

**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 : Case No. 14-2125-GA-RDR
Adjust its Automated Meter Reading Cost :
Recovery Charge to Recover Costs :
Incurred in 2013 :

COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO

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**On behalf of the Staff of
The Public Utilities Commission of Ohio**

March 27, 2015

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I. INTRODUCTION

In accordance with the Public Utilities Commission of Ohio (Commission) Opinion and Order adopting the Stipulation and Recommendation filed in Case No. 07-829-GA-AIR et al., the Staff of the Public Utilities Commission of Ohio (Staff) has conducted its investigation in the above-referenced matter and submits its findings and recommendations to the Commission in these Comments.

These Comments were prepared by the Commission's Rates and Analysis Department Staff. Included are findings and recommendations resulting from financial reviews of The East Ohio Gas Company d/b/a Dominion East Ohio's (DEO or Company): proposed revenue requirement, matters related to its program to install automated meter reading (AMR) equipment on customer meters throughout its service area, and the associated AMR Cost Recovery Charge.

Pursuant to the Attorney Examiner's Entry dated March 3, 2015, copies of these Comments have been filed with the Commission's Docketing Division. These Comments contain the results of the Staff's investigation. These Comments do not reflect the views of the Commission and the Commission is not bound by Staff's representations and/or recommendations.

II. BACKGROUND

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 communities.

In its October 15, 2008 Opinion and Order in Case No. 07-829-GA-RDR (2008 Rate Case Order) adopting the Stipulation and Recommendation (2007 Stipulation) filed by the parties, the Commission authorized DEO to establish an automated adjustment mechanism to recover the costs associated with an AMR program. The recovery mechanism, in the form of an annual rider, is designed to permit the Company to recover its annual costs to install AMR equipment on each of the nearly 1.3 million meters in its system over a five-year period. AMR equipment enables DEO to remotely read customers' meters, which promotes billing accuracy and customer convenience. The AMR program also lessens the need for estimated meter reads and for scheduling appointments to read inside meters.

The 2007 Stipulation established a process that called for annual filings to support proposed increases to the AMR Cost Recovery Charge. The process involves a pre-filing

notice being filed in November of each year. The filing must contain schedules with nine months of actual and three months of projected costs and related data in support of the rider increase. Also, the filing must include a date certain of December 31st of the applicable year for property valuation. By February 28th of the following year, the Company must then file an application updating the data provided to include a full year of actual data. The process then provides that, unless the Staff finds DEO's filing to be unjust or unreasonable or another party files an objection that is not resolved by DEO, Staff will recommend the Commission approve the Company's Application. If approved by the Commission, the resulting increase to the AMR rider will take effect with the first billing cycle following the Commission order.

In accordance with the application process, on November 1, 2014, DEO pre-filed a notice in this case that included preliminary schedules containing nine months of actual and three months of projected data related to AMR costs incurred in 2014. On February 23, 2015, DEO filed its Application and supporting schedules containing full-year actual data for AMR device costs incurred in calendar year 2014. Although DEO completed installation of AMR devices throughout its system in 2012, it will continue to incur AMR-related costs such as depreciation and property tax expenses and continue to reduce the AMR Cost Recovery Charge by the annual operation and maintenance savings resulting from the AMR deployment. As a result, the Company will continue to file annual applications until the AMR costs are included in its base rates in its next base rate case. On March 3, 2015, the Attorney Examiner assigned to this case issued an Entry establishing the following procedural schedule:

- (a) March 27, 2015 – Deadline for filing of motions to intervene.
- (b) March 27, 2015 – Deadline for Staff and interveners to file comments on the application.
- (c) April 1, 2015 – Deadline for DEO to file a statement, informing the Commission whether the issues raised in the comments have been resolved.
- (d) April 2, 2015 – Deadline for the parties and Staff to file expert testimony.
- (e) In the event that some or all of the parties enter into a stipulation resolving some or all of the issues in this case, the parties must file such stipulation with the Commission by 9:00 a.m. on April 6, 2015.
- (f) In the event that all of the issues are not resolved or the parties enter into a stipulation, a hearing shall commence on April 7, 2015, at 10:00 a.m. at the offices of the Commission, 180 East Broad Street, 11th Floor, Hearing Room 11- A, Columbus, Ohio 43215. Any party requesting a continuance of the hearing must file a motion to continue the hearing with the Commission by 9:00 a.m. on April 6, 2015.

III. DEO’S APPLICATION

For recovery of 2014 AMR costs, DEO’s Application and supporting schedules propose an annualized revenue requirement of \$7,915,863, which when allocated to customers, results in a proposed AMR Cost Recovery Charge of \$0.55 per customer per month. The current rate that is being paid by customers (as set last year in Case No. 13-2319-GA-RDR) is \$0.56 per customer per month.

IV. SUMMARY OF STAFF’S INVESTIGATION

The overall purpose of Staff’s investigation was to determine if the Company's filed exhibits justify the reasonableness of the revenue requirement used as a basis for the

proposed AMR Cost Recovery Charge. Staff reviewed the Company's Application, schedules, testimony, and related documentation and traced the data contained therein to supporting work papers and to source data. As part of its review, Staff issued data requests and performed independent analyses when necessary. When investigating the Company's operating expenses, Staff reviewed DEO's proposed expenses associated with depreciation, amortization of post in-service carrying charges, property taxes, and reduction in operation and maintenance expenses. In addition, Staff confirmed that the Company properly applied the depreciation rates adopted in Case No. 13-1988-GA-AAM.

V. STAFF'S COMMENTS AND RECOMMENDATIONS

Based on its investigation, Staff recommends that the Commission make an adjustment to DEO's calculation of call center savings on Schedule 11 of the Company's Application to disallow \$559,963.44 in call center expenses in 2014. Staff believes this adjustment is appropriate because the Company has included expenses to arrange for Department of Transportation (DOT) Meter inspections in its call center expenses. Staff believes expenses to arrange for DOT Meter inspections are non-AMR related expenses and the Company should not include them as an expense of AMR deployment.

In its Application, the Company calculates the savings that should be passed on to customers for AMR deployment. To do so, the Company calculates 2014 call center and meter reading savings by comparing actual 2014 costs in these categories to approved

baseline amounts for the categories on Schedule 11.¹ If the 2014 costs are less than the baselines, then the resulting amounts are shown as reductions to the Company's proposed revenue requirement on Lines 21 (for meter reading savings) and 22 (for call center savings) on Schedule 1 of the Application.² If the actual 2014 costs for either category is greater than the baseline for that category, then the revenue requirement on Schedule 1 is not reduced for that category. By Commission Order, cost increases are not added to the revenue requirement.

Staff recommends that the \$559,963.44 in 2014 call center costs be disallowed because, in Staff's opinion, the costs are unrelated to AMR installations or the AMR Program. In Case No. 09-1875-GA-RDR, the Commission addressed a number of issues, including: (1) whether savings from AMR deployment would be passed on to customers, (2) how to properly calculate call center savings resulting from the AMR Program, and (3) whether or not non-AMR costs and savings should be included in the savings calculation.³ The Commission found that it was appropriate for savings from AMR deployment to be passed on to customers, but that non-AMR costs should not be considered when calculating AMR costs and savings.⁴ The Commission noted that if non-AMR related expenses were considered when calculating AMR savings it would make it "virtually

¹ *In re DEO*, Case No. 09-1875-GA-RDR (Opinion and Order at 7-8) (May 5, 2010).

² *Id.*

³ *Id.*

⁴ *Id.* at 10.

impossible for customers to realize any immediate call center savings during the AMR installation process.”⁵ Therefore, the Commission found that “non-AMR costs should be excluded when calculating DEO’s call center expenses.”⁶

In its Application in Case No. 09-38-GA-UNC, the Company itself acknowledged that the fluctuation in DOT inspection costs “has no relation to the deployment of AMR equipment.”⁷ Also, the Commission has acknowledged that the Company has taken this position. In Case No. 09-1875-GA-RDR, the Commission noted that “in the *2008 AMR Case* [Case No. 09-38-GA-UNC], DEO excluded certain expenses for inside meter inspections on the basis that those expenses, as well as any potential savings, were not related to AMR.”⁸ The Commission then directed that the expenses unrelated to the installation of new AMR devices, including DEO’s reorganization of its call center, be excluded from its savings calculation.⁹ The Commission also found that, going forward, these costs and costs of “any new call center expenses that are unrelated to the AMR program” should not be included in DEO’s calculation of call center expenses for the AMR charge.¹⁰

⁵ *In re DEO*, Case No. 09-1875-GA-RDR (Opinion and Order at 10) (May 5, 2010).

⁶ *Id.*

⁷ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio to Adjust its Automated Meter Reading Cost Recovery Charge and Related Matters*, Case No. 09-38-GA-UNC, (Application at Schedule 12) (Feb. 27, 2009).

⁸ *In re DEO*, Case No. 09-1875-GA-RDR (Opinion and Order at 10) (May 5, 2010).

⁹ *Id.* at 11.

¹⁰ *Id.*

In this case, the Company included \$559,963.44 in expenses for DOT compliance calls in its calculation of AMR Program expenses. In response to Staff data requests, DEO indicated the cost of managing customer appointments for DOT meter inspections has driven “additional call center activity, and the calls to schedule such appointments are now handled by the outside contractor that handles other customer calls for Dominion.”¹¹ The Company goes on to state that “this cost is directly attributable to the AMR program.”¹² Staff disagrees.¹³ The Commission clearly pointed out in the Order in Case No. 09-1875-GA-RDR that DEO itself has acknowledged that costs for DOT inside meter inspections were not related to the AMR Program. In addition, the Commission expressly indicated that non-AMR costs should be excluded from the call center savings calculation. As a result, the Staff believes that the \$559,963.44 for 2014 call center costs related to DOT inside meter inspections should be removed from the call center savings calculation.

In order to remove the ineligible 2014 call center costs and to determine the resulting impact on DEO’s proposed revenue requirement, Staff reduced DEO’s reported 2014 call center costs on Schedule 11 by \$559,963.44. This change resulted in \$69,452.59 in

¹¹ DEO response to Staff Data Request No. 2 at 1 entitled “DR Set 2 Call Center” (January 31, 2015).

¹² *Id.*

¹³ DEO has included similar DOT inspection expenses in the call center savings calculations in AMR for recent AMR Cost Recovery Charge applications. While Staff should have objected to the Company’s inclusion of these expenses in these previous AMR Cost Recovery Charge cases, it mistakenly did not do so. Regardless, Staff does not believe DEO should be allowed to include DOT inspection expenses in this AMR Cost Recovery Charge case or any AMR Cost Recovery Charge case going forward.

call center savings for 2014 instead of zero savings reported by DEO. When this call center savings is transferred to Schedule 1 and used to reduce the revenue requirement, the resulting revenue requirement that Staff recommends is \$7,846,411. The difference between the Staff-recommended revenue requirement amount and DEO's proposed amount of \$7,915,863 does not impact the AMR Customer Charge rate proposed by DEO due to the effects of rounding. As a result, the Staff recommends that the Commission approve an AMR Customer Charge of \$0.55 per customer per month.

Staff has no other objections to DEO's Application and supporting documentation in this case. Therefore, the Staff recommends that the Commission approve DEO's Application as modified by these Comments.

Respectfully Submitted,

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Attorney General

William L. Wright, Section Chief
Public Utilities Section

/s/ Katie L. Johnson

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On behalf of the Staff of
The Public Utilities Commission of Ohio

VI. CERTIFICATE OF SERVICE

I certify that a copy of the foregoing **Comments** was served via electronic mail upon Applicant's counsel, Mark A. Whitt, Whitt Sturtevant, The KeyBank Building, 88 East Broad Street, Suite 1590, Columbus, Ohio, 43215, whitt@whitt-sturtevant.com, on the 27th day of March, 2015.

/s/ Katie L. Johnson

Katie L. Johnson

Assistant Attorney General

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Case No(s). 14-2125-GA-RDR

Summary: Comments submitted by Assistant Attorney General Katie Johnson on behalf of the Staff of the Public Utilities Commission of Ohio. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio