

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application)
of Columbia Gas of Ohio, Inc. for an) Case No. 16-2236-GA-RDR
Adjustment to Rider IRP and Rider)
DSM Rates.)

**PREPARED DIRECT TESTIMONY
OF DIANA M. BEIL
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

COLUMBIA GAS OF OHIO, INC.

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February 27, 2017

Attorneys for
COLUMBIA GAS OF OHIO, INC.

**PREPARED DIRECT TESTIMONY
OF DIANA M. BEIL**

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

2 A. Diana Beil, 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. Please state briefly your educational background and experience?**

8 A. I graduated from Miami University where I majored in Accounting with a
9 minor in Management Information Systems, and received a Bachelor of
10 Science Degree in Business in May 2007. In August 2007, I joined the ac-
11 counting firm Crowe Horwath (formerly Crowe Chizek) as an auditor and
12 became a licensed certified public accountant ("CPA") in the state of Ohio
13 in 2009. From 2010 to 2015, I was employed by NiSource Inc. in its SEC Fi-
14 nancial Reporting Department, where I most recently held the position of
15 Manager of SEC Reporting. I was hired by Columbia in December 2015 as
16 Regulatory Programs Manager. I am currently a member of the Ohio Soci-
17 ety of CPAs, as well as a member of the American Institute of CPAs.

18
19 **Q. What are your job responsibilities as Regulatory Programs Manager?**

20 A. As Regulatory Programs Manager, my primary responsibilities include
21 the planning, supervision, preparation and support of all Columbia regu-
22 latory filings before the Public Utilities Commission of Ohio ("Commis-
23 sion"). Other responsibilities include the preparation of exhibits, proposed
24 tariff changes and testimony filed by Columbia in support of the continua-
25 tion of its Infrastructure Replacement Program ("IRP") Rider.

26
27 **Q. Have you ever testified before this Commission?**

28 A. Yes. I provided direct testimony in Case No. 16-2422-GA-ALT.

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

31 A. The purpose of my testimony is to support the reasonableness of Colum-
32 bia's request for the proposed rate adjustments in the Rider IRP. I provide
33 detailed explanation of the programs and the schedules filed by Columbia
34 on February 27, 2017, in support of the proposed adjustments.

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 Rider IRP:
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

EXPLANATION OF RIDER IRP:

Q. When was Rider IRP first authorized by the Commission?

A. Columbia was first authorized to establish the Rider IRP by the Commission in its Opinion and Order (“Rate Case Order”) issued on December 3, 2008 in Case No. 08-0072-GA-AIR, et al. The Rider IRP was further extended in an order dated November 28, 2012 in Case No. 11-5515-GA-ALT.

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

3 A. Pursuant to the Rate Case Order, the Rider IRP provides for recovery of
4 and the return on Columbia's plant investment and related expenses, as
5 detailed in the stipulation filed in that case on October 24, 2008.
6

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

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

17 **Q. Please describe the Rider IRP.**

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

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

33 The third component recovers costs associated with Columbia's installation
34 of Automated Meter Reading Devices ("AMRD") on all residential and commercial
35 meters served by Columbia over approximately five years, beginning in 2009. This
36 program concluded in 2013. Schedules filed in support of this component are identified
37 through the use of the acronym "AMRD."
38

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

3 A. Yes. The scope of the AMRP component of Columbia's IRP was clarified
4 to expressly include interspersed sections of non-priority pipe contained
5 within the bounds of priority pipe replacement projects, where it is more
6 economical to replace such pipe, as opposed to attempting to tie into exist-
7 ing sections of pipe. Columbia has included in this filing investment in in-
8 terspersed sections of non-priority pipe.
9

10 The scope of Columbia's AMRP component was also clarified to expressly
11 include investment in first generation plastic pipe when such pipe is asso-
12 ciated with priority pipe in IRP replacement projects. The scope of Co-
13 lumbia's AMRP component was further clarified to include investment in
14 ineffectively coated steel, subject to specific criteria. Steel pipe installed
15 and field coated before 1955 is considered to be ineffectively coated with-
16 out the need for further testing, and thus within the scope of the IRP. Field
17 coated steel pipe installed in 1955 or later is tested to determine whether it
18 was ineffectively coated. The costs associated with the testing, inspection
19 and replacement of pipe found to be ineffectively coated are included in
20 Rider IRP.
21

22 **Q. Did Columbia include each of these components in the schedules filed**
23 **February 27, 2017, in support of the application filed in this proceeding?**

24 A. Yes. The three independent revenue calculations are detailed on Schedules
25 AMRP-1, AMRD-1 and R-1. AMRP construction plans for calendar year
26 2017 are detailed in the direct testimony of Columbia witness Slowbe. Mr.
27 Slowbe also addresses the factors used to determine the pipe replacement
28 priority.
29
30

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

33 A. No. On December 7, 2010, in Case No. 10-2353-GA-RDR, Columbia filed a
34 motion for waiver to forego the audit requirement. On March 9, 2011, the
35 Commission issued an Entry in that case in which it found Columbia's
36 motion for waiver of the audit requirement reasonable in that case and all
37 future filings to update the Rider IRP and Rider DSM unless otherwise
38 ordered by the Commission.

1 **Q. How are the schedules included in Columbia's November 28, 2016**
2 **Notice of Intent different from the updated schedules filed in this pro-**
3 **ceeding on February 27, 2017?**

4 A. The schedules included in Columbia's Notice of Intent contained nine
5 months actual and three months estimated calendar year 2016 data, while
6 the schedules filed February 27, 2017 contain twelve months of actual data
7 for calendar year 2016.
8

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

10 A. No. My testimony supports the actual data filed in this proceeding on
11 February 27, 2017, in support of the Rider IRP rate calculated on Attach-
12 ment A of the application that will ultimately be billed to customers.
13

14 **Q. What is included in the annualized Rider IRP revenue requirement**
15 **calculations?**

16 A. Each of the revenue requirements set forth on Schedules AMRP-1, AMRD-
17 1 and R-1 include return on and return of Columbia's investment in each
18 of these programs and related costs such as program operating expenses
19 and deferred expenses. The Rate Case Order authorizes the pre-tax return
20 on rate base of 10.95%. Costs included for determination of the revenue
21 requirement are consistent with those cost components identified for re-
22 covery in the Joint Stipulation and Recommendation filed in Case No. 08-
23 0072-GA-AIR, et al. on October 24, 2008, in the Rate Case Order and in the
24 Joint Stipulation and Recommendation from Case No. 11-5515-GA-ALT,
25 which granted a five-year extension of the IRP.
26

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

29 A. Capitalized costs include contract labor and associated expenses, materials
30 and supplies, internal labor and associated overheads, and AFUDC. The
31 plant additions are capitalized at Columbia's actual cost of replacement
32 and shown as an increase to rate base as projects are placed in service. The
33 associated accumulated reserve for depreciation is detailed as a reduction
34 to rate base. Each of the rate base components is based on the cumulative
35 investment made by Columbia during the nine calendar years ended De-
36 cember 31, 2016. The development of Rate Base used for computation of
37 pre-tax return on rate base is also shown on Schedules AMRP-1, R-1 and
38 AMRD-1.

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

2 A. Deferred depreciation expense, deferred property tax expense and
3 deferred PISCC are the three types of deferred expenses included in rate
4 base. Generally, expenses are deferred beginning with the month the plant
5 goes in service or the month the expense is incurred, until Columbia be-
6 gins earning a return on its investment through rates. The cumulative de-
7 ferred expenses recorded during calendar years 2008-2016 have been in-
8 cluded as part of rate base in this filing.
9

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

11 A. Deferred taxes are a non-investor source of funds, resulting from a tax
12 treatment of expense that is different from the book treatment. Recogni-
13 tion of deferred taxes properly measures Columbia's net investment re-
14 sulting from implementation of the IRP. These non-investor sources of
15 funds reflected as an offset to rate base include deferred taxes resulting
16 from the use of higher tax depreciation and current year recognition of de-
17 ferred PISCC and property taxes.
18

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

20 A. Pursuant to federal tax legislation, the costs associated with calendar year
21 2010 capital projects that began and were placed in service after Septem-
22 ber 8, 2010, were treated as 100% depreciation expense for federal tax
23 purposes. The costs associated with the majority of Columbia's remaining
24 calendar year 2010 projects qualified for 50% tax depreciation expense in
25 2010. The costs associated with all 2011 capital projects qualified for 100%
26 tax depreciation in 2011. The costs associated with all 2012 capital projects
27 qualified for 50% tax depreciation in 2012. The costs associated with all
28 2013, 2014 and 2015 capital projects qualified for 50% tax depreciation in
29 2013, 2014 and 2015, respectively. This federal tax legislation was provid-
30 ed for in 2016 as well, which extended the 50% tax depreciation for prop-
31 erty placed in service in 2016. The collective increase in deferred taxes re-
32 sulting from recognition of the higher tax depreciation treatment, net of
33 the associated net operating losses, has been reflected in Columbia's de-
34 ferred tax calculations because these are a non-investor source of funds.
35

36 **Q. What types of Operating Expenses are included in the Rider IRP**
37 **revenue requirements calculation?**

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

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

3 A. These schedules provide for the computation of property tax based on the
4 sum of plant additions excluding the original cost retired. The calculation
5 follows the process used in Columbia's Annual Report to the Ohio De-
6 partment of Taxation to determine the Net Property Valuation and uses
7 the latest actual average property tax rate per \$1,000 of valuation. It re-
8 flects the ongoing property tax that Columbia will incur during the twelve
9 months that the proposed Rider IRP rate will be in effect. These schedules
10 further detail the development of the deferred property taxes and annual-
11 ized amortization of the deferred expenses included in the revenue re-
12 quirement.

13
14 **Q. Is the property tax calculation provided in this filing identical to the**
15 **calculations used in previous Rider IRP filings?**

16 A. Yes, the calculation methodology is identical to the methodology used in
17 the previous year Rider IRP filing, and as prescribed by the Ohio Depart-
18 ment of Taxation.

19
20 **Q. Is a common basis used to calculate accumulated depreciation, deprecia-**
21 **tion expense, and deferred depreciation expense shown on Schedules**
22 **AMRP-5 and AMRP-6, R-5 and R-6 and AMRD-5 and AMRD-6?**

23 A. No. Pursuant to the Joint Stipulation and Recommendation in Case No.
24 09-006-GA-UNC, accumulated depreciation was calculated using gross
25 plant additions; however, deferred depreciation and annualized deprecia-
26 tion expense were calculated using plant additions net of retirements. In
27 all three cases, the depreciation rates used were those most recently ap-
28 proved by the Commission.

29
30 **Q. Please explain the annualized amortization of deferred expenses**
31 **calculations.**

32 A. Deferred expenses such as deferred depreciation, deferred property taxes,
33 and deferred PISCC are amortized over the life of the associated assets us-
34 ing the current depreciation rate. Amortization does not start until Co-
35 lumbia begins recovering the associated expense through rates and is cal-
36 culated based on the cumulative date certain balance and current depreci-
37 ation rate. Amortization of Deferred Depreciation Expense is shown on
38 Schedules AMRP-5, R-5 and AMRD-5. Amortization of Deferred PISCC is
39 shown on Schedules AMRP-6, R-6 and AMRD-6 with the determination of

1 the amortization of Deferred Property Taxes being set forth AMRP-7, R-7
2 and AMRD-7.

3
4 **Q. Is there recognition of O&M savings included in the revenue require-**
5 **ment calculation?**

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

12
13 **Q. Please describe how meter reading expense savings on Schedule**
14 **AMRD-9B were calculated.**

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

35
36 **Q. Were there anticipated benefits of the AMRD program?**

37 A. Yes. Columbia's customers benefit from a full deployment program in
38 several ways. The move to monthly meter reading eliminates scheduled
39 calculated bills. Additionally, Columbia's original rate case proposal con-

1 templated partial AMRD deployment, which would have resulted in me-
2 ter readers having to continue to walk a large percentage of meter reading
3 routes. By contrast, with full AMRD deployment, as approved by the
4 Commission, the meter readers drive the routes in a vehicle equipped
5 with a Mobile Data Collection unit to collect the AMRD readings. This re-
6 sults in additional reductions in the cost of meter reading as well as fur-
7 ther reductions in manual meter reading errors and billing exceptions.
8 Other benefits include the following:

- 9
- 10 • Increased customer convenience by reducing access;
- 11 • Reduction in consecutive months calculated;
- 12 • Increased meter reading performance and increased compliance
- 13 with the Ohio Minimum Gas Service Standards;
- 14 • Reduction in meter reading and other O&M costs over the past
- 15 eight years totaling more than \$26.5 million (meter reading only);
- 16 • Eliminated the \$35 fee to customers for the installation of an AMRD
- 17 device;
- 18 • Improved quality of billing data by eliminating manual meter read-
- 19 ing errors;
- 20 • Enhanced customer service due to fewer billing exceptions;
- 21 • Improve employee safety; and,
- 22 • Increased ability to identify energy theft and revenue loss due to
- 23 meter tampering.
- 24

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

27 A. In the Joint Stipulation and Recommendation from Case No. 11-5515-GA-
28 ALT, Columbia agreed to include the greater of Columbia's actual O&M
29 savings or \$1,250,000 for 2016 as a reduction in the Rider IRP revenue re-
30 quirement. Columbia's actual O&M savings for 2016 did not exceed
31 \$1,250,000. In order to comply with the requirement prescribed in the Joint
32 Stipulation and Recommendation from Case No. 11-5515-GA-ALT, Co-
33 lumbia is reflecting O&M savings of \$1,250,000 as a reduction to its reve-
34 nue requirement.

35

36 **Q. How did Columbia calculate its actual 2016 O&M expense savings?**

37 A. Columbia used the same methodology that it used in its prior Rider IRP
38 applications. The Stipulation approved by the Commission in Case No.
39 09-1036-GA-RDR changed the calculation of future O&M savings related

1 to mains and services. Rather than using the methodology detailed in
2 Case Nos. 08-0072-GA-AIR et al., the savings attributable to Columbia's
3 AMRP program is now calculated by including specified account activi-
4 ties. Those activities experiencing savings are included in the calculation
5 of O&M savings; therefore, activities experiencing increased expenditures
6 are not included.

7

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

10 A. Subsequent to the issuance of the Order in Case No. 09-1036-GA-RDR,
11 PUCO Staff, OCC, and Columbia spent time discussing each of the mains
12 and service activities. As a result of those discussions, Columbia decided
13 that four activities should be included in the O&M savings calculation:
14 leak inspection, leak repair, general/other, and half of supervision and en-
15 gineering. Columbia's application contains a comparison of 2016's ex-
16 pense for these four O&M activities against the expense for these activities
17 during the twelve months ended September 30, 2008. Those activities ex-
18 perencing savings are included in the calculation of the 2016 actual O&M
19 savings.

20

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

23 A. Each of the respective revenue requirements is allocated to the appropri-
24 ate rate schedule based on cost occurrence reported in the Class Cost of
25 Service Study filed as Schedule E-3.2-1 in Case Nos. 08-0072-GA-AIR, et al.
26 Next, the allocated program costs will be converted to a monthly fixed
27 charge based on the number of bills projected to be rendered to customers
28 served under each rate schedule for the twelve-months ending April 2018.
29 The impact on individual rate schedules for each program will then be ag-
30 gregated for determination of the Rider IRP. The AMRP revenue require-
31 ment is allocated by rate schedule based on the gross plant in service for
32 distribution plant account 376, Mains to customers in all of the Small Gen-
33 eral Service, General Service, and Large General Service rate schedules.
34 The allocation of the AMRP revenue requirement and development of the
35 applicable Rider IRP rate component is shown on AMRP-11. The Riser
36 and Hazardous Services revenue requirement is allocated by rate schedule
37 based on the gross plant account 380, Services to customers in all of the
38 Small General Service and General Service rate schedules. This allocation
39 of revenue requirement and development of applicable rate component is

1 detailed on Schedule R-11. The AMRD revenue requirement is allocated
2 by rate schedule based on the gross plant account 381, Meters to customers
3 in all of the Small General Service and General Service rate schedules with
4 allocation of the revenue requirement and development of the applicable
5 rate component shown on Schedule AMRD-11.
6

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

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

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

16 A. No. Columbia is not providing specific evidence to demonstrate that the
17 Rider IRP was not used to recover costs of projects that otherwise would
18 have been included in Columbia's capital replacement program as a result
19 of specific language found in the Opinion and Order issued on November
20 28, 2012 in Case No. 11-5515-GA-ALT. This Order specifically states, "in
21 light of all other provisions of this Stipulation, the signatory parties agree
22 that, for Columbia's Rider IRP adjustment cases covering investments for
23 years 2012 through 2017, all such IRP projects completed during those
24 years are not considered to be projects that otherwise would have been in-
25 cluded in Columbia's capital replacement program, and therefore, there
26 should not be any adjustment to the Rider IRP rate on that basis."
27

28 EXPLANATION OF REMAINING SCHEDULES

29

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

31 A. Yes. Columbia included the following remaining schedules.
32

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 Rider IRP rate
3 for each rate schedule. It also computes the volumetric Rider DSM rate,
4 which Columbia witness Lavery is also sponsoring. Attachment B details
5 the rate schedules to which Rider IRP applies. Attachment C compares
6 typical bills for each rate schedule between current rates and the proposed
7 Riders IRP and DSM rates.
8

9 **REASONABLENESS OF REQUESTED INCREASE AND BENEFITS TO**
10 **RATEPAYERS AND THE PUBLIC INTEREST**
11

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

14 A. Yes. The cap mechanism defined in the Stipulation filed in Case No. 11-
15 5515-GA-ALT limits the Rider IRP rate that becomes effective May 2017 to
16 \$9.20 per SGS customer per month.
17

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

19 A. Yes. Columbia's proposed SGS class rate is \$8.96 per customer per month
20 beginning May 2017.
21

22 **Q. Does the combined revenue requirement detailed on Schedules R-1,**
23 **AMRP-1, AMRD-1 and DSM-1 exceed what was presented in Colum-**
24 **bia's Notice of Intent filed in this docket on November 28, 2016?**

25 A. No. Columbia is proposing a combined annualized revenue requirement
26 of \$219,103,743 in the updated schedules supported by my testimony. This
27 does not exceed the combined annualized revenue requirement of
28 \$221,222,029 estimated on November 28, 2016. Columbia estimates that
29 the rate changes proposed herein, if granted in full and factoring in the
30 applicable rate caps approved by the Commission, would increase gross
31 revenues by an additional \$31,460,235 which represents a modest increase
32 of 3.66%.
33

34 **Q. Do you have an opinion regarding whether Columbia's request to**
35 **adjust the Rider IRP is reasonable?**

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

1 Furthermore, the proposed Rider IRP rates are within the rate cap estab-
2 lished 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 \$1.0 billion since 2008 to replace its
9 aging distribution system through the AMRP program. These types of in-
10 vestments will eventually result in fewer leaks, fewer outages and reduce
11 the need to excavate in roads and streets to make repairs. In addition, Co-
12 lumbia has invested over \$330 million to resolve safety issues associated
13 with prone-to-failure risers and hazardous customer service lines through
14 its systematic replacement program.

15

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

19

20 **Q. Are there additional financial benefits to the Rider IRP not specifically**
21 **quantified in this application?**

22 A. Yes. Over the past seven years, Columbia has invested approximately \$1.5
23 billion in labor, materials, and other associated costs related to the IRP.
24 New jobs have been created, local taxes have been generated, and the out-
25 put or sales of materials have increased as a direct result of Columbia's in-
26 frastructure investments. Although harder to quantify, these investments
27 have also stimulated indirect economic ripple effects throughout the
28 economy. Hundreds of jobs have been created by Columbia's investments
29 in these programs. Throughout 2017, additional jobs will be required to
30 support Columbia's increased infrastructure investment efforts. Revenue
31 generated by state and local government wage taxes has increased be-
32 cause of the new jobs. Additionally, there has been an increase in property
33 tax base for local communities across Ohio. Over seven years, Columbia's
34 IRP investment has generated approximately \$129 million of incremental
35 property taxes for local communities.

36

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

38 A. Yes, it does.

39

CERTIFICATE OF SERVICE

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/s/ Joseph M. Clark

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Summary: Testimony of Diana M. Beil electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.