

**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. 13-2319-GA-RDR
Automated Meter Reading Cost Recovery	)	
Charge and Related Matters.	)	

**APPLICATION**

In accordance with R.C. 4929.11 and the Commission’s October 15, 2008 Opinion and Order in Case No. 07-829-GA-AIR (Distribution Rate Case), The East Ohio Gas Company d/b/a Dominion East Ohio (DEO) respectfully requests that the Commission approve an adjustment to DEO’s Automated Meter Reading (AMR) Cost Recovery Charge from \$0.37 per customer per month to \$0.56 per customer per month to reflect costs during the 2013 calendar year associated with cumulative capital investments through June 30, 2012. In support of its Application, DEO states as follows:

1. DEO is an Ohio corporation engaged in the business of providing natural gas service to approximately 1.2 million customers in northeastern, western, and southeastern Ohio. As such, DEO is a “natural gas company” and “public utility” as defined by R.C. 4905.03(E) and R.C. 4905.02.

2. On December 13, 2006, in Case No. 06-1453-GA-UNC, DEO filed an application to establish an AMR Cost Recovery Charge, via an automatic adjustment mechanism. The application was later consolidated with DEO’s Application in the Distribution Rate Case. As described in DEO’s application, AMR technology: (i) provides a cost-effective way for DEO to read customers’ meters as required under the minimum gas service standards; (ii) lessens the need for estimated bills, which in turn results in a better match between the amount billed and

actual gas consumed; (iii) facilitates more frequent actual meter reads, which improves accuracy in transferring service; and (iv) eliminates the need for DEO to schedule appointments to read meters inside customers' premises, further enhancing convenience for customers.

3. To enable timely implementation of AMR technology, DEO proposed the use of an AMR Cost Recovery Charge applicable to all customer classes receiving AMR equipment. By recovering its incremental program costs through a separate charge, DEO was able to secure the capital funds needed to complete AMR installation on a five-year timetable. Absent this charge, DEO would have been required to fund the program through its normal capital budgeting process, which would have accommodated a 15- to 20-year systemwide deployment.

4. On May 23, 2008, Staff filed its report in the Distribution Rate Case. The Staff Report concluded that "AMR technology is a cost effective way to achieve more frequent actual meter readings and avoid inconveniencing these customers." (06-1453 Staff Report at 42.) Staff also agreed that a five-year AMR deployment period "is preferable to spreading deployment over a 15 to 20 year time span . . . ." (*Id.* at 42–43.) Staff recommended approval of the AMR Cost Recovery Charge, subject to certain modifications.

5. On August 22, 2008, the parties in the Distribution Rate Case stipulated to adopting Staff's recommendations with respect to AMR. On October 15, 2008, the Commission approved the Stipulation. The Stipulation and Opinion and Order in the Distribution Rate Case contemplated an annual adjustment of the AMR Cost Recovery Charge.

6. The current AMR Cost Recovery Charge was approved in the April 24, 2013 Opinion and Order in Case No. 12-3116-GA-RDR.

7. The accompanying schedules in Attachment A reflect the impact of a change in depreciation rates retroactive to January 1, 2013, that was approved by the Commission in its

October 23, 2013 Finding and Order in Case No. 13-1988-GA-AAM. Under DEO's previous depreciation rates, purchased AMR encoder-receiver-transmitter (ERT) devices and the associated installation costs were depreciated over the same lives as meters and meter installation costs, which were 37 and 45 years, respectively. The depreciation study reviewed by Staff in Case No. 13-1988-GA-AAM proposed a life of 15 years for both ERT devices and installation costs. Those service lives were reflected in the depreciation rates approved by the Commission in the October 23, 2013 Finding and Order. The shorter service lives result in increased depreciation expense for these assets and an increase in the annual amortization amount for deferred post-in-service carrying costs, both of which are spread over the life of the assets. These changes have the effect of increasing the AMR Cost Recovery Charge by approximately \$0.26 per month.

8. The accompanying schedules in Attachment A also reflect for the first time a reduction to cumulative plant additions for assets that have become fully depreciated. DEO would also note that it has simplified the calculation presented in this Application from the presentation in the pre-filing schedules. Prior to the implementation of new depreciation rates, computer software, including both in-house programming labor and purchased software, was being depreciated over five years. In-house programming labor became fully depreciated in 2012 but was over-depreciated in DEO's 12-3116-GA-RDR filing by \$5,302.19. DEO has accordingly reduced its depreciation expense for 2013 in the current filing by the same amount and no additional depreciation expense is included. In addition, purchased software became fully depreciated in January 2013 and was removed from the calculation of depreciation thereafter.

9. On November 27, 2013, DEO filed a pre-filing notice, including schedules reflecting estimated figures supporting the requested adjustment to the AMR Cost Recovery Charge. Additionally, on January 13, 2014, pursuant to R.C. 4909.18 and 4909.43, DEO provided written notice to the mayor and legislative authority of each municipality within its service territory of DEO's intent to file this Application.

10. In accordance with the Stipulation and Opinion and Order in the Distribution Rate Case, DEO hereby submits the following schedules supporting its revised AMR Cost Recovery Charge, which are attached collectively as Attachment A:

- a. Schedule 1, which summarizes the annualized revenue requirement and the proposed AMR Cost Recovery Charge;
- b. Schedule 2, which reflects the incremental monthly plant additions for the cost of AMR devices and installation and the cumulative plant additions resulting from installations, system integration, and purchases of AMR devices and related computer hardware and software;
- c. Schedule 3, which reflects cumulative and incremental monthly depreciation of the plant additions;
- d. Schedule 4, which reflects cumulative and incremental post-in-service carrying costs;
- e. Schedule 5, which reflects the cumulative and incremental net deferred tax balance related to post-in-service carrying costs;
- f. Schedule 6, which reflects cumulative and incremental deferred tax on liberalized depreciation;
- g. Schedule 7, which reflects annualized amortization of post-in-service carrying costs for 2013;
- h. Schedule 8, which reflects incremental annual property tax expense for 2013 associated with cumulative plant additions through December 31, 2012;
- i. Schedule 9, which reflects the approved rate of return on rate base on a pre-tax basis;
- j. Schedule 10, which reflects the number of bills issued to customers on applicable rate schedules from January 1, 2013, through December 31, 2013; and

- k. Schedule 11, which reflects the change in call-center and meter-reading expense from the 2007 approved baseline to the 2013 actual expense, in compliance with the Commission's supplemental directives contained in the May 5, 2012 Opinion and Order in Case No. 09-1875-GA-RDR.

11. As reflected in Schedule 1:

- a. The total net rate base through December 31, 2013, is \$59,895,954.28;
- b. The annualized pre-tax return on rate base is \$6,804,180.41;
- c. Meter-reading savings are \$6,354,095.32;
- d. Call-center savings are \$296,402.30;
- e. The annualized AMR-related revenue requirement is \$7,982,048.73;
- f. The number of bills issued to customers on applicable rate schedules from January 1, 2013, through December 31, 2013, is 14,351,758; and
- g. The resulting AMR Cost Recovery Charge is \$0.56 per customer per month.

12. Clean and scored versions of the tariff sheet reflecting the adjusted AMR Cost Recovery Charge are attached as Attachment B.

13. In its Opinion and Order in Case No. 11-5843-GA-RDR, the Commission stated that DEO "should prefile its supporting testimony at the same time it files its application." Opin. at 20 (Oct. 3, 2012). Accordingly, Attachment C to this Application contains the Direct Testimony of Vicki H. Friscie.

14. DEO expects that it shall have the right to file rebuttal testimony in response to any recommendations made by witnesses for the Commission's Staff or any other intervenors. By filing the Direct Testimony contained in Attachment C, DEO does not waive *or* forfeit any right to file additional testimony to the extent any such recommendations are made.

WHEREFORE, DEO respectfully requests that the Commission approve DEO's Application to adjust its AMR Cost Recovery Charge to \$0.56 per customer per month, as

reflected in the revised AMR Cost Recovery Charge tariff attached as Attachment B, and grant DEO all other necessary and proper relief.

Dated: February 27, 2014

Respectfully submitted,

/s/ Andrew J. Campbell

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## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by electronic mail on the 27th day of February, 2014, to the following:

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/s/ Andrew J. Campbell  
One of the Attorneys for The East Ohio Gas  
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## ATTACHMENT A

**THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO**  
**AUTOMATED METER READING COST RECOVERY CHARGE**  
**CASE NO. 13-2319-GA-RDR**  
**REVENUE REQUIREMENT**

**Attachment A**  
Schedule 1

Line No.		Order 12/31/12	2013 Activity	Cumulative Through 12/31/13	Reference
1	Return on Investment				
2	Plant in Service				
3	Additions	\$90,630,951.01	\$0.00	\$90,630,951.01	Schedule 2, Line 7
4	Retirements	0.00	0.00	0.00	
5	Total Plant in Service	90,630,951.01	0.00	90,630,951.01	
6	Less: Accumulated Provision for Depreciation				
7	Depreciation Expense	9,821,940.00	6,267,190.58	16,089,130.58	Schedule 3, Lines 24 & 25
8	Retirements	0.00	0.00	0.00	
9	Total Accumulated Provision for Depreciation	9,821,940.00	6,267,190.58	16,089,130.58	
10	Subtotal: Net Plant Additions	80,809,011.01	(6,267,190.58)	74,541,820.43	
11	Net Regulatory Asset - Post-In-Service Carrying Costs	6,104,392.10	(171,474.18)	5,932,917.92	Schedule 4, Lines 33 & 41
12	Net Deferred Tax Balance - PISCC	(2,136,537.24)	60,015.96	(2,076,521.28)	Schedule 5, Lines 4 & 5
13	Deferred Taxes on Liberalized Depreciation	(19,830,997.61)	1,328,734.82	(18,502,262.79)	Schedule 6, Lines 30 & 31
14	Net Rate Base	\$64,945,868.26	(\$5,049,913.98)	\$59,895,954.28	
15	Approved Pre-Tax Rate of Return (ROR)			11.36%	Schedule 9, Line 8
16	Annualized Return on Rate Base			\$6,804,180.41	Line 14 x Line 15
17	Operating Expense				
18	Incremental Annual Depreciation Expense			6,267,190.58	Schedule 3, Line 24
19	Annualized Amortization of PISCC			517,016.17	Schedule 7, Line 26
20	Incremental Annual Property Tax Expense			1,044,159.19	Schedule 8, Line 4
21	Reduction in Meter Reading Expense			(6,354,095.32)	Schedule 11, Line 1
22	Reduction in Call Center Expense			(296,402.30)	Schedule 11, Line 2
23	Annualized Revenue Requirement			<u>\$7,982,048.73</u>	
24	Number of Bills			14,351,758	Schedule 10, Line 4
25	AMR Cost Recovery Charge			<u><b>\$0.56</b></u>	Per Month

Attachment A  
Schedule 2

Attachment A  
Schedule 2

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO  
AUTOMATED METER READING COST RECOVERY CHARGE  
CASE NO. 13-2319-GA-RDR  
Provision for Depreciation

Attachment A  
Schedule 3

Line No.	FERC	Order 12/31/12	(a) 2012 Adjustment	01/31/13	02/28/13	03/31/13	04/30/13	05/31/13	06/30/13	07/31/13	08/31/13	09/30/13	10/31/13	11/30/13	12/31/13
Cumulative Plant Additions															
1 ERT Installation	3820	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14
2 ERT Purchases	3810	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71
3 Computer Hardware	3912	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69
4 In House Labor - CCS IT	3990	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80
5 In House Labor - IT	3030	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46	410,575.46
6 Computer Software - Purchased	3030	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21	350,000.21
7 Total		\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01	\$90,630,951.01
Less: Fully Depreciated Plant - Cumulative															
8 In House Labor - IT				(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)	(410,575.46)
9 Computer Software - Purchased				-	(350,000.21)	(350,000.21)	(350,000.21)	(350,000.21)	(350,000.21)	(350,000.21)	(350,000.21)	(350,000.21)	(350,000.21)	(350,000.21)	(350,000.21)
10 Total				(\$410,575.46)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)	(\$760,575.67)
Net Depreciable Plant - Cumulative															
11 ERT Installation				\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14	\$36,901,116.14
12 ERT Purchases				48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71	48,944,461.71
13 Computer Hardware				2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69	2,079,836.69
14 In House Labor - CCS IT				1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80	1,944,960.80
15 In House Labor - IT				-	-	-	-	-	-	-	-	-	-	-	-
16 Computer Software - Purchased				350,000.21	-	-	-	-	-	-	-	-	-	-	-
17 Total				\$90,220,375.55	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34	\$89,870,375.34
Depreciation Expense															
		Rate													
18 ERT Installation	6.67%	\$2,704,926.71	-	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70	\$205,108.70
19 ERT Purchases	6.67%	4,674,830.86	-	272,049.63	272,049.63	272,049.63	272,049.63	272,049.63	272,049.63	272,049.63	272,049.63	272,049.63	272,049.63	272,049.63	272,049.63
20 Computer Hardware	20.00%	1,320,767.68	-	34,663.94	34,663.94	34,663.94	34,663.94	34,663.94	34,663.94	34,663.94	34,663.94	34,663.94	34,663.94	34,663.94	34,663.94
21 In House Labor - CCS IT	6.67%	356,433.54	-	10,810.74	10,810.74	10,810.74	10,810.74	10,810.74	10,810.74	10,810.74	10,810.74	10,810.74	10,810.74	10,810.74	10,810.74
22 In House Labor - IT	10.00%	415,877.65	(5,302.19)	-	-	-	-	-	-	-	-	-	-	-	-
23 Computer Software - Purchased	10.00%	349,103.56	-	896.65	-	-	-	-	-	-	-	-	-	-	-
24 Total		\$9,821,940.00	(\$5,302.19)	\$523,529.66	\$522,633.01	\$522,633.01	\$522,633.01	\$522,633.01	\$522,633.01	\$522,633.01	\$522,633.01	\$522,633.01	\$522,633.01	\$522,633.01	\$522,633.01
25 Cumulative Provision for Depreciation		\$9,821,940.00	\$9,816,637.81	\$10,340,167.47	\$10,862,800.48	\$11,385,433.49	\$11,908,066.50	\$12,430,699.51	\$12,953,332.52	\$13,475,965.53	\$13,998,598.54	\$14,521,231.55	\$15,043,864.56	\$15,566,497.57	\$16,089,130.58
26 Cumulative Current Year Activity			(\$5,302.19)	\$518,227.47	\$1,040,860.48	\$1,563,493.49	\$2,086,126.50	\$2,608,759.51	\$3,131,392.52	\$3,654,025.53	\$4,176,658.54	\$4,699,291.55	\$5,221,924.56	\$5,744,557.57	\$6,267,190.58
(a) To adjust for assets that became fully depreciated in 2012															

Adjusted	
Current Year	Cumulative
\$2,461,304.40	\$5,166,231.11
\$3,264,595.56	\$7,939,426.42
\$415,967.28	\$1,736,734.96
\$129,728.88	\$486,162.42
(\$5,302.19)	\$410,575.46
\$896.65	\$350,000.21

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO  
AUTOMATED METER READING COST RECOVERY CHARGE  
CASE NO. 13-2319-GA-RDR  
Post In-Service Carrying Costs (PISCC) Net Regulatory Asset

Attachment A  
Schedule 4

Line No.		12/31/12	01/31/13	02/28/13	03/31/13	04/30/13	05/31/13	06/30/13	07/31/13	08/31/13	09/30/13	10/31/13	11/30/13	12/31/13	Balance at 12/31/13
			(a)	(a)	(a)	(a)									
1	Accumulated Capital Additions														
2	ERT Installation	\$378,973.68	\$378,973.68	\$378,973.68	\$378,973.68	\$378,973.68	-	-	-	-	-	-	-	-	
3	ERT Purchases	295,356.51	295,356.51	295,356.51	295,356.51	295,356.51	-	-	-	-	-	-	-	-	
4	Computer Hardware	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	In House Labor - CCS IT	-	-	-	-	-	-	-	-	-	-	-	-	-	
6	In House Labor - IT	-	-	-	-	-	-	-	-	-	-	-	-	-	
7	Computer Software - Purchased	-	-	-	-	-	-	-	-	-	-	-	-	-	
8	Accumulated Capital Additions	\$674,330.19	\$674,330.19	\$674,330.19	\$674,330.19	\$674,330.19	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Sch. 2, Line 30
9	Regulatory Asset - Deferrals														
10	ERT Installation		\$2,052.77	\$2,052.77	\$2,052.77	\$2,052.77	\$2,052.77	-	-	-	-	-	-	-	\$10,263.85
11	ERT Purchases		1,599.85	1,599.85	1,599.85	1,599.85	1,599.85	-	-	-	-	-	-	-	7,999.25
12	Computer Hardware		-	-	-	-	-	-	-	-	-	-	-	-	-
13	In House Labor - CCS IT		-	-	-	-	-	-	-	-	-	-	-	-	-
14	In House Labor - IT		-	-	-	-	-	-	-	-	-	-	-	-	-
15	Computer Software - Purchased		-	-	-	-	-	-	-	-	-	-	-	-	-
16	Total Deferrals		\$3,652.62	\$3,652.62	\$3,652.62	\$3,652.62	\$3,652.62	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$18,263.10
17	Regulatory Asset - Amortization														
18	ERT Installation		\$3,875.84	\$3,875.84	\$3,875.84	\$3,875.84	\$4,640.83	\$4,640.83	\$4,640.83	\$4,640.83	\$4,640.83	\$4,640.83	\$4,640.83	\$4,640.83	\$52,630.00
19	ERT Purchases		7,357.41	7,357.41	7,357.41	7,357.41	8,431.42	8,431.42	8,431.42	8,431.42	8,431.42	8,431.42	8,431.42	8,431.42	96,881.00
20	Computer Hardware		1,802.54	1,802.54	1,802.54	1,802.54	1,994.49	1,994.49	1,994.49	1,994.49	1,994.49	1,994.49	1,994.49	1,994.49	23,166.08
21	In House Labor - CCS IT		273.53	273.53	273.53	273.53	312.05	312.05	312.05	312.05	312.05	312.05	312.05	312.05	3,590.52
22	In House Labor - IT		621.78	621.78	621.78	621.78	621.77	621.77	621.77	621.77	621.77	621.77	621.77	621.77	7,461.28
23	Computer Software - Purchased		500.70	500.70	500.70	500.70	500.70	500.70	500.70	500.70	500.70	500.70	500.70	500.70	6,008.40
24	Total Amortization		\$14,431.80	\$14,431.80	\$14,431.80	\$14,431.80	\$16,501.26	\$16,501.26	\$16,501.26	\$16,501.26	\$16,501.26	\$16,501.26	\$16,501.26	\$16,501.26	\$189,737.28
25	Regulatory Asset - Net Change														
26	ERT Installation		(\$1,823.07)	(\$1,823.07)	(\$1,823.07)	(\$1,823.07)	(\$2,588.06)	(\$4,640.83)	(\$4,640.83)	(\$4,640.83)	(\$4,640.83)	(\$4,640.83)	(\$4,640.83)	(\$4,640.83)	(\$42,366.15)
27	ERT Purchases		(5,757.56)	(5,757.56)	(5,757.56)	(5,757.56)	(6,831.57)	(8,431.42)	(8,431.42)	(8,431.42)	(8,431.42)	(8,431.42)	(8,431.42)	(8,431.42)	(88,881.75)
28	Computer Hardware		(1,802.54)	(1,802.54)	(1,802.54)	(1,802.54)	(1,994.49)	(1,994.49)	(1,994.49)	(1,994.49)	(1,994.49)	(1,994.49)	(1,994.49)	(1,994.49)	(23,166.08)
29	In House Labor - CCS IT		(273.53)	(273.53)	(273.53)	(273.53)	(312.05)	(312.05)	(312.05)	(312.05)	(312.05)	(312.05)	(312.05)	(312.05)	(3,590.52)
30	In House Labor - IT		(621.78)	(621.78)	(621.78)	(621.78)	(621.77)	(621.77)	(621.77)	(621.77)	(621.77)	(621.77)	(621.77)	(621.77)	(7,461.28)
31	Computer Software - Purchased		(500.70)	(500.70)	(500.70)	(500.70)	(500.70)	(500.70)	(500.70)	(500.70)	(500.70)	(500.70)	(500.70)	(500.70)	(6,008.40)
32	Net		(\$10,779.18)	(\$10,779.18)	(\$10,779.18)	(\$10,779.18)	(\$12,848.64)	(\$16,501.26)	(\$16,501.26)	(\$16,501.26)	(\$16,501.26)	(\$16,501.26)	(\$16,501.26)	(\$16,501.26)	(\$171,474.18)
33	Cumulative Current Year Activity		(\$10,779.18)	(\$21,558.36)	(\$32,337.54)	(\$43,116.72)	(\$55,965.36)	(\$72,466.62)	(\$88,967.88)	(\$105,469.14)	(\$121,970.40)	(\$138,471.66)	(\$154,972.92)	(\$171,474.18)	
34	Cumulative Net Regulatory Asset														
35	ERT Installation	\$2,409,732.59	\$2,407,909.52	\$2,406,086.45	\$2,404,263.38	\$2,402,440.31	\$2,399,852.25	\$2,395,211.42	\$2,390,570.59	\$2,385,929.76	\$2,381,288.93	\$2,376,648.10	\$2,372,007.27	\$2,367,366.44	
36	ERT Purchases	3,547,014.05	3,541,256.49	3,535,498.93	3,529,741.37	3,523,983.81	3,517,152.24	3,508,720.82	3,500,289.40	3,491,857.98	3,483,426.56	3,474,995.14	3,466,563.72	3,458,132.30	
37	Computer Hardware	73,879.10	72,076.56	70,274.02	68,471.48	66,668.94	64,674.45	62,679.96	60,685.47	58,690.98	56,696.49	54,702.00	52,707.51	50,713.02	
38	In House Labor - CCS IT	51,687.30	51,413.77	51,140.24	50,866.71	50,593.18	50,281.13	49,969.08	49,657.03	49,344.98	49,032.93	48,720.88	48,408.83	48,096.78	
39	In House Labor - IT	12,172.11	11,550.33	10,928.55	10,306.77	9,684.99	9,063.22	8,441.45	7,819.68	7,197.91	6,576.14	5,954.37	5,332.60	4,710.83	
40	Computer Software - Purchased	9,906.95	9,406.25	8,905.55	8,404.85	7,904.15	7,403.45	6,902.75	6,402.05	5,901.35	5,400.65	4,899.95	4,399.25	3,898.55	
41	Total	\$6,104,392.10	\$6,093,612.92	\$6,082,833.74	\$6,072,054.56	\$6,061,275.38	\$6,048,426.74	\$6,031,925.48	\$6,015,424.22	\$5,998,922.96	\$5,982,421.70	\$5,965,920.44	\$5,949,419.18	\$5,932,917.92	

(a) Prior year cumulative assets are included in the calculation of PISCC up to the month in which the associated AMR Cost Recovery charge was put into effect.

Attachment A  
Schedule 5

[illegible]

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO  
AUTOMATED METER READING COST RECOVERY CHARGE  
CASE NO. 13-2319-GA-RDR  
Deferred Taxes on Liberalized Depreciation

Attachment A  
Schedule 6

Tax Year 2013												
Line No.	FERC Account	Tax Life	12/31/12	Total Vintage 2007	Total Vintage 2008	Total Vintage 2009	Jan - Sep Vintage 2010	Oct - Dec Vintage 2010	Total Vintage 2011	Total Vintage 2012	Total Vintage 2013	Cumulative
Plant In-Service												
1	ERT Installation	3820	15/20	\$2,756,263.11	\$8,592,168.14	\$9,492,002.23	\$6,285,507.62	\$2,116,251.53	\$7,279,949.83	\$378,973.68	-	\$36,901,116.14
2	ERT Purchases	3810	15/20	4,523,047.88	14,771,574.63	10,204,104.37	8,178,417.04	2,438,292.24	8,533,669.04	295,356.51	-	48,944,461.71
3	Computer Hardware	3912	5	115,959.17	392,355.47	580,969.48	95,005.49	682,916.35	212,630.73	-	-	2,079,836.69
4	Computer Software - CCS IT	3990	1	-	-	1,419,779.86	-	397,230.83	127,950.11	-	-	1,944,960.80
5	Computer Software - IT	3030	1	226,195.37	184,380.09	-	-	-	-	-	-	410,575.46
6	Computer Software - Purchased	3030	3	278,945.51	71,054.70	-	-	-	-	-	-	350,000.21
7	Total Plant In-Service		90,630,951.01	\$7,900,411.04	\$24,011,533.03	\$21,696,855.94	\$14,558,930.15	\$5,634,690.95	\$16,154,199.71	\$674,330.19	\$0.00	\$90,630,951.01
Tax Base In-Service:												
8	MACRS - 5 Year Property			\$115,959.17	\$392,355.47	\$580,969.48	\$95,005.49	\$682,916.35	\$212,630.73	\$0.00	\$0.00	\$2,079,836.69
9	MACRS - 15 Year Property			7,279,310.99	23,363,742.77	19,696,106.60	14,463,924.66	4,554,543.77	-	-	-	69,357,628.79
10	MACRS - 20 Year Property			-	-	-	-	-	15,813,618.87	674,330.19	-	16,487,949.06
11	MACRS - 3 Year Property			278,945.51	71,054.70	-	-	-	-	-	-	350,000.21
12	MACRS - 1 Year Property			226,195.37	184,380.09	1,419,779.86	-	397,230.83	127,950.11	-	-	2,355,536.26
13	Total Tax Depreciation Base			\$7,900,411.04	\$24,011,533.03	\$21,696,855.94	\$14,558,930.15	\$5,634,690.95	\$16,154,199.71	\$674,330.19	\$0.00	\$90,630,951.01
Tax Rates				7th year	6th year*	5th year*	4th year*	4th year**	3rd year**	2nd year*	1st year*	
14	MACRS - 5 Year Property			0.00%	5.76%	11.52%	11.52%	0.00%	0.00%	32.00%	20.00%	
15	MACRS - 15 Year Property			5.90%	6.23%	6.93%	7.70%	0.00%	0.00%	9.50%	5.00%	
16	MACRS - 20 Year Property			4.89%	5.29%	5.71%	6.18%	0.00%	0.00%	7.22%	3.75%	
17	MACRS - 3 Year Property			0.00%	0.00%	0.00%	16.67%	0.00%	0.00%	33.33%	16.67%	
18	MACRS - 1 Year Property			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	
Tax Depreciation												
19	MACRS - 5 Year Property		\$2,004,660.30	-	\$11,299.84	\$33,463.84	\$5,472.32	-	-	-	-	\$2,054,896.30
20	MACRS - 15 Year Property		45,608,308.62	429,479.35	727,780.59	682,470.09	556,499.50	-	-	-	-	48,004,538.15
21	MACRS - 20 Year Property		16,163,427.66	-	-	-	-	-	-	24,339.95	-	16,187,767.61
22	MACRS - 3 Year Property		350,000.33	-	-	-	-	-	-	-	(0.12)	350,000.21
23	MACRS - 1 Year Property		2,355,536.26	-	-	-	-	-	-	-	-	2,355,536.26
24	Total Tax Depreciation		\$66,481,933.17	\$429,479.35	\$739,080.43	\$715,933.93	\$561,971.82	\$0.00	\$0.00	\$24,339.95	(\$0.12)	\$68,952,738.53
Current Year Sub-totals											\$2,470,805.36	
Book Depreciation												
25	ERT - Installations		\$2,704,926.71								\$2,461,304.40	\$5,166,231.11
26	ERT - Purchases		4,674,830.86								3,264,595.56	7,939,426.42
27	Other		2,442,182.43								541,290.62	2,983,473.05
28	Total Book Depreciation		\$9,821,940.00								\$6,267,190.58	\$16,089,130.58
29	Tax Depreciation in Excess of Book Depreciation		\$56,659,993.17								(\$3,796,385.22)	\$52,863,607.95
30	Federal Deferred Taxes @ 35.00%		\$19,830,997.61								(\$1,328,734.82)	\$18,502,262.79
31	Accumulated Deferred Income Tax (ADIT)										\$18,502,262.79	
32	Federal Tax Rate		35.00%								35.00%	35.00%

\* 50% bonus tax depreciation applies. On plant additions for 2008 through September 2010, in 2012 & 2013, tax depreciation is calculated on the remaining 50% of plant value (i.e., 50% of the plant value \* the stated depreciation rates).

\*\* 100% bonus tax depreciation applies.

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO  
AUTOMATED METER READING COST RECOVERY CHARGE  
CASE NO. 13-2319-GA-RDR  
Annualized Amortization of PISCC

Attachment A  
Schedule 7

Line No.	Description	PISCC Deferrals						Accumulated Deferrals at 12/31/13
		2008	2009	2010	2011	2012	2013	
1	Regulatory Asset--Deferrals							
2	ERT Installation	\$484,140.14	\$637,446.79	\$517,451.28	\$456,006.91	\$413,510.10	\$10,263.85	\$2,518,819.07
3	ERT Purchases	1,025,594.22	845,624.48	629,317.60	765,792.14	476,810.50	7,999.25	3,751,138.19
4	Computer Hardware	26,349.10	33,973.79	21,024.97	26,804.32	11,517.50	-	119,669.68
5	In House Labor - CCS IT	-	-	38,452.35	10,758.35	6,930.60	-	56,141.30
6	In House Labor - IT	26,186.72	11,119.75	-	-	-	-	37,306.47
7	Computer Software - Purchased	20,562.72	9,479.15	-	-	-	-	30,041.87
8	Cumulative Total--Deferred PISCC	\$1,582,832.90	\$1,537,643.96	\$1,206,246.20	\$1,259,361.72	\$908,768.70	\$18,263.10	\$6,513,116.58

  

9	Prior Year Calculation	2012 Amortization %	Annual Amortization of:						Total Annual Amortization	Monthly Amortization
			2008 PISCC	2009 PISCC	2010 PISCC	2011 PISCC	2012 PISCC	2013 PISCC		
10	Annualized Amortization of PISCC									
11	ERT Installation	2.22%	\$10,747.91	\$14,151.32	\$11,487.42	\$10,123.35	\$9,179.92	-	\$55,689.92	\$4,640.83
12	ERT Purchases	2.703%	27,721.81	22,857.23	17,010.45	20,699.36	12,888.19	-	101,177.04	\$8,431.42
13	Computer Hardware	20.00%	5,269.82	6,794.76	4,204.99	5,360.86	2,303.50	-	23,933.93	\$1,994.49
14	In House Labor - CCS IT	6.67%	-	-	2,564.77	717.58	462.27	-	3,744.62	\$312.05
15	In House Labor - IT	20.00%	5,237.34	2,223.95	-	-	-	-	7,461.29	\$621.77
16	Computer Software - Purchased	20.00%	4,112.54	1,895.83	-	-	-	-	6,008.37	\$500.70
17	Total -- Annualized PISCC Amortization		\$53,089.42	\$47,923.09	\$35,267.63	\$36,901.15	\$24,833.88	\$0.00	\$198,015.17	\$16,501.26

  

18	Current Year Calculation with Change in Lives	(a) 2013 Amortization %	Annual Amortization of:						Total Annual Amortization	(b) Monthly Amortization
			2008 PISCC	2009 PISCC	2010 PISCC	2011 PISCC	2012 PISCC	2013 PISCC		
19	Annualized Amortization of PISCC									
20	ERT Installation	6.67%	\$43,040.06	\$52,798.49	\$40,232.99	\$33,509.96	\$28,869.17	\$684.60	\$199,135.27	\$16,594.61
21	ERT Purchases	6.67%	88,698.52	68,556.38	48,171.24	55,705.85	33,124.05	\$533.55	294,789.59	\$24,565.80
22	Computer Hardware	20.00%	-	6,794.75	4,205.00	5,360.33	2,303.50	-	18,663.58	\$1,555.30
23	In House Labor - CCS IT	6.67%	-	-	2,562.14	716.95	461.84	-	3,740.93	\$311.74
24	In House Labor - IT	10.00%	0.02	370.73	-	-	-	-	370.75	\$30.90
25	Computer Software - Purchased	10.00%	0.02	316.03	-	-	-	-	316.05	\$26.34
26	Total -- Annualized PISCC Amortization		\$131,738.62	\$128,836.38	\$95,171.37	\$95,293.09	\$64,758.56	\$1,218.15	\$517,016.17	\$43,084.69

(a) Based on asset lives approved in Case # 13-1988-GA-AAM

(b) Revised amortization of PISCC will begin when the rate resulting from this application is implemented.



THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO  
AUTOMATED METER READING COST RECOVERY CHARGE  
CASE NO. 13-2319-GA-RDR  
Property Tax Expense Calculation

Attachment A  
Schedule 8

Line No.		12/31/12	Actual Through 12/31/13	Cumulative Through 12/31/13	
1	Total Plant in Service	\$90,630,951.01	\$0.00	\$90,630,951.01	Schedule 2
2	2012 Effective Rate	1.1521%			
3	Ohio Property Tax on Accumulated Plant:				
4	Tax on Property Through 12/31/2012 - Expensed in 2013	\$1,044,159.19			

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO  
AUTOMATED METER READING COST RECOVERY CHARGE  
CASE NO. 13-2319-GA-RDR  
Approved Rate of Return on Rate Base

Attachment A  
Schedule 9

Line No.		
1	Capital Structure	
2	Debt	48.66%
3	Equity	51.34%
4	Cost of Capital	
5	Debt	6.50%
6	Equity	10.38%
7	Return on Rate Base	<u>8.49%</u>
8	Return on Rate Base using Pre-Tax Equity	<u>11.36%</u>

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO  
AUTOMATED METER READING COST RECOVERY CHARGE  
CASE NO. 13-2319-GA-RDR  
Actual Bills Issued  
Twelve Months Ended December 31, 2013

Attachment A  
Schedule 10

Line No.	Customer Class	CCS	SBS	Total Bills
1	GSS / ECTS	14,281,335	1,559	14,282,894
2	GTS / TSS	20,793	9,027	29,820
3	LVGSS / LVECTS	38,122	922	39,044
4	Total	14,340,250	11,508	14,351,758

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO

AUTOMATED METER READING COST RECOVERY CHARGE

CASE NO. 13-2319-GA-RDR

Meter Reading and Call Center O&M Expense

For the Twelve Months Ended December 31, 2013 vs. the 2007 Baseline Level of Expense

Attachment A  
Schedule 11

Line No.		2007 Baseline	2013 Actual	Variance 2013 Projected vs. 2007 Baseline	Reduction of AMR Revenue Requirement
1	Meter Reading	\$8,684,136.64	\$2,330,041.32	(\$6,354,095.32)	(\$6,354,095.32)
2	Call Center - Restated	19,031,482.22	18,735,079.92	(296,402.30)	(296,402.30)
3	Total	\$27,715,618.86	\$21,065,121.24	(\$6,650,497.62)	(\$6,650,497.62)

## ATTACHMENT B

## AMR Cost Recovery Charge

A monthly charge of \$0.~~37~~56 shall be added to the otherwise applicable monthly service charge for all customers receiving service under the following rate schedules to recover the depreciation, incremental property taxes and post in-service carrying charges associated with the installation of automated meter reading (AMR) equipment throughout East Ohio's system:

- a) General Sales Service – Residential
- b) General Sales Service – Nonresidential
- c) Large Volume General Sales Service
- d) Energy Choice Transportation Service – Residential
- e) Energy Choice Transportation Service – Nonresidential
- f) Large Volume Energy Choice Transportation Service
- g) General Transportation Service
- h) Transportation Service for Schools

## **AMR Cost Recovery Charge**

A monthly charge of \$0.56 shall be added to the otherwise applicable monthly service charge for all customers receiving service under the following rate schedules to recover the depreciation, incremental property taxes and post in-service carrying charges associated with the installation of automated meter reading (AMR) equipment throughout East Ohio's system:

- a) General Sales Service – Residential
- b) General Sales Service – Nonresidential
- c) Large Volume General Sales Service
- d) Energy Choice Transportation Service – Residential
- e) Energy Choice Transportation Service – Nonresidential
- f) Large Volume Energy Choice Transportation Service
- g) General Transportation Service
- h) Transportation Service for Schools

Issued:

Effective:

## ATTACHMENT C



**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. 13-2319-GA-RDR
Automated Meter Reading Cost Recovery	)	
Charge and Related Matters.	)	

**DIRECT TESTIMONY OF VICKI H. FRISCIC  
ON BEHALF OF  
THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO**

## **TABLE OF CONTENTS**

<b>I. INTRODUCTION .....</b>	<b>1</b>
<b>II. DESCRIPTION OF APPLICATION .....</b>	<b>1</b>
<b>III. PROGRAM STATUS.....</b>	<b>8</b>
<b>IV. NOTICE TO MUNICIPALITIES.....</b>	<b>9</b>
<b>V. CONCLUSION .....</b>	<b>9</b>

1 **Direct Testimony of**  
2 **Vicki H. Friscic**

3 **I. INTRODUCTION**

4 **Q1. Please introduce yourself.**

5 A. My name is Vicki H. Friscic. I am employed by The East Ohio Gas Company d/b/a  
6 Dominion East Ohio (DEO or Company) as Director of Regulatory & Pricing. My  
7 business address is 1201 East 55th Street, Cleveland, Ohio 44103.

8 **Q2. In your capacity as Director Regulatory & Pricing, are you generally familiar with**  
9 **DEO's books and records?**

10 A. Yes. I am responsible for preparing and making a variety of regulatory filings that  
11 include financial information derived from DEO's financial records, including the  
12 general ledger, annual reports, income statements, and balance sheets.

13 **Q3. Are you familiar with DEO's Application to adjust its Automated Meter Reading**  
14 **(AMR) Cost Recovery Charge?**

15 A. Yes. I supervised and coordinated the preparation of DEO's Pre-Filing Notice and  
16 Application, including the collection of the data and assembly of the schedules  
17 supporting the AMR Cost Recovery Charge (AMR Charge), which were submitted as  
18 part of DEO's AMR filings.

19 **Q4. What is the purpose of your testimony in this proceeding?**

20 A. The purpose of my testimony is to explain the adjustment to the AMR Charge set forth in  
21 DEO's Application in this case.

22 **II. DESCRIPTION OF APPLICATION**

23 **Q5. What change is DEO requesting to the AMR Charge?**

24 A. DEO is requesting a change from the current charge of \$0.37 per applicable customer, per  
25 month, to \$0.56 per applicable customer, per month.

1 **Q6. Did any changes occur in the past year that help explain the increase in the AMR**  
2 **Charge?**

3 A. Yes. While the amount of the AMR Charge reflects numerous accounting conventions,  
4 cost and savings inputs, and other factors, one notable occurrence in the past year tended  
5 to increase the AMR Charge. This was the adoption of revised depreciation rates. In its  
6 October 23, 2013 Finding and Order in Case No. 13-1988-GA-AAM, the Commission  
7 approved revised depreciation rates and associated asset service lives based on an  
8 updated depreciation study submitted by DEO. Under DEO's previous depreciation  
9 rates, purchased AMR encoder-receiver-transmitter (ERT) devices and the associated  
10 installation costs were depreciated over the same lives as meters and meter installation  
11 costs, which were 37 and 45 years, respectively. The depreciation study reviewed by  
12 Staff in Case No. 13-1988-GA-AAM proposed a life of 15 years for both ERT devices  
13 and installation costs. Those service lives were reflected in the depreciation rates  
14 approved by the Commission in the October 23, 2013 Finding and Order. The shorter  
15 service lives result in increased depreciation expense for these assets and an increase in  
16 the annual amortization amount for deferred post-in-service carrying costs, both of which  
17 are spread over the life of the assets. These changes have the effect of increasing the  
18 AMR Cost Recovery Charge by approximately \$0.26 per month.

19 **Q7. Please describe the components used to calculate the Annualized Revenue**  
20 **Requirement for the AMR Program.**

21 A. DEO has calculated the AMR Program revenue requirement in a manner consistent with  
22 the revenue requirement calculation in the last rate case. The formula, shown on  
23 Application Attachment A at Schedule 1, is rate base times rate of return plus operating  
24 expenses. Each component of the formula is supported by a schedule or schedules.

1 **Q8. Please identify the rate components and schedules that support the calculation of**  
2 **rate base shown on Application Attachment A at Schedule 1.**

3 A. Rate base consists of the following components: Total Plant In Service shown on  
4 Schedule 2; Accumulated Provision for Depreciation shown on Schedule 3; Post-in-  
5 Service Carrying Costs ("PISCC") shown on Schedule 4; Net Deferred Taxes on PISCC  
6 shown on Schedule 5; and Deferred Taxes on Liberalized Depreciation shown on  
7 Schedule 6.

8 **Q9. Please explain the information set forth on Schedule 2 and how that information is**  
9 **shown on Schedule 1.**

10 A. Schedule 2 shows the Plant Additions by Month associated with the AMR Program  
11 cumulatively and for the year ended December 31, 2013. These Plant Additions  
12 represent capital investments by DEO for the purchase and installation of AMR devices  
13 on customer meters, associated remote reading devices and equipment and computer  
14 software. Because the AMR program was completed in 2012, there are no additional  
15 plant investments in 2013. Plant Additions from Schedule 2 appear on Schedule 1 at line  
16 3.

17 **Q10. Please explain the information set forth on Schedule 3 and how that information is**  
18 **shown on Schedule 1.**

19 A. Schedule 3 shows the Provision for Depreciation associated with the AMR Program  
20 cumulatively and for the year ended December 31, 2013. The accumulated Provision for  
21 Depreciation, sometimes known as "Accumulated Depreciation," represents the  
22 depreciation expense accumulated since inception of the AMR Program and during the  
23 year ended December 31, 2013, on the AMR Program Plant Additions shown on  
24 Schedule 2. The accumulated Provision for Depreciation from Schedule 3 appears on

Schedule 1 at line 7 and the incremental depreciation expense for the year ended December 31, 2013, from Schedule 3 appears on Schedule 1 at line 18.

**Q11. Please explain the information set forth on Schedules 4, 5, and 6 and how that information is shown on Schedule 1.**

A. Schedule 4 shows the Net Regulatory Asset - Post-in-Service Carrying Costs associated with the AMR Program for the year ended December 31, 2013, and cumulatively. PISCC represents carrying charges calculated at 6.5 percent on cumulative AMR Plant Additions, for which the Commission has authorized cost recovery through the AMR Charge, but for which cost recovery has not yet begun. The 6.5 percent rate is DEO's cost of long-term debt from the last rate case. The PISCC Net Regulatory Asset represents accumulated PISCC net of the amortization of PISCC amounts deferred in prior years. The PISCC Net Regulatory Asset from Schedule 4 appears on Schedule 1 at line 11.

Schedule 5 shows the Net Deferred Tax Balance - PISCC associated with the AMR Program for the year ended December 31, 2013, and cumulatively. The Net Deferred Tax Balance - PISCC represents a tax liability resulting from a book versus tax timing difference associated with the recognition of PISCC on AMR Plant Additions. The Net Deferred Tax Balance - PISCC from Schedule 5 appears on Schedule 1 at line 12.

Schedule 6 shows Deferred Taxes on Liberalized Depreciation associated with the AMR Program for the year ended December 31, 2013, and cumulatively. The Deferred Taxes on Liberalized Depreciation represent the federal income tax liability associated with the difference between depreciation allowed for income tax purposes, which is determined in accordance with tax rules, compared with depreciation calculated for book

1 purposes, which is determined in accordance with accounting rules. Such taxes are  
2 calculated based on AMR Plant Additions. The calculation of Deferred Taxes on  
3 Liberalized Depreciation on Schedule 6 of this filing includes bonus tax depreciation  
4 allowed by law for capital additions in 2008 through 2012. There have been no capital  
5 additions since 2012. Deferred Taxes on Liberalized Depreciation from Schedule 6  
6 appears on Schedule 1 at line 13.

7 **Q12. Please identify the schedule that supports the Approved Pre-Tax Rate of Return**  
8 **that DEO applies to the AMR Program rate base shown on Application Attachment**  
9 **A at Schedule 1.**

10 A. Schedule 9 shows the Approved Rate of Return on Rate Base as determined by the  
11 Commission in its December 19, 2008 Entry on Rehearing in Case No. 07-829-GA-AIR  
12 and the associated pre-tax rate. The Return on Rate Base using Pre-Tax Equity is shown  
13 as the Approved Pre-Tax Rate of Return on Schedule 1 at line 15. The Approved Pre-  
14 Tax Rate of Return multiplied by the AMR Program rate base on Schedule 1 at line 14  
15 provides the amount of the Annualized Return on Rate Base on Schedule 1 at line 16.

16 **Q13. Please identify the rate components and schedules that support the calculation of**  
17 **Operating Expense shown on Application Attachment A at Schedule 1.**

18 A. Operating Expense consists of five rate components: Incremental Annual Depreciation  
19 Expense shown on Schedule 3; Annualized Amortization of PISCC shown on Schedule  
20 7; Incremental Annual Property Tax Expense shown on Schedule 8; Reduction in Meter  
21 Reading Expense shown on Schedule 11; and Reduction in Call Center Expense shown  
22 on Schedule 11.

23 **Q14. Please explain the information set forth on Schedule 7 and how that information is**  
24 **shown on Schedule 1.**

25 A. Schedule 7 sets forth the Annualized Amortization of PISCC deferred for recovery in  
26 prior years and during the year ended December 31, 2013. The Annualized Amortization

of PISCC represents the amortization during the twelve-month period the adjusted AMR Charge will be in effect of PISCC accumulated during each year of the AMR Program through December 31, 2013. This amortization spreads each year's accumulated PISCC to expense over the lives of the related assets. Because of the change in asset service lives in conjunction with revised depreciation rates approved in Case No. 13-1988-GA-AAM, the unamortized balance of accumulated deferred PISCC is being spread over the remainder of the new service lives commencing upon the implementation of the rates approved in this case. The Annualized Amortization of PISCC is shown on Schedule 1 at line 19.

**Q15. Please explain the information set forth on Schedule 8 and how that information is shown on Schedule 1.**

A. Schedule 8 sets forth the Incremental Annual Property Tax Expense, which is property tax expense for AMR-related assets recognized on DEO's books during the year ended December 31, 2013, and deferred for recovery through the AMR Charge. Property tax expense recognized in any calendar year is based on plant assets as of the preceding year end. As a result, property tax expense incurred in 2013 reflects one year's tax on cumulative AMR Plant Additions as of December 31, 2012. Incremental Annual Property Tax Expense is shown on Schedule 1 at line 20.

**Q16. Please explain the information set forth on Schedule 11 and how that information is shown on Schedule 1.**

A. Schedule 11 sets forth the operations-and-maintenance (O&M) expense savings attributable to the AMR program for the year ended December 31, 2013. The Reduction in Meter Reading Expense is determined by measuring the decrease in meter reading expenses incurred during the 2013 program year as compared with the same expenses in



1 the baseline year, which is the calendar year ended December 31, 2007. The Reduction  
2 in Meter Reading Expense amount for 2013 is shown on Schedule 1 at line 21.

3 The Reduction in Call Center Expense is determined by comparing call center  
4 expenses during the 2013 program year, after the adjustments ordered by the Commission  
5 in Case No. 09-1875-GA-UNC to restate call center expenses for non-AMR-related  
6 activities since the 2007 baseline year, with call center expenses in the baseline year. The  
7 resulting decrease in restated call center expense for 2013 compared with the baseline  
8 year is shown as the Reduction in Call Center Expense on Schedule 1 at line 22.

9 **Q17. Please explain the information set forth on Schedule 10 and how that information is**  
10 **shown on Schedule 1.**

11 A. Schedule 10 sets forth the number of Actual Bills Issued through DEO's CCS (low-  
12 pressure) and SBS (high-pressure) billing systems during the twelve months ended  
13 December 31, 2013, for each of the rate classes to which the AMR Charge is applicable.  
14 The total number of bills issued for 2013 is reflected on Schedule 1 at line 24.

15 **Q18. How is the AMR Charge shown on Schedule 1 at line 25 calculated?**

16 A. The AMR Program Annualized Revenue Requirement on Schedule 1 at line 23 is divided  
17 by the total Number of Bills at line 24 to arrive at the AMR Charge shown at line 25.

18 **Q19. Does the proposed AMR Charge include any credit for expense reductions?**

19 A. Yes. As shown on Schedule 1 at line 21, the AMR Charge includes credits to the  
20 Annualized Revenue Requirement of \$6,354,095.32 related to meter-reading O&M  
21 expense savings and \$296,402.30 related to restated call center O&M expense savings.

1    **III.    PROGRAM STATUS**

2    **Q20.    What is the status of the AMR program as of December 31, 2013?**

3    A.    DEO considered the program to be complete as of the end of June 2012. Since that time,  
4        DEO has continued and will continue to install AMR devices as needed, but is not  
5        seeking recovery of those costs through the AMR Charge. Although there is no further  
6        capital investment in the AMR program, DEO will continue to request approval for  
7        recovery of PISCC, depreciation, property taxes, and a return on AMR investments until  
8        such time as the AMR investments are included in rate base.

9    **Q21.    What was the total cost of AMR deployment, and how did that compare to DEO's**  
10   **pre-acceleration estimates?**

11   A.    The total capital investment in the AMR program was \$90,630,951.01. This is  
12        approximately \$10 million less than the lowest estimate of the total program cost given  
13        when DEO filed its original AMR application.

14   **Q22.    Has DEO reduced meter-reading O&M expense?**

15   A.    Yes. By the end of 2013, over the life of the program, DEO has achieved \$18,565,635.44  
16        in meter-reading O&M expense savings for its customers, compared to that expense for  
17        the 2007 baseline year. In 2013 alone, DEO realized \$6,354,095.32 in savings, despite  
18        increases in labor rates and benefit costs that have occurred since 2007.

19   **Q23.    Has DEO restated its call-center expense in accordance with the 09-1875 Order?**

20   A.    Yes. DEO has restated call-center expense using the same methodology in every case  
21        since Case 09-1875, including this one. This methodology was reviewed in detail with  
22        Staff in March 2011 for the filing based on 2010 AMR costs (Case No. 10-2853-GA-  
23        RDR). As shown on Schedule 11, DEO experienced call-center savings in 2013 of  
24        \$296,402.30 compared with expense in the baseline year.

1    **IV.    NOTICE TO MUNICIPALITIES**

2    **Q24.    Did DEO file a Notice of Intent to File an Application to Adjust its AMR Charge?**

3    A.    Yes, DEO filed its Notice of Intent on November 27, 2013, and served it on every party  
4        to its original distribution rate case in Case No. 07-829-GA-AIR. In that Notice, DEO  
5        stated that it would serve an additional notice of its intent to file this Application not later  
6        than 30 days prior to its filing on the mayor and legislative authority of each municipality  
7        included in such application.

8    **Q25.    Did DEO provide this municipal notice?**

9    A.    Yes, it did. DEO mailed the notice to mayors and legislative authorities within its service  
10        territories on January 13, 2014, which was more than 30 days prior to the end of  
11        February.

12   **V.    CONCLUSION**

13   **Q26.    Does this conclude your direct testimony?**

14   A.    Yes.

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Direct Testimony of Vicki H. Friscic was served by electronic mail to the following persons on this 27th day of February, 2014:

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Summary: Application to Adjust its Automated Meter Reading Cost Recovery Charge and Related Matters electronically filed by Mr. Gregory L. Williams on behalf of The East Ohio Gas Company d/b/a Dominion East Ohio