

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application)
of Columbia Gas of Ohio, Inc. for an) Case No. 14-2078-GA-RDR
Adjustment to Rider IRP and Rider)
DSM Rates)

**PREPARED DIRECT TESTIMONY
OF JANA T. CROOM
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

COLUMBIA GAS OF OHIO, INC.

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February 27, 2015

Attorneys for
COLUMBIA GAS OF OHIO, INC.

**PREPARED DIRECT TESTIMONY
OF JANA T. CROOM**

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

2 A. Jana Croom, 290 W. Nationwide Blvd., Columbus, Ohio 43215.

3
4 **Q. By whom 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 received my undergraduate degree from the College of Wooster in
10 Wooster, Ohio and my Masters of Business Administration from The
11 Fisher College of Business at The Ohio State University. I began my career
12 as an Equity Analyst for the Public Employees Retirement System
13 (OPERS) and spent 10 years in the investment field before joining Ameri-
14 can Electric Power where I held positions in Investor Relations, Corporate
15 Finance and Treasury. I came to Columbia in 2012, focusing on financial
16 forecasting before assuming my current role, in April, 2014.

17
18 **Q. What are your job responsibilities as Director, Regulatory Affairs?**

19 A. As Director, Regulatory Affairs, my primary responsibilities include the
20 planning, supervision, preparation and support of all Columbia regulato-
21 ry filings before the Public Utilities Commission of Ohio ("Commission").
22 Other responsibilities include the preparation of exhibits, proposed tariff
23 changes and testimony filed by Columbia in support of the Infrastructure
24 Replacement Program ("IRP") Rider proposed by Columbia in this case.

25
26 **Q. Have you ever testified in front of this Commission?**

27 A. No.

28
29 **Q. What is the purpose of your testimony?**

30 A. The purpose of my testimony is to support the reasonableness of Columbia's
31 request for the proposed rate adjustments in Riders IRP and Demand Side
32 Management ("DSM"). I provide detailed explanation of the programs and
33 the schedules filed by Columbia on February 27, 2015, in support of the pro-
34 posed adjustments.

35
36 **Q. What schedules are you sponsoring in this proceeding?**

A. Following, is a list and brief description of the schedules I am sponsoring in this proceeding, which are applicable to Riders IRP and DSM:

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 Re-

Schedule/Exhibit	Description
	quirement
Schedule R-11	Computation of the Revised IRP Rate Component
Schedule AMRD-1	Summary of Rate Base and Revenue Requirement.
Schedule AMRD-2	Detail of Monthly and Cumulative Plant Additions
Schedule AMRD-3	Detail of Monthly and Cumulative Cost of Removal
Schedule AMRD-4	Detail of Monthly & Cumulative Original Cost Plant Retired
Schedule AMRD-5	Detail of Monthly & Cumulative Provision for Depreciation
Schedule AMRD-6	Detail of Computation of Post in Service Carrying Costs
Schedule AMRD-7	Computation of Annualized Property Tax Expense
Schedule AMRD-8	Computation of Deferred Taxes – Liberalized Depreciation
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 Mcf

EXPLANATION OF RIDER IRP PROGRAM:

Q. When was Rider IRP first authorized by Commission?

1 A. Columbia was first authorized to establish Rider IRP by the Commission in
2 its Opinion and Order ("Rate Case Order") issued on December 3, 2008 in
3 Case Nos. 08-0072-GA-AIR et al.
4

5 **Q. What did the Order in Case Nos. 08-0072-GA-AIR et al. provide for as it**
6 **pertains to Rider IRP?**

7 A. Pursuant to the Order, Rider IRP provides for recovery of and the return on
8 Columbia's plant investment and related expenses, as detailed in the stipu-
9 lation filed in that case on October 24, 2008.
10

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

13 A. Columbia's annual application should include three independent revenue
14 requirement calculations. Each calculation should be computed in the same
15 manner, based on the costs of the specific program. Each application should
16 be based on actual data through December of the prior year. A true-up of
17 authorized revenues to those actually collected will be included in each sub-
18 sequent filing. Columbia should also list its construction plans for the cur-
19 rent calendar year.
20

21 **Q. Please describe Rider IRP.**

22 A. Rider IRP consists of three components. The first component recovers the
23 costs associated with the replacement of natural gas risers that are prone to
24 failure, along with the costs associated with the installation, maintenance,
25 repair and replacement of customer service lines that have been determined
26 to present an existing or probable hazard to persons and property. Sched-
27 ules filed in support of this component are identified through the use of the
28 letter "R."
29

30 The second component recovers the costs associated with Columbia's
31 Accelerated Mains Replacement Program ("AMRP"). Under the AMRP, Co-
32 lumbia plans to replace approximately 4,100 miles of priority pipe and an es-
33 timated 350,000 to 360,000 metallic service lines over a period of approxi-
34 mately 25 years. Schedules filed in support of this component are identified
35 through the use of the acronym "AMRP."
36

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

1 ginning in 2009. This program concluded in 2013. Schedules filed in support
2 of this component are identified through the use of the acronym "AMRD."

3
4 **Q. Did Columbia include each of these components in the schedules filed**
5 **February 27, 2015 in support of the application filed in this proceeding?**

6 A. Yes. The three independent revenue calculations are detailed on Schedules
7 AMRP-1, AMRD-1 and R-1. AMRP construction plans for calendar year
8 2015 are detailed in Columbia witness Belle's testimony. Columbia witness
9 Belle also addresses the factors used to determine the pipe replacement pri-
10 ority.

11
12 **Q. Has an Independent Accountant's Report been separately docketed in this**
13 **case?**

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

20
21 **Q. How are the schedules included in Columbia's November 25, 2014 Notice**
22 **of Intent different from the updated schedules filed in this proceeding on**
23 **February 27, 2015?**

24 A. The schedules included in Columbia's Notice of Intent contained nine
25 months actual and three months estimated calendar year 2014 data, while
26 the schedules filed February 27, 2015 contain twelve months of actual data
27 for calendar year 2014.

28
29 **Q. Does your testimony support the estimated data?**

30 A. No. My testimony supports the actual data filed in this proceeding on
31 February 27, 2015, in support of the Rider IRP rate calculated on Attachment
32 A of the application that will ultimately be billed to customers.

33
34 **Q. What is included in the annualized IRP revenue requirement calcula-**
35 **tions?**

36 A. Each of the revenue requirements set forth on Schedules AMRP-1, R-1 and
37 AMRD-1 include return on and return of Columbia's investment in each of
38 these programs and related costs such as program operating expenses and
39 deferred expenses. The Rate Case Order authorizes the pre-tax return on

rate base of 10.95%. Costs included for determination of revenue requirement are consistent with those cost components identified for recovery in the Joint Stipulation and Recommendation filed in Case No. 08-0072-GA-AIR et al. on October 24, 2008 and in the Order issued on December 3, 2008.

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

A. Capitalized costs include contract labor and associated expenses, materials and supplies, internal labor and associated overheads, and AFUDC. The plant additions are capitalized at Columbia's actual cost of replacement and shown as an increase to rate base as projects are placed in service. The associated accumulated reserve for depreciation is detailed as a reduction to rate base. Each of the rate base components is based on the cumulative investment made by Columbia during the seven calendar years ended December 31, 2014. The development of Rate Base used for computation of pretax return on rate base is also shown on Schedules AMRP-1, R-1 and AMRD-1.

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

A. Deferred depreciation expense, deferred property tax expense and deferred PISCC are the three types of deferred expenses included in rate base. Generally, expenses are deferred beginning with the month the plant goes in service or the month the expense is incurred, until Columbia begins earning a return on its investment through rates. The cumulative deferred expenses recorded during calendar years 2008-2014 have been included as part of rate base in this filing.

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

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

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

A. Pursuant to federal tax legislation, the costs associated with calendar year 2010 capital projects that began and were placed in service after September 8, 2010 were treated as 100% depreciation expense for federal tax purposes. The costs associated with the majority of Columbia's remaining calendar

1 year 2010 projects qualified for 50% tax depreciation expense in 2010. The
2 costs associated with all 2011 capital projects qualified for 100% tax depreci-
3 ation in 2011. The costs associated with all 2012 capital projects qualified for
4 50% tax depreciation in 2012. The costs associated with all 2013 capital pro-
5 jects qualified for 50% tax depreciation in 2013. This federal tax legislation
6 was provided for in 2014 as well, which extended the 50% tax depreciation
7 for property placed in service in 2014. The collective increase in deferred
8 taxes resulting from recognition of the higher tax depreciation treatment, net
9 of the associated net operating losses, has been reflected in Columbia's de-
10 ferred tax calculations because these are a non-investor source of funds.

11
12 **Q. What types of Operating Expenses are included in the IRP revenue**
13 **requirements calculation?**

14 A. Annualized depreciation, annualized property tax, annualized amortization
15 of deferred expenses and customer education expenses.
16

17 **Q. Please describe the property tax calculation set forth on Schedules AMRP-**
18 **7, R-7 and AMRD-7.**

19 A. These schedules provide for the computation of property tax based on the
20 sum of plant additions excluding the original cost retired. The calculation
21 follows the process used in Columbia's Annual Report to the Ohio Depart-
22 ment of Taxation to determine the Net Property Valuation and uses the lat-
23 est actual average property tax rate per \$1,000 of valuation. It reflects the
24 ongoing property tax that Columbia will incur during the twelve months
25 that the proposed IRP rate will be in effect. These schedules further detail
26 the development of the deferred property taxes and annualized amortiza-
27 tion of the deferred expenses included in the revenue requirement.
28

29 **Q. Is the property tax calculation provided in this filing identical to the**
30 **calculations used in previous IRP filings?**

31 A. Yes, the calculation methodology is identical to the methodology used in the
32 previous year IRP filing, and as prescribed by the Ohio Department of Taxa-
33 tion.
34

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

38 A. No. Pursuant to the Joint Stipulation and Recommendation in Case No. 09-
39 006-GA-UNC, accumulated depreciation was calculated using gross plant

1 additions; however, deferred depreciation and annualized depreciation ex-
2 pense were calculated using plant additions net of retirements. In all three
3 cases, the depreciation rates used were those most recently approved by the
4 Commission.

5
6 **Q. Please explain the annualized amortization of deferred expenses calcula-**
7 **tions.**

8 A. Deferred expenses such as deferred depreciation, deferred property taxes,
9 and deferred PISCC are amortized over the life of the associated assets using
10 the current depreciation rate. Amortization does not start until Columbia
11 begins recovering the associated expense through rates and is calculated
12 based on the cumulative date certain balance and current depreciation rate.
13 Amortization of Deferred Depreciation Expense is shown on Schedules
14 AMRP-5, R-5 and AMRD-5. Amortization of Deferred PISCC is shown on
15 Schedules AMRP-6, R-6 and AMRD-6 with the determination of the amorti-
16 zation of Deferred Property Taxes being set forth AMRP-7, R-7 and AMRD-
17 7.

18
19 **Q. Is there recognition of O&M savings included in the revenue requirement**
20 **calculation?**

21 A. Yes. The combined revenue requirement provides for recognition of
22 approximately \$5.9 million of O&M savings. There are two types of savings
23 passed back to customers: meter reading expense savings of approximately
24 \$4.7 million, and mains and services expense savings of \$1.25 million. Both
25 types of savings are included as a reduction in the associated revenue re-
26 quirements.

27
28 **Q. Please describe how meter reading expense savings on Schedule AMRD-**
29 **9B were calculated.**

30 A. The Rate Case Order states that each annual IRP filing shall contain a
31 comparison of that year's meter reading expense (FERC 902) against the me-
32 ter reading expense for the twelve months ended September 30, 2008. If that
33 year's meter reading expense is lower than the test year amount, the savings
34 should appear as a reduction to the revenue requirement. The parties fur-
35 ther agreed that additional savings (e.g., meter reading plan and call center
36 savings) that may result from the AMRD program should also be passed
37 back to customers. Subsequently, Staff, OCC and Columbia agreed to three
38 separate AMRD savings baseline calculations. Savings in one baseline calcu-
39 lation will not be netted against added costs in another. The first is the FERC

1 902 savings described above. The second calculation compares the expense
2 incurred on minimum gas service standard mailings from the twelve
3 months ended September 2008 to the current year's expense. If the current
4 year's expense is lower than the test year, the savings will appear as a reduc-
5 tion to the revenue requirement. The next calculation compares the expense
6 incurred for meter reading contacts at the customer call center from the
7 twelve months ended September 2008 to the current year's expense. If the
8 current year's expense is lower than the test year expense, the savings will
9 appear as a reduction to the revenue requirement.

10
11 **Q. Were there anticipated benefits of the AMRD program?**

12 A. Yes. Columbia's customers benefit from a full deployment program in
13 several ways. The move to monthly meter reading eliminates scheduled
14 calculated bills. Additionally, Columbia's original rate case proposal con-
15 templated partial AMRD deployment, which would have resulted in me-
16 ter readers having to continue to walk a large percentage of meter reading
17 routes. By contrast, with full AMRD deployment, as approved by the
18 Commission, the meter readers drive the routes in a vehicle equipped
19 with a Mobile Data Collection unit to collect the AMRD readings. This re-
20 sults in additional reductions in the cost of meter reading as well as fur-
21 ther reductions in manual meter reading errors and billing exceptions.
22 Other benefits include the following:

- 23
24
- 25 • Increased customer convenience by reducing access;
 - 26 • Reduction in consecutive months calculated;
 - 27 • Increased meter reading performance and increased compliance with
28 the Ohio Minimum Gas Service Standards;
 - 29 • Reduction in meter reading and other O&M costs over the past six
30 years totaling more than \$14.6 million (meter reading only);
 - 31 • Eliminated the \$35 fee to customers for the installation of an AMRD
32 device;
 - 33 • Improved quality of billing data by eliminating manual meter read-
34 ing errors;
 - 35 • Enhanced customer service due to fewer billing exceptions;
 - 36 • Improve employee safety; and,
 - 37 • Increased ability to identify energy theft and revenue loss due to me-
38 ter tampering.

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

3 A. In the Joint Stipulation and Recommendation Columbia agreed to include
4 the greater of Columbia's actual O&M savings or \$1,250,000 for 2014 ex-
5 penditures included in Rider IRP. Columbia's actual O&M savings for 2014
6 totaled \$136,120. In order to comply with the requirement prescribed in the
7 Joint Stipulation and Recommendation, Columbia is reflecting O&M savings
8 of \$1,250,000 as a reduction to its revenue requirement.
9

10 **Q. How did Columbia calculate its actual 2014 O&M expense savings?**

11 A. Columbia used the same methodology that it used in its prior Rider IRP
12 applications. The Stipulation approved by the Commission in Case No. 09-
13 1036-GA-RDR changed the calculation of future O&M savings related to
14 mains and services. Rather than using the methodology detailed in Case
15 Nos. 08-0072-GA-AIR et al., the savings attributable to Columbia's AMRP
16 program is now calculated by including specified account activities. Those
17 activities experiencing savings are included in the calculation of O&M sav-
18 ings; therefore, activities experiencing increased expenditures are not in-
19 cluded.
20

21 **Q. Which mains and services activities were included in the O&M savings**
22 **calculation?**

23 A. Subsequent to the issuance of the Order in Case No. 09-1036-GA-RDR,
24 PUCO Staff, OCC, and Columbia spent time discussing each of the mains
25 and service activities. As a result of those discussions, Columbia decided
26 that four activities should be included in the O&M savings calculation: leak
27 inspection, leak repair, general/other, and half of supervision and engineer-
28 ing. Columbia's application contains a comparison of 2014's expense for
29 these four O&M activities against the expense for these activities during the
30 twelve months ended September 30, 2008. Those activities experiencing sav-
31 ings are included in the calculation of the 2014 actual O&M savings.
32

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

35 A. Yes. The scope of the AMRP component of Columbia's IRP was clarified to
36 expressly include interspersed sections of non-priority pipe contained with-
37 in the bounds of priority pipe replacement projects, where it is more eco-
38 nomical to replace such pipe, as opposed to attempting to tie into existing

1 sections of pipe. Columbia has included in this filing investment in inter-
2 spersed sections of non-priority pipe.

3
4 The scope of Columbia's AMRP component was also clarified to expressly
5 include investment in first generation plastic pipe when such pipe is associ-
6 ated with priority pipe in IRP replacement projects. The scope of Columbia's
7 AMRP component was also clarified to include investment in ineffectively
8 coated steel, subject to specific criteria. Steel pipe installed and field coated
9 before 1955 is considered to be ineffectively coated without the need for fur-
10 ther testing, and thus within the scope of the IRP. Field coated steel pipe in-
11 stalled in 1955 or later was tested to determine whether it was ineffective-
12 ly coated. The costs associated with the testing, inspection and replace-
13 ment of pipe found to be ineffectively coated are included in Rider IRP.

14
15 **Q. How are the revenue requirements to be spread over Columbia's customer**
16 **base?**

17 **A.** Each of the respective revenue requirements is allocated to the appropriate
18 rate schedule based on cost occurrence reported in the Class Cost of Service
19 Study filed as Schedule E-3.2-1 in Case Nos. 08-0072-GA-AIR et al. Next, the
20 allocated program costs will be converted to a monthly fixed charge based
21 on the number of bills projected to be rendered to customers served under
22 each rate schedule for the twelve-months ending April 2016. The impact on
23 individual rate schedules for each program will then be aggregated for de-
24 termination of Rider IRP. The AMRP revenue requirement is allocated by
25 rate schedule based on the gross plant in service for distribution plant ac-
26 count 376, Mains to customers in all of the Small General Service, General
27 Service, and Large General Service rate schedules. The allocation of the
28 AMRP revenue requirement and development of the applicable IRP rate
29 component is shown on AMRP-11. The Riser and Hazardous Services reve-
30 nue requirement is allocated by rate schedule based on the gross plant ac-
31 count 380, Services to customers in all of the Small General Service and Gen-
32 eral Service rate schedules. This allocation of revenue requirement and de-
33 velopment of applicable rate component is detailed on Schedule R-11. The
34 AMRD revenue requirement is allocated by rate schedule based on the gross
35 plant account 381, Meters to customers in all of the Small General Service
36 and General Service rate schedules with allocation of the revenue require-
37 ment and development of the applicable rate component shown on Sched-
38 ule AMRD-11.

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

2 A. Generally, the information came from either the General Ledger or the
3 supporting sub-ledgers of Columbia. When data came from another source,
4 it is indicated on the appropriate schedule or elsewhere in this testimony.
5

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

9 A. No. Columbia is not providing specific evidence to demonstrate that Rider
10 IRP was not used to recover costs of projects that otherwise would have
11 been included in Columbia's capital replacement program as a result of spe-
12 cific language found in the Opinion and Order issued on November 28, 2012
13 in Case No. 11-5515-GA-ALT. This Order specifically states, "in light of all
14 other provisions of this Stipulation, the signatory parties agree that, for Co-
15 lumbia's Rider IRP adjustment cases covering investments for years 2012
16 through 2017, all such IRP projects completed during those years are not
17 considered to be projects that otherwise would have been included in Co-
18 lumbia's capital replacement program, and therefore, there should not be
19 any adjustment to the Rider IRP rate on that basis."
20

21 **EXPLANATION OF RIDER DSM SCHEDULES:**
22

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

26 A. Yes. Among other things, this Application defines the DSM program
27 portfolio, program benefits, funding limits, customer base, program evalua-
28 tion plan, and program timeframes.
29

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

31 A. On March 3, 2008 Columbia filed its Application for Approval to Change
32 Accounting Methods in PUCO Case No. 08-0074-GA-AAM in which Co-
33 lumbia requested authority to defer expenses incurred in the development
34 and implementation of the DSM program. Columbia filed its Application for
35 Authority to Increase Rates for Gas Distribution Service and for Approval of
36 an Alternative Regulation Plan in PUCO Case Nos. 08-0072-GA-AIR et al.
37 As part of its Alternative Regulation Plan, Columbia requested approval of
38 the proposed Rider DSM to recover DSM costs, including those deferred ex-
39 penses incurred in the development and implementation of the DSM pro-

1 grams. The Order in Case Nos. 08-0072-GA-AIR et al. approved the request-
2 ed accounting authority and implementation of Rider DSM. On September
3 9, 2011, Columbia filed an application in Case No. 11-5028-GA-UNC to con-
4 tinue and expand its demand side management programs with recovery to
5 continue to be provided for through the use of accounting previously ap-
6 proved in Case Nos. 08-0072-GA-AIR et al. for five additional years. This
7 application was approved by the Commission in a Finding and Order dated
8 December 14, 2011.

9

10 **Q. Please describe Rider DSM.**

11 A. Rider DSM authorizes Columbia to recover the costs of implementing a
12 comprehensive, ratepayer funded, cost-effective energy efficiency pro-
13 gram made available to all residential and commercial customers during
14 calendar years 2009-2011. This time period was extended in Case Nos. 11-
15 5028-GA-UNC for program costs incurred in calendar years 2012-2016.

16

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

22

23 **Q. How are the schedules included in Columbia's November 25, 2014 Notice**
24 **of Intent different from the updated schedules filed in this proceeding on**
25 **February 27, 2015?**

26 A. The schedules included in Columbia's Notice of Intent contained nine
27 months actual and three months estimated calendar year 2014 data. The
28 schedules filed February 27, 2015 contain twelve months of actual calendar
29 year 2014 data.

30

31 **Q. Does your testimony support the estimated data?**

32 A. No. My testimony supports the actual data filed in this proceeding on
33 February 27, 2015 because the actual data is what supports the Rider DSM
34 rate calculated on Schedule DSM-5 that will ultimately be billed to custom-
35 ers. Background and support of schedules DSM-1 and DSM-2 are provided
36 in the direct testimony of Mr. Laverty.

37

38 **Q. What types of DSM expenses are deferred?**

1 A. Expenses incurred in the development, implementation, and administra-
2 tion of the comprehensive energy efficiency programs are deferred using
3 actual costs as incurred. In addition, carrying costs were deferred as actual
4 costs and calculated using Columbia's actual 2014 weighted cost of debt
5 rate, 5.75%. The Commission Orders in Case Nos. 08-0833-GA-UNC and
6 11-5028-GA-UNC authorizes the inclusion of carrying costs.

7
8 **Q. What is included in the annualized DSM revenue requirement?**

9 A. Deferred expenses incurred through December 31, 2014 have been included
10 in the DSM revenue requirement.

11
12 **Q. How is the DSM revenue requirement allocated to Columbia's customer
13 base?**

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

20
21 **Q. What is the basis for including all of the items described in the para-
22 graphs above in the development of the DSM revenue requirement?**

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

26
27 **Q. What is the source for the actual data shown on these schedules?**

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

31
32 **Q. What schedules did Columbia file in support of its proposed Rider DSM
33 rate?**

34 A. As part of its Application filed at the same time as this testimony, Columbia
35 filed the following schedules:
36

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 REMAINING SCHEDULES:

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

A. Yes. Columbia included the following remaining schedules.

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

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

A. Attachment A computes the proposed combined monthly IRP rate for each rate schedule. It also computes the volumetric DSM rate. Attachment B details the rate schedules to which Rider IRP applies. Attachment C compares typical bills for each rate schedule between current rates and the proposed Rider IRP and DSM rates.

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

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

A. Yes. The cap mechanism defined in the Stipulation filed in Case No. 11-5515-GA-ALT limits the IRP rate that becomes effective May 2015 to \$7.20 per SGS customer per month.

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

A. Yes. Columbia's proposed SGS class rate is \$6.71 per customer per month beginning May 2015.

1 **Q. Does the combined revenue requirement detailed on Schedules R-1,**
2 **AMRP-1, AMRD-1, and DSM-1 exceed what was presented in Columbia's**
3 **Notice of Intent filed in this docket on November 25, 2014?**

4 A. No. Columbia is proposing a combined annualized revenue requirement of
5 \$161,678,317 in the updated schedules supported by my testimony. This
6 does not exceed the combined annualized revenue requirement of
7 \$168,746,129 estimated on November 25, 2014. Columbia estimates that the
8 rate changes proposed herein, if granted in full and factoring in the applica-
9 ble rate caps approved by the Commission, would increase gross revenues
10 by an additional \$24,732,870 which represents a modest increase of 2.5%.

11
12 **Q. Do you have an opinion regarding whether Columbia's request to adjust**
13 **Riders IRP and DSM are reasonable?**

14 A. Yes. I believe Columbia's request to adjust its Riders IRP and DSM is fair
15 and reasonable. I believe that the costs of service are properly allocated to
16 the appropriate customer classes and the rate design was properly comput-
17 ed in accordance with the terms and conditions of prior Commission orders.
18 Furthermore, the proposed Rider IRP rates are within the rate cap estab-
19 lished in the Order.

20
21 **Q. Do these programs benefit ratepayers and the public interest?**

22 A. Yes, for the reasons explained below.

23
24 **Q. How do these programs promote safety and reliability?**

25 A. Columbia has invested more than \$698 million since 2008 to replace its aging
26 distribution system. These types of investments will eventually result in
27 fewer leaks, fewer outages and reduce the need to excavate in roads and
28 streets to make repairs. In addition, Columbia has invested over \$288 million
29 to resolve safety issues associated with prone-to-failure risers and hazardous
30 customer service lines through its systematic replacement program.

31
32 **Q. Explain the anticipated benefits of Rider IRP on natural gas consumption.**

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

1 The volumetric impact of these leaks cannot be easily quantified; however,
2 by resolving these leaks, less gas is needed in Columbia's system. This has
3 already resulted in a reduction to the gas cost portion of customer's bills.
4

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

7 A. Yes. Over the past five years, Columbia has invested approximately \$1.1
8 billion in labor, materials, and other associated costs related to the IRP. New
9 jobs have been created, local taxes have been generated, and the output or
10 sales of materials have increased as a direct result of Columbia's infrastruc-
11 ture investments. Although harder to quantify, these investments have also
12 stimulated indirect economic ripple effects throughout the economy. Over
13 300 jobs have been created by Columbia's investments in these programs.
14 Numerous additional jobs are currently supported by the IRP. Throughout
15 2015, additional jobs will be required to support Columbia's increased infra-
16 structure investment efforts. Revenue generated by state and local govern-
17 ment wage taxes has increased because of the new jobs. Additionally, there
18 has been an increase in property tax base for local communities across the
19 State of Ohio. Over five years, Columbia's IRP investment has generated
20 approximately \$73 million of incremental property taxes for local communi-
21 ties.
22

23 **Q. Explain the anticipated benefits of Rider DSM on natural gas consump-**
24 **tion?**

25 A. The DSM programs will provide residential and small commercial custom-
26 ers easy access to energy saving measures, which will directly reduce natu-
27 ral gas usage, improving the affordability of natural gas service.
28

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

30 A. Beyond the value of energy savings, DSM programs provide other non-
31 energy benefits such as: economic development through hiring of firms and
32 employees to provide DSM services, increased sales of products made in
33 Ohio and sold by Ohio firms, improved health, safety, durability and com-
34 fort, reduced greenhouse gas emissions and a lower carbon footprint, and
35 reduced water and electricity consumption.
36

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

38 A. Yes, it does.
39

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Prepared Direct Testimony of Jana T. Croom was served upon all parties of record by electronic mail this 27th day of February 2015.

/s/ Brooke E. Leslie

Brooke E. Leslie

Attorney for

COLUMBIA GAS OF OHIO, INC.

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Summary: Testimony of Jana T. Croom electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.