

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application)
of Columbia Gas of Ohio, Inc. for an) Case No. 12-2923-GA-RDR
Adjustment to Rider IRP and Rider)
DSM Rates)

**PREPARED DIRECT TESTIMONY
OF SHAWN ANDERSON
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

COLUMBIA GAS OF OHIO, INC.

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February 28, 2013

Attorneys for
COLUMBIA GAS OF OHIO, INC.

**PREPARED DIRECT TESTIMONY
OF SHAWN ANDERSON**

- 1 **Q. Please state your name and business address.**
2 A. Shawn Anderson, 200 Civic Center Drive, Columbus, Ohio 43215.
3
4 **Q. By who are you employed?**
5 A. I am employed by Columbia Gas of Ohio, Inc. ("Columbia").
6
7 **Q. Will you please state briefly your educational background and experi-**
8 **ence?**
9 A. I attended The Ohio State University, receiving a Bachelor of Science in
10 Business Administration, and Ohio University studying for a Master of
11 Business Administration. I spent over seven years at Red Roof Inns hold-
12 ing a variety of roles in human resources, operations, and finance. I came
13 to NiSource in 2010 focusing on corporate finance before moving into my
14 current capacity with Columbia, in 2012.
15
16 **Q. What are your job responsibilities as Director, Regulatory Affairs?**
17 A. My primary responsibilities include the planning, supervision, prepara-
18 tion and support of all Columbia regulatory filings before the Public Utili-
19 ties Commission of Ohio ("Commission"). These responsibilities also in-
20 clude the preparation of exhibits, proposed tariff changes and testimony
21 filed by Columbia in support of the Infrastructure Replacement Program
22 ("IRP") rider proposed by Columbia in this case.
23
24 **Q. Have you ever testified in front of this Commission before?**
25 A. No, I have not.
26
27 **Q. What is the purpose of your testimony?**
28 A. My testimony is to support the reasonableness of Columbia's request for the
29 proposed rate adjustments in Riders IRP and DSM. I am providing detailed
30 explanation of the program and the schedules filed by Columbia on Febru-
31 ary 28, 2013 in support of the proposed adjustments.
32
33 **Q. What schedules are you sponsoring in this proceeding?**
34 A. Following, is a list and brief description of the schedules I am sponsoring in
35 this proceeding, which are applicable to Riders IRP and DSM:
36
37 **Rider IRP:**

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 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/Exhibit	Description
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
Schedule AMRD-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

Rider DSM:

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 DSM Recoveries by Month
Schedule DSM-4	Computation of DSM Carrying Costs
Schedule DSM-5	Shared Savings Incentive
Schedule DSM-6	Computation of DSM Rate per Customer

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 Nos. 08-0072-GA-AIR et al.?

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 (“Rate Case Order”) issued on December 8, 2008 in

1 Case Nos. 08-0072-GA-AIR et al. Pursuant to that Order, Rider IRP provides
2 for recovery of and the return on Columbia's plant investment and related
3 expenses as provided for in the stipulation filed in that case on October 24,
4 2008.

5
6 **Q. According to the Rate Case Order, what information should be included**
7 **in the annual application to adjust Rider IRP?**

8 A. Columbia's annual applications will include three independent revenue
9 requirement calculations. Each calculation will be computed in the same
10 manner, based on the costs of the specific program. Each application will be
11 based on actual data through December of the prior year. A true-up of au-
12 thorized revenues to those actually collected will be included in each subse-
13 quent filing. Columbia will also list its construction plans for the current cal-
14 endar year. Columbia will provide evidence in its annual Rider IRP applica-
15 tions to show that the rider was not used to recover the costs of projects that
16 otherwise would have been included in its capital replacement program. Co-
17 lumbia also agreed to provide Commission Staff with audited accounting
18 and billing records, prepared by Columbia's external auditor.

19
20 **Q. Please describe Rider IRP.**

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

28
29 The second component recovers the costs associated with Columbia's
30 Accelerated Mains Replacement Program ("AMRP"). Under the AMRP, Co-
31 lumbia plans to replace approximately 4,100 miles of priority pipe and an es-
32 timated 350,000 to 360,000 metallic service lines over a period of approxi-
33 mately 25 years. Schedules filed in support of this component are identified
34 through the use of the acronym "AMRP."

35
36 The third component recovers costs associated with Columbia's installation
37 of Automated Meter Reading Devices ("AMRD") on all residential and
38 commercial meters served by Columbia over approximately five years, be-

1 ginning in 2009. Schedules filed in support of this component are identified
2 through the use of the acronym "AMRD."

3
4 **Q. Did Columbia include each of these components in the schedules or**
5 **supporting testimony filed February 28, 2013 in support of the application**
6 **filed in this proceeding?**

7 A. Yes. The three independent revenue calculations are detailed on Schedules
8 AMRP-1, AMRD-1, and Riser-1. AMRP construction plans for calendar year
9 2013 are detailed in Columbia witness Belle's testimony. Columbia witness
10 Belle also addresses the factors used to determine the pipe replacement pri-
11 ority.

12
13 **Q. Has an Independent Accountant's Report been separately docketed in this**
14 **case?**

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

21
22 **Q. How are the schedules included in Columbia's November 30, 2012 Notice**
23 **of Intent different from the updated schedules filed in this proceeding on**
24 **February 28, 2012?**

25 A. The schedules included in Columbia's Notice of Intent contained nine
26 months actual and three months estimated calendar year 2012 data, while
27 the schedules filed February 28, 2013 contain twelve months of actual calen-
28 dar year 2012 data.

29
30 **Q. Does your testimony support the estimated data?**

31 A. No. My testimony supports the actual data filed in this proceeding on
32 February 28, 2013, in support of the Rider IRP rate calculated on Attachment
33 A of the application that will ultimately be billed to customers.

34
35 **Q. What is included in the annualized IRP revenue requirement calcula-**
36 **tions?**

37 A. Each of the revenue requirements set forth on Schedules AMRP-1, R-1 and
38 AMRD-1 includes return on and return of Columbia's investment in each of
39 these programs and related costs such as program operating expenses and

1 deferred expenses. The Rate Case Order authorizes the pre-tax return on
2 rate base of 10.95%. Costs included for determination of revenue require-
3 ment are consistent with those costs components identified for recovery in
4 the Joint Stipulation and Recommendation filed in Case 08-0072-GA-AIR et
5 al. on October 24, 2008 and the Order issued on December 3, 2008.
6

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

8 **A.** The development of Rate Base used for computation of pretax return on rate
9 base is also shown on Schedules AMRP-1, R-1 and AMRD-1. Capitalized
10 costs include contract labor and associated expenses, materials and supplies,
11 internal labor and associated overheads, and AFUDC are all examples of the
12 types of costs included in rate base. The plant additions are capitalized at
13 Columbia's actual cost of replacement and shown as an increase to rate base
14 as projects are placed in service. The associated accumulated reserve for de-
15 preciation is detailed as a reduction to rate base. Each of the rate base com-
16 ponents is based on the cumulative investment made by Columbia during
17 the five calendar years ended December 31, 2012.
18

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

20 **A.** Deferred depreciation expense, deferred property tax expense and deferred
21 PISCC are the three types of deferred expenses included in rate base. In gen-
22 eral, expenses are deferred beginning with the month the plant goes in ser-
23 vice or the month the expense is incurred, until Columbia begins earning a
24 return on its investment through rates. The cumulative deferred expenses
25 recorded during calendar years 2008-2012 have been included as part of rate
26 base in this filing.
27

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

29 **A.** Deferred taxes are a non-investor source of funds, resulting from a tax
30 treatment of expense that is different from the book treatment. Recognition
31 of deferred taxes properly measures Columbia's net investment resulting
32 from implementation of the IRP program. These non-investor sources of
33 funds reflected as an offset to rate base include deferred taxes resulting from
34 the use of higher tax depreciation and current year recognition of deferred
35 PISCC and property taxes.
36

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

38 **A.** Pursuant to recent federal tax legislation, the costs associated with capital
39 projects that began and were placed in service after September 8, 2010 were

1 treated as 100% depreciation expense for federal tax purposes. The costs as-
2 sociated with the majority of Columbia's remaining calendar year 2010 pro-
3 jects qualified for 50% tax depreciation expense in 2010. The costs associated
4 with all 2011 capital projects qualified for 100% tax depreciation in 2011. The
5 costs associated with all 2012 capital projects qualified for 50% tax deprecia-
6 tion in 2012. The increase in deferred taxes resulting from recognition of the
7 higher tax depreciation treatment, net of the associated net operating losses,
8 has been reflected in Columbia's deferred tax calculations because these are
9 a non-investor source of funds.

10
11 **Q. Are there any other updates to the calculations for deferred taxes reflected**
12 **in this filing?**

13 A. Yes, Columbia received a favorable IRS audit resulting in a settlement for a
14 remaining repairs and mixed services deduction originally claimed by Co-
15 lumbia on its 2008 and 2009 federal tax returns, respectively. Columbia is
16 flowing the entire benefit of this deduction back to customers through
17 recognition of the additional deferred taxes produced by this tax change,
18 even though the cash for this will not be received until July, 2013.

19
20 **Q. Does this annual filing provide for recognition of this additional annual**
21 **deduction for 2012 available to Columbia in its determination of its Fed-**
22 **eral income tax liability?**

23 A. Yes, this deduction was recognized in the calculation for Columbia's
24 accelerated depreciation adjustment for 2012 in schedules AMRP-8, R-8,
25 AMRD-8.

26
27 **Q. What types of Operating Expenses are included in the IRP revenue**
28 **requirements calculation?**

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

36
37 **Q. Please describe the property tax calculation set forth on Scheduled**
38 **AMRP-7, R-7 and AMRD-7.**

- 1 A. These schedules provide for the computation of property tax based on the
2 sum of plant additions excluding the original cost retired. The calculation
3 follows the process used in Columbia's Annual Report to the Ohio Depart-
4 ment of Taxation to determine the Net Property Valuation and uses the lat-
5 est projected average property tax rate per \$1,000 of valuation. It reflects the
6 ongoing property tax that Columbia projects it will incur during the twelve
7 months that the proposed IRP rate will be in effect. These schedules further
8 detail the development of the deferred property taxes and annualized amort-
9 ization of the deferred expenses included in the revenue requirement.
10
- 11 **Q. Is the property tax calculation provided in this filing identical to the**
12 **calculations used in previous IRP filings?**
- 13 A. Yes, the calculation methodology is identical to the methodology used in
14 previous IRP filings, and prescribed by the Ohio Department of Taxation.
15
- 16 **Q. Has Columbia modified any valuation within the calculation of property**
17 **taxes?**
- 18 A. Columbia has modified the valuation of the original cost retired for AMRP-
19 7. Ohio Administrative Code § 5703-3-11 requires the calculation of property
20 taxes to consider the true value of the depreciable tangible asset in consider-
21 ation for the payment of property taxes. The "true value computation" used
22 to file annual taxes with the Ohio Department of Taxation uses the vintage
23 year associated with the retirement of an asset for the calculation of true tax
24 value. In the 2012 IRP filing, Columbia has aligned the "true value computa-
25 tion" to mirror the methodology used annually in the company's filing with
26 the Ohio Department of Taxation.
27
- 28 **Q. Is a common basis used to calculate accumulated depreciation, deprecia-**
29 **tion expense, and deferred depreciation expense shown on Schedules**
30 **AMRP-5 and AMRP-6, R-5 and R-6 and AMRD-5 and AMRD-6?**
- 31 A. No. Pursuant to the Joint Stipulation and Recommendation in Case No. 09-
32 006-GA-UNC, accumulated depreciation was calculated using gross plant
33 additions; however, deferred depreciation and annualized depreciation ex-
34 pense were calculated using plant additions net of retirements. In all three
35 cases, the depreciation rates used were those most recently approved by the
36 Commission.
37
- 38 **Q. Please explain the annualized amortization of deferred expenses calcula-**
39 **tions.**

- 1 A. Deferred expenses such as deferred depreciation, deferred property taxes,
2 and deferred PISCC are amortized over the life of the associated assets using
3 the current depreciation rate. Amortization does not start until Columbia
4 begins recovering the associated expense through rates and is calculated
5 based on the cumulative date certain balance and current depreciation rate.
6 Amortization of Deferred Depreciation Expense is shown on Schedules
7 AMRP-5, R-5 and AMRD-5. Amortization of Deferred PISCC is shown on
8 Schedules AMRP-6, R-6 and AMRD-6 with the determination of the amortiza-
9 tion of Deferred Property Taxes being set forth AMRP-7, R-7 and AMRD-
10 7.
11
- 12 Q. **Is there recognition of O&M savings included in the revenue requirement**
13 **calculation?**
- 14 A. Yes. The combined revenue requirement provides for recognition of
15 approximately \$4.25 million of O&M savings. There are two types of savings
16 passed back to customers: meter reading expense savings of approximately
17 \$3.5 million, and mains and services expense savings of \$0.75 million. Both
18 types of savings are included as a reduction in the associated revenue re-
19 quirements.
20
- 21 Q. **Please describe how meter reading expense savings on Schedule AMRD-**
22 **9b were calculated.**
- 23
- 24 A. The Rate Case Order states that each annual IRP filing shall contain a
25 comparison of that year's meter reading expense (FERC 902) against the me-
26 ter reading expense for the twelve months ended September 30, 2008. If that
27 year's meter reading expense is lower than the test year amount, the savings
28 should appear as a reduction to the revenue requirement. The parties fur-
29 ther agreed that additional savings (e.g. meter reading plan and call center
30 savings) that may result from the AMRD program should also be passed
31 back to customers. Subsequently, Staff, OCC and Columbia agreed to four
32 separate AMRD savings baseline calculations. Savings in one baseline calcu-
33 lation will not be netted against added costs in another. The first is the FERC
34 902 savings described above. The second calculation compares the expense
35 incurred on minimum gas service standard mailings from the twelve
36 months ended September 2008 to the current year's expense. If the current
37 year's expense is lower than the test year, the savings will appear as a reduc-
38 tion to the revenue requirement. The next calculation compares the expense
39 incurred for meter reading contacts at the customer call center from the

1 twelve months ended September 2008 to the current year's expense. If the
2 current year's expense is lower than the test year expense, the savings will
3 appear as a reduction to the revenue requirement. The final calculation re-
4 moves the amount of AMRD installation expense that is included in base
5 rates to further ensure Rider IRP is not used to recover costs already embed-
6 ded in base rates.

7
8 **Q. Please describe how mains and services O&M expense savings shown on**
9 **Schedule AMRP-9b were calculated.**

10 A. The calculation of O&M savings in Columbia's prior annual IRP filings has
11 been a matter of some controversy. Columbia recently filed an application in
12 Case No. 11-5515-GA-ALT in which it requested authority to extend its IRP
13 program for an additional five years. The parties resolved all issues in that
14 case, as reflected in a Joint Stipulation and Recommendation filed on Sep-
15 tember 26, 2012. The Commission approved the Joint Stipulation and Rec-
16 ommendation by Opinion and Order dated November 28, 2012. In the Joint
17 Stipulation and Recommendation Columbia agreed to include the greater of
18 Columbia's actual O&M savings or \$750,000, for 2012 expenditures included
19 in Rider IRP. Columbia's actual O&M savings for 2012 totaled \$384,866;
20 however, in following the requirement prescribed in Case No. 11-5515-GA-
21 ALT, Columbia has included an additional \$365,134 of expenditures into the
22 O&M savings calculation as part of the revenue requirement for Rider IRP.

23
24 **Q. How did Columbia calculate its actual 2012 O&M expenses of \$384,866?**

25 A. Columbia used the same methodology that it used in its two prior Rider IRP
26 applications. The Stipulation approved by the Commission in Case No. 09-
27 1036-GA-RDR changed the calculation of future O&M savings related to
28 mains and services. Rather than using the methodology detailed in Case
29 Nos. 08-0072-GA-AIR et al., the savings attributable to Columbia's AMRP
30 program is now calculated by including specified account activities. Those
31 activities experiencing savings are included in the calculation of O&M sav-
32 ings; therefore, activities experiencing increased expenditures are not in-
33 cluded.

34
35 **Q. Which mains and services activities were included in the O&M savings**
36 **calculation?**

37 A. Subsequent to the issuance of the Order in Case No. 09-1036-GA-RDR,
38 PUCO Staff, OCC, and Columbia spent time discussing each of the mains
39 and service activities. As a result of those discussions, Columbia decided

1 that four activities should be included in the O&M savings calculation: leak
2 inspection, leak repair, general/other, and half of supervision and engineer-
3 ing. Columbia's application contains a comparison of 2012's expense for the-
4 se four O&M activities against the expense for these activities during the
5 twelve months ended September 30, 2008. Those activities experiencing sav-
6 ings are included in the calculation of the 2012 actual O&M savings of
7 \$384,866.
8

9 **Q. Are there any other matters addressed in Case No. 11-5515-GA-ALT that**
10 **impact the information set forth in this filing?**

11 A. Yes. The scope of the AMRP component of Columbia's IRP was clarified to
12 expressly include interspersed sections of non-priority pipe contained with-
13 in the bounds of priority pipe replacement projects, where it is more eco-
14 nomical to replace such pipe, as opposed to attempting to tie into existing
15 sections of pipe. The determination and explanation of "more economical" is
16 further detailed in witness Belle's testimony filed in conjunction with this
17 application. Columbia has included in this filing interspersed sections of
18 non-priority pipe.
19

20 The scope of Columbia's AMRP component was also clarified to expressly
21 include first generation plastic pipe or Aldyl-A plastic pipe when such pipe
22 is associated with priority pipe in IRP replacement projects. The scope of Co-
23 lumbia's AMRP component was also clarified to include ineffectively coated
24 steel, subject to specific criteria. Steel pipe installed and field coated before
25 1955 is considered to be ineffectively coated without the need for further
26 testing, and thus within the scope of the IRP.
27

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

30 A. Each of the respective revenue requirements is allocated by customer rate
31 class based on cost occurrence reported in the Class Cost of Service Study
32 filed as Schedule E-3.2-1 in Case Nos. 08-0072-GA-AIR et al. Next, the allo-
33 cated program costs will be converted to a monthly fixed charge based on
34 the class specific total actual number of bills for the calendar year 2012. The
35 impact on individual rate schedules for each program will then be aggregat-
36 ed for determination of Rider IRP. The AMRP revenue requirement is allo-
37 cated by rate class based on the gross plant in service for distribution plant
38 account 376, Mains to customers in all of the Small General Service, General
39 Service, and Large General Service rate schedules. The allocation of the

1 AMRP revenue requirement and development of the applicable IRP rate
2 component is shown on AMRP-11. The Riser and Hazardous Services reve-
3 nue requirement is allocated by rate class based on the gross plant account
4 380, Services to customers in all of the Small General Service and General
5 Service rate schedules. This allocation of revenue requirement and devel-
6 opment of applicable rate component is detailed on Schedule R-11. The
7 AMRD revenue requirement is allocated by rate class based on the gross
8 plant account 381, Meters to customers in all of the Small General Service
9 and General Service rate schedules with allocation of the revenue require-
10 ment and development of the applicable rate component shown on Sched-
11 ule AMRD-11.

12
13 **Q. What is the source for the actual data shown on these schedules?**

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

17
18 **Q. Is specific evidence provided to show that Rider IRP was not used to**
19 **recover the costs of projects that otherwise would have been included in**
20 **Columbia's capital replacement program?**

21 A. No. Columbia is not providing specific evidence to demonstrate that Rider
22 IRP was not used to recover costs of projects that otherwise would have
23 been included in Columbia's capital replacement program as a result of spe-
24 cific language found in the Opinion and Order issued on November 28, 2012
25 in Case No. 11-5515-GA-ALT. This Order specifically states, "in light of all
26 other provisions of this Stipulation, the signatory parties agree that, for Co-
27 lumbia's Rider IRP adjustment cases covering investments for years 2012
28 through 2017, all such IRP projects completed during those years are not
29 considered to be projects that otherwise would have been included in Co-
30 lumbia's capital replacement program, and therefore, there should not be
31 any adjustment to the Rider IRP rate on that basis."

32
33 **EXPLANATION OF RIDER DSM SCHEDULES:**

34
35 **Q. Are you familiar with Columbia's Application to Establish Demand Side**
36 **Management Programs, Case No. 08-0833-GA-UNC, filed on July 1, 2008**
37 **and approved by the Commission on July 23, 2008?**

- 1 A. Yes. Among other things, this Application defines the DSM program
2 portfolio, program benefits, funding limits, customer base, program evalua-
3 tion plan, and program timeframes.
4
- 5 **Q. What other cases impact Columbia's DSM program?**
- 6 A. On March 3, 2008 Columbia filed its Application for Approval to Change
7 Accounting Methods in PUCO Case No. 08-0074-GA-AAM in which Co-
8 lumbia requested authority to defer expenses incurred in the development
9 and implementation of the DSM program. Columbia filed its Application for
10 Authority to Increase Rates for Gas Distribution Service and for Approval of
11 an Alternative Regulation Plan in PUCO Case Nos. 08-0072-GA-AIR et al.
12 As part of its Alternative Regulation Plan, Columbia requested approval of
13 the proposed Rider DSM to recover DSM costs, including those deferred ex-
14 penses incurred in the development and implementation of the DSM pro-
15 grams. The Order in Case Nos. 08-0072-GA-AIR et al. approved the request-
16 ed accounting authority and implementation of Rider DSM. On September
17 9, 2011, Columbia filed an application in Case No. 11-5028-GA-UNC to con-
18 tinue and expand its demand side management programs with recovery to
19 continue to be provided for through the use of accounting previously ap-
20 proved in Case Nos. 08-0072-GA-AIR et al. for five additional years. This
21 application was approved by the Commission in a Finding and Order dated
22 December 14, 2011.
23
- 24 **Q. Please describe Rider DSM.**
- 25 A. Rider DSM authorizes Columbia to recover the costs of implementing a
26 comprehensive, ratepayer funded, cost-effective energy efficiency pro-
27 gram made available to all residential and commercial customers during
28 calendar years 2009-2011. This time period was extended in Case Nos. 11-
29 5028-GA-UNC for program costs incurred in calendar years 2012-2016.
30
- 31 Rider DSM will be determined annually based on the actual cost of the
32 program for the previous calendar year with rates to become effective the
33 following May. The procedure for the filing of Rider DSM adjustments is
34 identical to the filing procedure applicable to Rider IRP, as set forth in the
35 Order.
36
- 37 **Q. How are the schedules included in Columbia's November 30, 2012 Notice**
38 **of Intent different from the updated schedules filed in this proceeding on**
39 **February 28, 2013?**

- 1 A. The schedules included in Columbia's Notice of Intent contained nine
2 months actual and three months estimated calendar year 2012 data. The
3 schedules filed February 28, 2013 contain twelve months of actual calendar
4 year 2012 data.
5
- 6 **Q. Does your testimony support the estimated data?**
- 7 A. No. My testimony supports the actual data filed in this proceeding on
8 February 28, 2013 because the actual data is what supports the Rider DSM
9 rate calculated on Schedule DSM-5 that will ultimately be billed to custom-
10 ers.
11
- 12 **Q. What types of DSM expenses are deferred?**
- 13 A. Expenses incurred in the development, implementation, and administra-
14 tion of the comprehensive energy efficiency programs are deferred using
15 actual costs as incurred. In addition, carrying costs were deferred as actual
16 costs and calculated using Columbia's actual 2012 weighted cost of debt
17 rate, 5.80%. The Commission Orders in Case Nos. 08-0833-GA-UNC and
18 11-5028-GA-UNC authorizes the inclusion of carrying costs.
19
- 20 **Q. What is included in the annualized DSM revenue requirement?**
- 21 A. Deferred expenses incurred through December 31, 2012 have been included
22 in the DSM revenue requirement.
23
- 24 **Q. How is the DSM revenue requirement allocated to Columbia's customer
25 base?**
- 26 A. Pursuant to the Commission's Order in Case No. 08-0833-GA-UNC, the
27 DSM program costs will be recovered from those customer classes eligible to
28 participate – Small General Service customers. The total revenue require-
29 ment calculated on Schedule DSM-1 is divided by the projected annual
30 throughput for the twelve months rates will be in effect and the resulting
31 rate will be billed volumetrically.
32
- 33 **Q. What is the basis for including all of the items described in the para-
34 graphs above in the development of the DSM revenue requirement?**
- 35 A. Each item included in the revenue requirement is a reasonable, necessary,
36 business-related expense directly resulting from the development, admin-
37 istration, and implementation of the DSM program.
38
- 39 **Q. What is the source for the actual data shown on these schedules?**

1 A. Generally, the information came from either the General Ledger or the
2 supporting sub-ledgers of Columbia. When data came from another source,
3 it was indicated on the appropriate schedule or elsewhere in this testimony.
4

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

7 A. As part of its Application filed at the same time as this testimony, Columbia
8 filed the following schedules:
9

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 DSM Recoveries by Month
Schedule DSM-4	Computation of DSM Carrying Costs
Schedule DSM-5	Shared Savings Incentive
Schedule DSM-6	Computation of DSM Rate per Customer

10

11

12 **EXPLANATION OF REMAINING SCHEDULES:**

13

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

15 A. Yes. Columbia included the following remaining schedules.
16

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

17

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

19 A. Attachment A computes the proposed combined monthly IRP rate by
20 customer class. It also computes the volumetric DSM rate. Attachment B de-
21 tails the rate schedules to which Rider IRP applies. Attachment C compares
22 typical bills for each rate schedule between current rates and the proposed
23 Rider IRP and DSM rates.
24

24

25 **REASONABLENESS OF REQUESTED INCREASE AND BENEFITS TO**
26 **RATEPAYERS AND THE PUBLIC INTEREST**
27

27

- 1 **Q. Did Columbia agree to a Rider IRP rate cap for the Small General Service**
2 **("SGS") class of customers?**
- 3 A. Yes. The cap mechanism defined in the Rate Case stipulation limits the IRP
4 rate that becomes effective May 2013 to \$5.20 per SGS customer per month.
5
- 6 **Q. Are Columbia's proposed rates within the permitted caps?**
- 7 A. Yes. Columbia's proposed SGS class rate is \$4.71 per customer per month
8 beginning May 2013.
9
- 10 **Q. Does the combined revenue requirement detailed on Schedules R-1,**
11 **AMRP-1, AMRD-1, and DSM-1 exceed what was presented in Columbia's**
12 **Notice of Intent filed in this docket on November 30, 2012?**
- 13 A. No. Columbia is proposing a combined annualized revenue requirement of
14 \$95,688,160 in the updated schedules supported by my testimony. This does
15 not exceed the combined annualized revenue requirement of \$97,243,617 es-
16 timated on November 30, 2012. Columbia estimates that the rate changes
17 proposed herein, if granted in full and factoring in the applicable rate caps
18 approved by the Commission, would increase gross revenues by an addi-
19 tional \$28,885,805 or 4.0%.
20
- 21 **Q. Do you have an opinion regarding whether Columbia's request to adjust**
22 **Riders IRP and DSM are reasonable?**
- 23 A. Yes. I believe Columbia's request to adjust its Riders IRP and DSM is fair
24 and reasonable. I believe that the costs of service are properly allocated to
25 the appropriate customer classes and the rate design was properly comput-
26 ed in accordance with the terms and conditions of prior Commission orders.
27 Furthermore, the proposed Rider IRP rates are within the rate cap estab-
28 lished in the Order.
29
- 30 **Q. Do these programs benefit ratepayers and the public interest?**
- 31 A. Yes, for the reasons explained below.
32
- 33 **Q. How do these programs promote safety and reliability?**
- 34 A. Columbia has invested more than \$365 million since 2008 to replace its aging
35 distribution system. These types of investments will eventually result in
36 fewer leaks, fewer outages and reduce the need to excavate in roads and
37 streets to make repairs. In addition, Columbia has invested over \$246 million
38 to resolve safety issues associated with prone-to-failure risers and hazardous
39 customer service lines through its systematic replacement program.

- 1
- 2 **Q. Explain the anticipated benefits of Rider IRP on natural gas consumption.**
- 3 A. Repairing leaks has reduced the amount of natural gas needed to operate
- 4 Columbia's system because less gas is leaking from the system. Because Co-
- 5 lumbia's customers pay for natural gas lost through leaks through the gas
- 6 cost portion of their bill, customers are paying less for gas now than they
- 7 otherwise would.
- 8
- 9 The volumetric impact of these leaks cannot be easily quantified; however,
- 10 by resolving these leaks, less gas is needed in Columbia's system. This has
- 11 already resulted in a reduction to the gas cost portion of customer's bills.
- 12
- 13 **Q. Are there additional financial benefits to Rider IRP not specifically**
- 14 **quantified in this application?**
- 15 A. Yes. Over the past five years, Columbia has invested approximately \$689
- 16 million in labor, materials, and other associated costs related to the IRP.
- 17 New jobs have been created, local taxes have been generated, and the output
- 18 or sales of materials have increased as a direct result of Columbia's infra-
- 19 structure investments. Although harder to quantify, these investments have
- 20 also stimulated indirect economic ripple effects throughout the economy.
- 21 Over 300 jobs have been created by Columbia's investments in these pro-
- 22 grams. Numerous additional jobs are currently supported by the IRP.
- 23 Throughout 2013, additional jobs will be required to support Columbia's in-
- 24 creased infrastructure investment efforts. Revenue generated by state and
- 25 local government wage taxes has increased because of the new jobs. Addi-
- 26 tionally, there has been an increase in property tax base for local communi-
- 27 ties across the State of Ohio. Over five years, Columbia's IRP investment has
- 28 generated approximately \$35 million of incremental property taxes for local
- 29 communities.
- 30
- 31 **Q. Are there anticipated benefits of the AMRD program?**
- 32 A. Yes, and they are explained in the testimony of Columbia witness Bohrer.
- 33
- 34 **Q. Explain the anticipated benefits of Rider DSM on natural gas consump-**
- 35 **tion?**
- 36 A. The DSM programs will provide residential and small commercial custom-
- 37 ers easy access to energy saving measures, which will directly reduce natu-
- 38 ral gas usage, improving the affordability of natural gas service. Columbia's
- 39 energy usage reduction targets for the DSM programs are three-quarters

1 percent to one percent of Columbia's total annual residential and commer-
2 cial tariff sales, adjusted for weather. This is further discussed in the testi-
3 mony of Columbia witness Lavery.
4

5 **Q. Are there other benefits from program DSM?**

6 A. Beyond the value of energy savings, DSM programs provide other non-
7 energy benefits such as: economic development through hiring of firms and
8 employees to provide DSM services, increased sales of products made in
9 Ohio and sold by Ohio firms, improved health, safety, durability and com-
10 fort, reduced greenhouse gas emissions and a lower carbon footprint, and
11 reduced water and electricity consumption.
12

13 **Q. Does this complete your Prepared Direct Testimony?**

14 A. Yes, it does.
15

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Direct Testimony of Shawn Anderson was served upon all parties of record by electronic mail this 28th day of February 2013.

/s/ Stephen B. Seiple

Stephen B. Seiple

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