would help accomplish market-based electric rates (and ensuing customer benefits) much sooner than would otherwise have been possible.

In this case, Dominion has made no showing or even a claim that similar “extraordinary circumstances” exist. Instead, the Dominion request is for deferrals as a part of the normal course of business with no consideration to actual need for deferrals or the Company's earnings. In fact, because of the potential collection of the accrued deferrals through customers' rates, the deferrals would be for the sole benefit of Dominion's shareholders and not customers.

Through Supplemental Reply Comments, Dominion stated that it still believes a time limit on deferrals is contrary to Ohio Revised Code 4929.111.<sup>13</sup> However, Dominion is proposing a deferral limit whereby the deferrals under its CAPEX would be allowed to accrue until the impact from those deferrals on the rates for Dominion's General Sales Service customers would exceed \$1.50/month. This is the same proposal that Columbia Gas made in its

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<sup>11</sup> *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO, Opinion and Order (August 8, 2012) at 36. (“AEP ESP Case”) Emphasis added.

<sup>12</sup> *Id.*

<sup>13</sup> Dominion Supplemental Reply Comments at 4.

Supplemental Reply Comments.<sup>14</sup> Under Dominion's proposal, and based on its estimates of spending in its Capital Expenditure Program, the impact of the deferrals on rates for Dominion's General Sales Service customers would reach \$0.97 in 2017.<sup>15</sup> Dominion's analysis does not go beyond year 2017. Thus, the \$1.50 cap would presumably be met at some point beyond the year 2017.

However, a problem with Dominion's proposal is that it only considers the impact of the deferrals on customers' rates and not the much greater impact of the plant investments, which are the reason for the deferrals. Using Dominion's analysis, if both the effect of the deferrals and the investment are considered, the \$1.50 per month cap as proposed by Dominion would be exceeded in the Year 2015.<sup>16</sup> When considering the investment along with the deferrals, the customer bill impact in Year 2015 would be \$1.57 per month (\$18.84 per year).<sup>17</sup> The deferrals would accrue for the time period from October 2011 through December 2014 and grow to \$29,690,170<sup>18</sup> while the capital investments would grow even greater, to \$214,635,488.<sup>19</sup> Thus, under Dominion's proposal, which considers only the deferrals, the proposed time period covered by Dominion's \$1.50 per month cap is simply too long. The deferrals and the capital investment by that time would far exceed the amounts projected for 2015.

As significant as this impact would be on customer bills, it cannot be viewed in a vacuum. Instead, the PUCO should keep in mind that this additional monthly charge would be

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<sup>14</sup> Dominion Supplemental Reply Comments at 4.

<sup>15</sup> See Attachment A, Dominion response to OCC informal discovery.

<sup>16</sup> See Attachment B, OCC analysis of Dominion response to informal discovery.

<sup>17</sup> Id.

<sup>18</sup> See Attachment B, OCC analysis of Dominion response to informal discovery.

<sup>19</sup> Id.

on top of the monthly customer charge, currently at \$17.58 per month,<sup>20</sup> the monthly PIR Rider of \$2.80,<sup>21</sup> the monthly AMR Cost Recovery Charge of \$0.57,<sup>22</sup> and numerous usage-based Riders: PIPP Rider, Excise Tax Rider, Uncollectible Expense Rider, Transportation Migration Rider – Part B, Demand Side Management Rider and Gross Receipts Tax.<sup>23</sup> Moreover, although the PIR Rider is currently \$2.80, the charge is expected to increase each year for the foreseeable future.

Given this new paradigm of utilities levying charges on customers outside of base rate cases, and consistent with the Commission's recent ruling in the AEP ESP case, it is appropriate for the Commission to put a limit on the deferrals requested in this case, especially if any per customer cap amount is adopted. OCC recommends that the deferrals associated with Dominion's CAPEX should be limited to the date of new base rates going into effect or when the combined impact of the investment recovery and the deferrals have reached \$1.50 per month cap for GSS-R customers, whichever date comes first. The \$1.50 cap for the deferrals and investment would ensure that the revenue requirement that Dominion will ask customers to pay does not grow to unreasonable levels, and ensure that it would be easy to identify the deferrals, and the cap would eliminate the possibility of an unreasonably long period of deferral of both the capital investment and the deferrals. This recommendation recognizes Dominion's suggested per-customer cap of \$1.50, however, unlike the Company's proposal to cap only the deferrals, OCC's recommendation recognizes the impact of **both** the deferrals and the investment.

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<sup>20</sup> Tariff Original Sheet No. GSS-R 1 issued October 1, 2010.

<sup>21</sup> Tariff Fifth Revised Sheet No. PIR 1 issued April 26, 2012.

<sup>22</sup> Tariff Fourth Revised Sheet No. AMR 1 issued April 28, 2011.

<sup>23</sup> Tariff Sheet Nos. F-PIP 1, F-UER 1, F-GRTR 1, DSM 1 and Tariff Forty-Third Revised Sheet No. 2 for the Transportation Migration Rider – Part B.

### III. CONCLUSION

In conclusion, OCC reiterates three points with regard to Dominion's Supplemental Reply Comments. First, the annual March 15<sup>th</sup> informational filing should also include a breakdown of CAPEX investments by budget class, a capital budget for the year succeeding the year covered in the informational filing, a schedule showing the potential impact on GSS customer rates if the deferrals were included in rates, and schedules showing the calculations and inputs for the deferrals. Second, given the Company's proposal of the \$1.50 cap, OCC recommends that the \$1.50 cap be based on both the effect of the deferrals and the investment, where the effect to be concerned about is the impact on Ohio customers. And third, the deferrals should cease on the date of new base rates going into effect or when the \$1.50 cap is reached, whichever date comes first.

Respectfully submitted,

BRUCE J. WESTON  
OHIO CONSUMERS' COUNSEL

/s/ Joseph P. Serio

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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Supplemental Reply Comments* was served via electronic service to the persons listed below on this 17<sup>th</sup> day of October 2012.

/s/ Joseph P. Serio

Joseph P. Serio

Assistant Consumers' Counsel

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**THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO**  
**House Bill 95 - CAPX Program Planning Model**  
**Summary of Rate Projections for the GSS/ECTS Class**  
**(Based on Methodology Used for Rate Projections by Columbia Gas of Ohio)**

**COMPANY**

| Year | Gross Capital |                   | Cumulative Deferrals |                             | ROR<br>[e] | Return on<br>Rate Base<br>Deferrals<br>[f=d*e] | Amortization<br>[g] | Impact on<br>Revenue<br>Requirement<br>[h= f+g] | Plant %<br>Allocated to<br>GSS/ECTS<br>[i] | Net<br>Amortization<br>[j=h*1] | Number of<br>GSS /ECTS Bills<br>[k] | Cumulative<br>Monthly Rate<br>l=[j/k] | Rate<br>In Effect<br>Year |
|------|---------------|-------------------|----------------------|-----------------------------|------------|--|---------------------|---|--|--------------------------------|-------------------------------------|---------------------------------------|---------------------------|
|      | Annual<br>[a] | Cumulative<br>[b] | Pre-Tax<br>[c]       | Post -Tax<br>[d= c*(1-.35)] |            |  |                     |   |  |                                |                                     |                                       |                           |
| 2012 | \$ 94,142,249 | \$ 94,142,249     | \$ 7,738,141         | \$ 5,029,792                | 11.36%     | \$ 571,384                                     | \$ 671,079          | \$ 1,242,463                                    | 76.20%                                     | \$ 946,757                     | 14,345,374                          | \$ 0.07                               | 2013                      |
| 2013 | \$ 58,667,699 | \$ 152,809,948    | \$ 22,909,279        | \$ 14,891,031               | 11.36%     | \$ 1,691,621                                   | \$ 1,972,331        | \$ 3,663,952                                    | 76.20%                                     | \$ 2,791,931                   | 14,345,374                          | \$ 0.19                               | 2014                      |
| 2014 | \$ 61,825,540 | \$ 214,635,488    | \$ 45,677,185        | \$ 29,690,170               | 11.36%     | \$ 3,372,803                                   | \$ 3,926,763        | \$ 7,299,566                                    | 76.20%                                     | \$ 5,562,269                   | 14,345,374                          | \$ 0.39                               | 2015                      |
| 2015 | \$ 65,318,361 | \$ 279,953,849    | \$ 76,274,725        | \$ 49,578,571               | 11.36%     | \$ 5,632,126                                   | \$ 6,558,065        | \$ 12,190,191                                   | 76.20%                                     | \$ 9,288,925                   | 14,345,374                          | \$ 0.65                               | 2016                      |
| 2016 | \$ 65,318,361 | \$ 345,272,210    | \$ 114,789,366       | \$ 74,613,088               | 11.36%     | \$ 8,476,047                                   | \$ 9,877,203        | \$ 18,353,250                                   | 76.20%                                     | \$ 13,985,177                  | 14,345,374                          | \$ 0.97                               | 2017                      |

## Notes:

- [a/b] Capital Expenditure (CAPX) data for DEO's five-year capital plan submitted in response to OCC RFP #5 for DEO Case Number 11-6024-GA-UNC
- [c] Refer to PISCC, Depreciation and Property Tax Tabs for detailed calculations
- [d] Deferrals reduced by high-level estimate of deferred income tax impact assuming CAPX Plan regulatory asset is treated as a rate base item
- [e] Rate of Return approved in DEO Rate Case, Case No. 07-829-GA-AIR
- [g] Amortization is based on the deferrals allocated over the assumed asset life. Refer to tab "Amort Sch" and "2012 Est Deferrals.xls" file. Amortization begins when rate goes into effect.
- [i] GSS/ECTS allocation developed in Cost of Service model approved in DEO Rate Case - Schedule E-3.2 Page 13 of 16
- [k] Number of Bills approved in PIR Case No. 12-0812-GA-RDR
- [l] Rate effective subsequent year

**THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO**  
**House Bill 95 - CAPX Program Planning Model**  
**Summary of Rate Projections for the GSS/ECTS Class**  
**(Based on Methodology Used for Rate Projections by Columbia Gas of Ohio)**

**OCC**

| Year | Gross Capital |                   | Depreciation      | Net Capital                  | Cumulative Deferrals |                               | ROR<br>[g] | Return on<br>Rate Base<br>and Deferrals<br>[h]=[d]+[f]*[e] | Amortization<br>[i] | Impact on<br>Revenue<br>Requirement<br>[j]=[h]+[i] | Plant %<br>Allocated to<br>GSS/ECTS<br>[k] | GSS/ECTS<br>Revenue<br>Requirement<br>[l]=[j]*[k] | Number of<br>GSS/ECTS Bills<br>[m] | Cumulative<br>Monthly Rate<br>[n]=[l]/[m] | Rate<br>In Effect<br>Year |
|------|---------------|-------------------|-------------------|------------------------------|----------------------|-------------------------------|------------|--|---------------------|--|--|---|------------------------------------|---|---------------------------|
|      | Annual<br>[a] | Cumulative<br>[b] | Cumulative<br>[c] | Cumulative<br>[d]= [a] - [b] | Pre-Tax<br>[e]       | Post -Tax<br>[f]= [e]*(1-.35) |            |  |                     |  |  |   |                                    |   |                           |
| 2012 | \$ 94,142,249 | \$ 94,142,249     | \$ 3,490,597      | \$ 90,651,652                | \$ 7,738,141         | \$ 5,029,792                  | 11.36%     | \$ 10,869,412  | \$ 671,079          | \$ 11,540,491                                      | 76.20%                                     | \$ 8,793,854                                      | 14,345,374                         | \$ 0.61                                   | 2013                      |
| 2013 | \$ 58,667,699 | \$ 152,809,948    | \$ 9,861,585      | \$ 142,948,363               | \$ 22,909,279        | \$ 14,891,031                 | 11.36%     | \$ 17,930,555  | \$ 1,972,331        | \$ 19,902,886                                      | 76.20%                                     | \$ 15,165,999                                     | 14,345,374                         | \$ 1.06                                   | 2014                      |
| 2014 | \$ 61,825,540 | \$ 214,635,488    | \$ 19,402,461     | \$ 195,233,027               | \$ 45,677,185        | \$ 29,690,170                 | 11.36%     | \$ 25,551,275  | \$ 3,926,763        | \$ 29,478,038                                      | 76.20%                                     | \$ 22,462,265                                     | 14,345,374                         | \$ 1.57                                   | 2015                      |
| 2015 | \$ 65,318,361 | \$ 279,953,849    | \$ 32,287,754     | \$ 247,666,095               | \$ 76,274,725        | \$ 49,578,571                 | 11.36%     | \$ 33,766,994  | \$ 6,558,065        | \$ 40,325,059                                      | 76.20%                                     | \$ 30,727,695                                     | 14,345,374                         | \$ 2.14                                   | 2016                      |
| 2016 | \$ 65,318,361 | \$ 345,272,210    | \$ 48,618,998     | \$ 296,653,213               | \$ 114,789,366       | \$ 74,613,088                 | 11.36%     | \$ 42,175,852  | \$ 9,877,203        | \$ 52,053,055                                      | 76.20%                                     | \$ 39,664,428                                     | 14,345,374                         | \$ 2.76                                   | 2017                      |

## Notes:

- [a/b] Capital Expenditure (CAPX) data for DEO's five-year capital plan submitted in response to OCC RFP #5 for DEO Case Number 11-6024-GA-UNC
- [c] Refer to Depreciation Tab - Accumulated Depreciation for Capital Expenditure (CAPX)
- [e] Refer to PISCC, Depreciation and Property Tax Tabs for detailed calculations
- [f] Deferrals reduced by high-level estimate of deferred income tax impact assuming CAPX Plan regulatory asset is treated as a rate base item
- [g] Rate of Return approved in DEO Rate Case, Case No. 07-829-GA-AIR
- [i] Amortization is based on the deferrals allocated over the assumed asset life. Refer to tab "Amort Sch" and "2012 Est Deferrals.xls" file. Amortization begins when rate goes into effect.
- [k] GSS/ECTS allocation developed in Cost of Service model approved in DEO Rate Case - Schedule E-3.2 Page 13 of 16
- [m] Number of Bills approved in PIR Case No. 12-0812-GA-RDR
- [n] Rate effective subsequent year

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