

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application)
of Columbia Gas of Ohio, Inc. for an) Case No. 15-1918-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 26, 2016

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
14 American Electric Power where I held positions in Investor Relations,
15 Corporate Finance and Treasury. I came to Columbia in 2012, focusing on
16 financial 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. Yes. I provided direct testimony in Case No. 14-2078-GA-RDR.

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

30 A. The purpose of my testimony is to support the reasonableness of Colum-
31 bia's request for the proposed rate adjustments in Riders IRP and Demand
32 Side Management ("DSM"). I provide detailed explanation of the pro-
33 grams and the schedules filed by Columbia on February 26, 2016, in sup-
34 port of the proposed adjustments.

35

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

2 A. Following, is a list and brief description of the schedules I am sponsoring
3 in this proceeding, which are applicable to Riders IRP and DSM:
4

5 **Rider IRP:**
6

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 Depreci-

Schedule/Exhibit	Description
	ation
Schedule R-9	Operation & Maintenance Expenses
Schedule R-10	Reconciliation of Revenue With Prior Revenue Requirement
Schedule R-11	Computation of the Revised IRP Rate Component
Schedule AMRD-1	Summary of Rate Base and Revenue Requirement.
Schedule AMRD-2	Detail of Monthly and Cumulative Plant Additions
Schedule AMRD-3	Detail of Monthly and Cumulative Cost of Removal
Schedule 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

1
2
3

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

4

1 **EXPLANATION OF RIDER IRP PROGRAM:**

2
3 **Q. When was Rider IRP first authorized by Commission?**

4 A. Columbia was first authorized to establish Rider IRP by the Commission
5 in its Opinion and Order ("Rate Case Order") issued on December 3, 2008
6 in Case Nos. 08-0072-GA-AIR et al.
7

8 **Q. What did the Rate Case Order provide for as it pertains to Rider IRP?**

9 A. Pursuant to the Rate Case Order, Rider IRP provides for recovery of and
10 the return on Columbia's plant investment and related expenses, as de-
11 tailed in the stipulation filed in that case on October 24, 2008.
12

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

15 A. Columbia's annual application should include three independent revenue
16 requirement calculations. Each calculation should be computed in the
17 same manner, based on the costs of the specific program. Each application
18 should be based on actual data through December of the prior year. A
19 true-up of authorized revenues to those actually collected will be included
20 in each subsequent filing. Columbia should also list its construction plans
21 for the current calendar year.
22

23 **Q. Please describe Rider IRP.**

24 A. Rider IRP consists of three components. The first component recovers the
25 costs associated with the replacement of natural gas risers that are prone
26 to failure, along with the costs associated with the installation, mainte-
27 nance, repair and replacement of customer service lines that have been de-
28 termined to present an existing or probable hazard to persons and proper-
29 ty. Schedules filed in support of this component are identified through the
30 use of the letter "R."
31

32 The second component recovers the costs associated with Columbia's
33 Accelerated Mains Replacement Program ("AMRP"). Under the AMRP,
34 Columbia plans to replace approximately 4,100 miles of priority pipe and
35 an estimated 350,000 to 360,000 metallic service lines over a period of ap-
36 proximately 25 years. Schedules filed in support of this component are
37 identified through the use of the acronym "AMRP."
38

1 The third component recovers costs associated with Columbia's installa-
2 tion of Automated Meter Reading Devices ("AMRD") on all residential
3 and commercial meters served by Columbia over approximately five
4 years, beginning in 2009. This program concluded in 2013. Schedules filed
5 in support of this component are identified through the use of the acro-
6 nym "AMRD."
7

8 **Q. Did Columbia include each of these components in the schedules filed**
9 **February 26, 2016 in support of the application filed in this proceeding?**

10 A. Yes. The three independent revenue calculations are detailed on Schedules
11 AMRP-1, AMRD-1 and R-1. AMRP construction plans for calendar year
12 2015 are detailed in Columbia witness Belle's testimony. Columbia wit-
13 ness Belle also addresses the factors used to determine the pipe replace-
14 ment priority.
15

16 **Q. Has an Independent Accountant's Report been separately docketed in**
17 **this case?**

18 A. No. On December 7, 2010, in Case No. 10-2353-GA-RDR, Columbia filed a
19 motion for waiver to forego the audit requirement. On March 9, 2011, the
20 Commission issued an Entry in that case in which it found Columbia's
21 motion for waiver of the audit requirement reasonable in that case and all
22 future filings to update Rider IRP and Rider DSM unless otherwise or-
23 dered by the Commission.
24

25 **Q. How are the schedules included in Columbia's November 25, 2015**
26 **Notice of Intent different from the updated schedules filed in this pro-**
27 **ceeding on February 26, 2016?**

28 A. The schedules included in Columbia's Notice of Intent contained nine
29 months actual and three months estimated calendar year 2015 data, while
30 the schedules filed February 26, 2016 contain twelve months of actual data
31 for calendar year 2015.
32

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

34 A. No. My testimony supports the actual data filed in this proceeding on
35 February 26, 2016, in support of the Rider IRP rate calculated on Attach-
36 ment A of the application that will ultimately be billed to customers.
37

1 **Q. What is included in the annualized IRP revenue requirement calculations?**

2
3 A. Each of the revenue requirements set forth on Schedules AMRP-1, R-1 and
4 AMRD-1 include return on and return of Columbia's investment in each
5 of these programs and related costs such as program operating expenses
6 and deferred expenses. The Rate Case Order authorizes the pre-tax return
7 on rate base of 10.95%. Costs included for determination of revenue re-
8 quirement are consistent with those cost components identified for recov-
9 ery in the Joint Stipulation and Recommendation filed in Case No. 08-
10 0072-GA-AIR et al. on October 24, 2008 and in the Rate Case Order.

11
12 **Q. What types of IRP related costs are capitalized and included in rate**
13 **base?**

14 A. Capitalized costs include contract labor and associated expenses, materials
15 and supplies, internal labor and associated overheads, and AFUDC. The
16 plant additions are capitalized at Columbia's actual cost of replacement
17 and shown as an increase to rate base as projects are placed in service. The
18 associated accumulated reserve for depreciation is detailed as a reduction
19 to rate base. Each of the rate base components is based on the cumulative
20 investment made by Columbia during the seven calendar years ended De-
21 cember 31, 2015. The development of Rate Base used for computation of
22 pretax return on rate base is also shown on Schedules AMRP-1, R-1 and
23 AMRD-1.

24
25 **Q. What types of IRP related deferred expenses are included in rate base?**

26 A. Deferred depreciation expense, deferred property tax expense and
27 deferred PISCC are the three types of deferred expenses included in rate
28 base. Generally, expenses are deferred beginning with the month the plant
29 goes in service or the month the expense is incurred, until Columbia be-
30 gins earning a return on its investment through rates. The cumulative de-
31 ferred expenses recorded during calendar years 2008-2015 have been in-
32 cluded as part of rate base in this filing.

33
34 **Q. Why are deferred taxes shown as a reduction to rate base?**

35 A. Deferred taxes are a non-investor source of funds, resulting from a tax
36 treatment of expense that is different from the book treatment. Recogni-
37 tion of deferred taxes properly measures Columbia's net investment re-
38 sulting from implementation of the IRP program. These non-investor
39 sources of funds reflected as an offset to rate base include deferred taxes

1 resulting from the use of higher tax depreciation and current year recogni-
2 tion of deferred PISCC and property taxes.

3
4 **Q. Describe how recent federal tax legislation impacts deferred taxes.**

5 A. Pursuant to federal tax legislation, the costs associated with calendar year
6 2010 capital projects that began and were placed in service after Septem-
7 ber 8, 2010, were treated as 100% depreciation expense for federal tax
8 purposes. The costs associated with the majority of Columbia's remaining
9 calendar year 2010 projects qualified for 50% tax depreciation expense in
10 2010. The costs associated with all 2011 capital projects qualified for 100%
11 tax depreciation in 2011. The costs associated with all 2012 capital projects
12 qualified for 50% tax depreciation in 2012. The costs associated with all
13 2013 and 2014 capital projects qualified for 50% tax depreciation in 2013
14 and 2014 respectively. This federal tax legislation was provided for in 2015
15 as well, which extended the 50% tax depreciation for property placed in
16 service in 2015. The collective increase in deferred taxes resulting from
17 recognition of the higher tax depreciation treatment, net of the associated
18 net operating losses, has been reflected in Columbia's deferred tax calcula-
19 tions because these are a non-investor source of funds.

20
21 **Q. What types of Operating Expenses are included in the IRP revenue**
22 **requirements calculation?**

23 A. Annualized depreciation, annualized property tax, annualized amortiza-
24 tion of deferred expenses and customer education expenses.

25
26 **Q. Please describe the property tax calculation set forth on Schedules**
27 **AMRP-7, R-7 and AMRD-7.**

28 A. These schedules provide for the computation of property tax based on the
29 sum of plant additions excluding the original cost retired. The calculation
30 follows the process used in Columbia's Annual Report to the Ohio De-
31 partment of Taxation to determine the Net Property Valuation and uses
32 the latest actual average property tax rate per \$1,000 of valuation. It re-
33 flects the ongoing property tax that Columbia will incur during the twelve
34 months that the proposed IRP rate will be in effect. These schedules fur-
35 ther detail the development of the deferred property taxes and annualized
36 amortization of the deferred expenses included in the revenue require-
37 ment.

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

3 A. Yes, the calculation methodology is identical to the methodology used in
4 the previous year IRP filing, and as prescribed by the Ohio Department of
5 Taxation.
6

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

10 A. No. Pursuant to the Joint Stipulation and Recommendation in Case No.
11 09-006-GA-UNC, accumulated depreciation was calculated using gross
12 plant additions; however, deferred depreciation and annualized deprecia-
13 tion expense were calculated using plant additions net of retirements. In
14 all three cases, the depreciation rates used were those most recently ap-
15 proved by the Commission.
16

17 **Q. Please explain the annualized amortization of deferred expenses**
18 **calculations.**

19 A. Deferred expenses such as deferred depreciation, deferred property taxes,
20 and deferred PISCC are amortized over the life of the associated assets us-
21 ing the current depreciation rate. Amortization does not start until Co-
22 lumbia begins recovering the associated expense through rates and is cal-
23 culated based on the cumulative date certain balance and current depreci-
24 ation rate. Amortization of Deferred Depreciation Expense is shown on
25 Schedules AMRP-5, R-5 and AMRD-5. Amortization of Deferred PISCC is
26 shown on Schedules AMRP-6, R-6 and AMRD-6 with the determination of
27 the amortization of Deferred Property Taxes being set forth AMRP-7, R-7
28 and AMRD-7.
29

30 **Q. Is there recognition of O&M savings included in the revenue require-**
31 **ment calculation?**

32 A. Yes. The combined revenue requirement provides for recognition of
33 approximately \$6.25 million of O&M savings. There are two types of sav-
34 ings passed back to customers: meter reading expense savings of approx-
35 imately \$5.0 million, and mains and services expense savings of \$1.25 mil-
36 lion. Both types of savings are included as a reduction in the associated
37 revenue requirements.
38

1 **Q. Please describe how meter reading expense savings on Schedule**
2 **AMRD-9B were calculated.**

3 A. The Rate Case Order states that each annual IRP filing shall contain a
4 comparison of that year's meter reading expense (FERC 902) against the
5 meter reading expense for the twelve months ended September 30, 2008. If
6 that year's meter reading expense is lower than the test year amount, the
7 savings should appear as a reduction to the revenue requirement. The par-
8 ties further agreed that additional savings (e.g., meter reading plan and
9 call center savings) that may result from the AMRD program should also
10 be passed back to customers. Subsequently, Staff, OCC and Columbia
11 agreed to three separate AMRD savings baseline calculations. Savings in
12 one baseline calculation will not be netted against added costs in another.
13 The first is the FERC 902 savings described above. The second calculation
14 compares the expense incurred on minimum gas service standard mail-
15 ings from the twelve months ended September 2008 to the current year's
16 expense. If the current year's expense is lower than the test year, the sav-
17 ings will appear as a reduction to the revenue requirement. The next cal-
18 culation compares the expense incurred for meter reading contacts at the
19 customer call center from the twelve months ended September 2008 to the
20 current year's expense. If the current year's expense is lower than the test
21 year expense, the savings will appear as a reduction to the revenue re-
22 quirement.

23
24 **Q. Were there anticipated benefits of the AMRD program?**

25 A. Yes. Columbia's customers benefit from a full deployment program in
26 several ways. The move to monthly meter reading eliminates scheduled
27 calculated bills. Additionally, Columbia's original rate case proposal con-
28 templated partial AMRD deployment, which would have resulted in me-
29 ter readers having to continue to walk a large percentage of meter reading
30 routes. By contrast, with full AMRD deployment, as approved by the
31 Commission, the meter readers drive the routes in a vehicle equipped
32 with a Mobile Data Collection unit to collect the AMRD readings. This re-
33 sults in additional reductions in the cost of meter reading as well as fur-
34 ther reductions in manual meter reading errors and billing exceptions.
35 Other benefits include the following:

- 36
- 37 • Increased customer convenience by reducing access;
- 38 • Reduction in consecutive months calculated;

- Increased meter reading performance and increased compliance with the Ohio Minimum Gas Service Standards;
- Reduction in meter reading and other O&M costs over the past seven years totaling more than \$21.5 million (meter reading only);
- Eliminated the \$35 fee to customers for the installation of an AMRD device;
- Improved quality of billing data by eliminating manual meter reading errors;
- Enhanced customer service due to fewer billing exceptions;
- Improve employee safety; and,
- Increased ability to identify energy theft and revenue loss due to meter tampering.

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

A. In the Joint Stipulation and Recommendation Columbia agreed to include the greater of Columbia's actual O&M savings or \$1,250,000 for 2015 savings included in Rider IRP. Columbia's actual O&M savings for 2015 did not exceed \$1,250,000. In order to comply with the requirement prescribed in the Joint Stipulation and Recommendation, Columbia is reflecting O&M savings of \$1,250,000 as a reduction to its revenue requirement.

Q. How did Columbia calculate its actual 2015 O&M expense savings?

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

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

A. Subsequent to the issuance of the Order in Case No. 09-1036-GA-RDR, PUCO Staff, OCC, and Columbia spent time discussing each of the mains and service activities. As a result of those discussions, Columbia decided that four activities should be included in the O&M savings calculation:

1 leak inspection, leak repair, general/other, and half of supervision and en-
2 gineering. Columbia's application contains a comparison of 2015's ex-
3 pense for these four O&M activities against the expense for these activities
4 during the twelve months ended September 30, 2008. Those activities ex-
5 perience savings are included in the calculation of the 2015 actual O&M
6 savings.

7

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

10 A. Yes. The scope of the AMRP component of Columbia's IRP was clarified
11 to expressly include interspersed sections of non-priority pipe contained
12 within the bounds of priority pipe replacement projects, where it is more
13 economical to replace such pipe, as opposed to attempting to tie into exist-
14 ing sections of pipe. Columbia has included in this filing investment in in-
15 terspersed sections of non-priority pipe.

16

17 The scope of Columbia's AMRP component was also clarified to expressly
18 include investment in first generation plastic pipe when such pipe is asso-
19 ciated with priority pipe in IRP replacement projects. The scope of Co-
20 lumbia's AMRP component was also clarified to include investment in in-
21 effectively coated steel, subject to specific criteria. Steel pipe installed and
22 field coated before 1955 is considered to be ineffectively coated without
23 the need for further testing, and thus within the scope of the IRP. Field
24 coated steel pipe installed in 1955 or later was tested to determine whether
25 it was ineffectively coated. The costs associated with the testing, inspec-
26 tion and replacement of pipe found to be ineffectively coated are included
27 in Rider IRP.

28

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

31 A. Each of the respective revenue requirements is allocated to the appropri-
32 ate rate schedule based on cost occurrence reported in the Class Cost of
33 Service Study filed as Schedule E-3.2-1 in Case Nos. 08-0072-GA-AIR et al.
34 Next, the allocated program costs will be converted to a monthly fixed
35 charge based on the number of bills projected to be rendered to customers
36 served under each rate schedule for the twelve-months ending April 2017.
37 The impact on individual rate schedules for each program will then be ag-
38 gregated for determination of Rider IRP. The AMRP revenue requirement
39 is allocated by rate schedule based on the gross plant in service for distri-

1 bution plant account 376, Mains to customers in all of the Small General
2 Service, General Service, and Large General Service rate schedules. The al-
3 location of the AMRP revenue requirement and development of the appli-
4 cable IRP rate component is shown on AMRP-11. The Riser and Hazard-
5 ous Services revenue requirement is allocated by rate schedule based on
6 the gross plant account 380, Services to customers in all of the Small Gen-
7 eral Service and General Service rate schedules. This allocation of revenue
8 requirement and development of applicable rate component is detailed on
9 Schedule R-11. The AMRD revenue requirement is allocated by rate
10 schedule based on the gross plant account 381, Meters to customers in all
11 of the Small General Service and General Service rate schedules with allo-
12 cation of the revenue requirement and development of the applicable rate
13 component shown on Schedule AMRD-11.

14
15 **Q. What is the source for the actual data shown on these schedules?**

16 A. Generally, the information came from either the General Ledger or the
17 supporting sub-ledgers of Columbia. When data came from another
18 source, it is indicated on the appropriate schedule or elsewhere in this tes-
19 timony.

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

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

1 **EXPLANATION OF RIDER DSM SCHEDULES:**

2
3 **Q. Are you familiar with Columbia's Application to Establish Demand**
4 **Side Management Programs, Case No. 08-0833-GA-UNC, filed on July 1,**
5 **2008 and approved by the Commission on July 23, 2008?**

6 A. Yes. Among other things, this Application defined the DSM program
7 portfolio, program benefits, funding limits, customer base, program eval-
8 uation plan, and program timeframes.
9

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

11 A. On March 3, 2008, Columbia filed its Application for Approval to Change
12 Accounting Methods in PUCO Case No. 08-0074-GA-AAM in which Co-
13 lumbia requested authority to defer expenses incurred in the development
14 and implementation of the DSM program. Columbia filed its Application
15 for Authority to Increase Rates for Gas Distribution Service and for Ap-
16 proval of an Alternative Regulation Plan in PUCO Case Nos. 08-0072-GA-
17 AIR et al. As part of its Alternative Regulation Plan, Columbia requested
18 approval of the proposed Rider DSM to recover DSM costs, including
19 those deferred expenses incurred in the development and implementation
20 of the DSM programs. The Rate Case Order approved the requested ac-
21 counting authority and implementation of Rider DSM. On September 9,
22 2011, Columbia filed an application in Case No. 11-5028-GA-UNC to con-
23 tinue and expand its demand side management programs with recovery
24 to continue to be provided for through the use of accounting previously
25 approved in Case Nos. 08-0072-GA-AIR et al. for five additional years.
26 This application was approved by the Commission in a Finding and Order
27 dated December 14, 2011.
28

29 **Q. Please describe Rider DSM.**

30 A. Rider DSM authorizes Columbia to recover the costs of implementing a
31 comprehensive, ratepayer funded, cost-effective energy efficiency pro-
32 gram made available to all residential and commercial customers during
33 calendar years 2009-2011. This time period was extended in Case Nos. 11-
34 5028-GA-UNC for program costs incurred in calendar years 2012-2016.
35

36 Rider DSM will be determined annually based on the actual cost of the
37 program for the previous calendar year with rates to become effective the
38 following May. The procedure for the filing of Rider DSM adjustments is

1 identical to the filing procedure applicable to Rider IRP, as set forth in the
2 Order.

3

4 **Q. How are the schedules included in Columbia's November 25, 2015**
5 **Notice of Intent different from the updated schedules filed in this pro-**
6 **ceeding on February 26, 2016?**

7 A. The schedules included in Columbia's Notice of Intent contained nine
8 months actual and three months estimated calendar year 2015 data. The
9 schedules filed February 26, 2016 contain twelve months of actual calen-
10 dar year 2015 data.

11

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

13 A. No. My testimony supports the actual data filed in this proceeding on
14 February 26, 2016 because the actual data is what supports the Rider DSM
15 rate calculated on Schedule DSM-5 that will ultimately be billed to cus-
16 tomers. Background and support of schedules DSM-1 and DSM-2 are pro-
17 vided in the direct testimony of Mr. Laverty.

18

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

20 A. Expenses incurred in the development, implementation, and administra-
21 tion of the comprehensive energy efficiency programs are deferred using
22 actual costs as incurred. In addition, carrying costs were deferred as actual
23 costs and calculated using Columbia's actual 2015 weighted cost of debt
24 rate, 5.65%. The Commission Orders in Case Nos. 08-0833-GA-UNC and
25 11-5028-GA-UNC authorizes the inclusion of carrying costs.

26

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

28 A. Deferred expenses incurred through December 31, 2015 have been
29 included in the DSM revenue requirement.

30

31 **Q. How is the DSM revenue requirement allocated to Columbia's customer**
32 **base?**

33 A. Pursuant to the Commission's Order in Case No. 08-0833-GA-UNC, the
34 DSM program costs will be recovered from those customer classes eligible
35 to participate – Small General Service customers. The total revenue re-
36 quirement calculated on Schedule DSM-1 is divided by the projected an-
37 nual throughput of Small General Service customers for the twelve
38 months rates will be in effect and the resulting rate will be billed volumet-
39 rically.

1
2 **Q. What is the basis for including all of the items described in the para-**
3 **graphs above in the development of the DSM revenue requirement?**

4 A. Each item included in the revenue requirement is a reasonable, necessary,
5 business-related expense directly resulting from the development, admin-
6 istration, and implementation of the DSM program.
7

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

9 A. Generally, the information came from either the General Ledger or the
10 supporting sub-ledgers of Columbia. When data came from another
11 source, it was indicated on the appropriate schedule or elsewhere in this
12 testimony.
13

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

16 A. As part of its Application filed at the same time as this testimony,
17 Columbia filed the following schedules:
18

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

19
20 **EXPLANATION OF REMAINING SCHEDULES:**
21

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

23 A. Yes. Columbia included the following remaining schedules.
24

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

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

2 A. Attachment A computes the proposed combined monthly IRP rate for
3 each rate schedule. It also computes the volumetric DSM rate. Attachment
4 B details the rate schedules to which Rider IRP applies. Attachment C
5 compares typical bills for each rate schedule between current rates and the
6 proposed Rider IRP and DSM rates.
7

8 **REASONABLENESS OF REQUESTED INCREASE AND BENEFITS TO**
9 **RATEPAYERS AND THE PUBLIC INTEREST**
10

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

13 A. Yes. The cap mechanism defined in the Stipulation filed in Case No. 11-
14 5515-GA-ALT limits the IRP rate that becomes effective May 2016 to \$8.20
15 per SGS customer per month.
16

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

18 A. Yes. Columbia's proposed SGS class rate is \$7.65 per customer per month
19 beginning May 2016.
20

21 **Q. Does the combined revenue requirement detailed on Schedules R-1,**
22 **AMRP-1, AMRD-1, and DSM-1 exceed what was presented in Colum-**
23 **bia's Notice of Intent filed in this docket on November 25, 2015?**

24 A. No. Columbia is proposing a combined annualized revenue requirement
25 of \$187,643,928 in the updated schedules supported by my testimony. This
26 does not exceed the combined annualized revenue requirement of
27 \$194,892,231 estimated on November 25, 2015. Columbia estimates that the
28 rate changes proposed herein, if granted in full and factoring in the appli-
29 cable rate caps approved by the Commission, would increase gross reve-
30 nues by an additional \$25,966,164 which represents a modest increase of
31 2.95%.
32

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

35 A. Yes. I believe Columbia's request to adjust its Riders IRP and DSM is fair
36 and reasonable. I believe that the costs of service are properly allocated to
37 the appropriate customer classes and the rate design was properly com-
38 puted in accordance with the terms and conditions of prior Commission

1 orders. Furthermore, the proposed Rider IRP rates are within the rate cap
2 established in the Order.

3

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

5 A. Yes, for the reasons explained below.

6

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

8 A. Columbia has invested more than \$881 million since 2008 to replace its
9 aging distribution system. These types of investments will eventually re-
10 sult in fewer leaks, fewer outages and reduce the need to excavate in
11 roads and streets to make repairs. In addition, Columbia has invested over
12 \$309 million to resolve safety issues associated with prone-to-failure risers
13 and hazardous customer service lines through its systematic replacement
14 program.

15

16 **Q. Explain the anticipated benefits of Rider IRP on natural gas consump-**
17 **tion.**

18 A. Repairing leaks has reduced the amount of natural gas needed to operate
19 Columbia's system because less gas is leaking from the system. Because
20 Columbia's customers pay for natural gas lost through leaks through the
21 gas cost portion of their bill, customers are paying less for gas now than
22 they otherwise would.

23

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

27

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

30 A. Yes. Over the past six years, Columbia has invested approximately \$1.26
31 billion in labor, materials, and other associated costs related to the IRP.
32 New jobs have been created, local taxes have been generated, and the out-
33 put or sales of materials have increased as a direct result of Columbia's in-
34 frastructure investments. Although harder to quantify, these investments
35 have also stimulated indirect economic ripple effects throughout the
36 economy. Over 300 jobs have been created by Columbia's investments in
37 these programs. Numerous additional jobs are currently supported by the
38 IRP. Throughout 2016, additional jobs will be required to support Colum-
39 bia's increased infrastructure investment efforts. Revenue generated by

1 state and local government wage taxes has increased because of the new
2 jobs. Additionally, there has been an increase in property tax base for local
3 communities across Ohio. Over six years, Columbia's IRP investment has
4 generated approximately \$98 million of incremental property taxes for lo-
5 cal communities.
6

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

9 A. The DSM programs will provide residential and small commercial
10 customers easy access to energy saving measures, which will directly re-
11 duce natural gas usage, improving the affordability of natural gas service.
12

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

14 A. Beyond the value of energy savings, DSM programs provide other non-
15 energy benefits such as: economic development through hiring of firms
16 and employees to provide DSM services, increased sales of products made
17 in Ohio and sold by Ohio firms, improved health, safety, durability and
18 comfort, reduced greenhouse gas emissions and a lower carbon footprint,
19 and reduced water and electricity consumption.
20

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

22 A. Yes, it does.
23

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned hereby certifies that a copy of the foregoing document is also being served via electronic mail on the 26th day of February, 2016, upon the parties listed below.

/s/ Stephen B. Seiple

Stephen B. Seiple

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