

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Co- )  
lumbia Gas of Ohio, Inc. for Approval ) Case No. 16-2422-GA-ALT  
of an Alternative Form of Regulation. )

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**PREPARED DIRECT TESTIMONY OF  
DONALD AYERS  
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

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**PREPARED DIRECT TESTIMONY  
OF DONALD AYERS**

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**I. INTRODUCTION**

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

A: My name is Donald Ayers and my business address is 290 W. Nationwide Boulevard, Columbus, Ohio 43215.

**Q: What is your current position and what are your responsibilities?**

A: I am the Director of Construction for Columbia Gas of Ohio, Inc. ("Columbia"), Columbia Gas of Kentucky, and Northern Indiana Public Service Company. My principal responsibilities for Columbia include directing and managing all contracted construction activities, overseeing the scheduled execution of Columbia's construction plans, negotiating construction contracts with qualified contractors, and ensuring Columbia's pipeline installations are compliant and safe. I work with internal stakeholders, including the Engineering Department, to ensure that Columbia's Accelerated Mains Replacement Program ("AMRP") projects are installed in a timely fashion, and I work with municipalities with permitting and restoration concerns.

**Q: What is your employment history?**

A: In 1988, I began my career with Columbia as an Accounting Clerk in Columbus. From there, I held multiple positions with Columbia, including Meter Reader, Service Technician, Operations Technician, and Service Supervisor. In 1996, I transitioned into Columbia's Measurement and Regulation Department, first as a Supervisor and then as a Frontline Leader. In 2001, I moved back to Columbia's Operations Team, first as a Field Operations Leader and finally as an Operations Center Manager. I was then promoted in 2005 to the Manager of System Operations for Columbia and Columbia Gas of Kentucky, Inc. In this role, I was tasked with ensuring Columbia's Measurement and Regulation ("M&R"), corrosion and leakage programs were conducted on a timely basis, as well as ensuring compliance with federal and state pipeline safety standards. In 2015, I was promoted again to my current role as Director of Construction.

**Q: Have you previously testified before this Commission?**

A. No.

1  
2 **Q: What is the purpose of your testimony?**

3 A: The purpose of my testimony is to describe Columbia's Infrastructure Re-  
4 placement Program ("IRP"), specifically the Accelerated Mains Replace-  
5 ment Program ("AMRP") and the Hazardous Customer Service Line pro-  
6 gram ("HCSL Program"). I will also explain the factors I am seeing in con-  
7 struction of Columbia's AMRP projects that have changed since Colum-  
8 bia's last extension in 2011, and the foreseeable changes in the proposed  
9 five-year term of this extension.

10  
11 **II. OVERVIEW OF IRP PROGRAMS**

12  
13 **Q: Please describe the scope of the AMRP.**

14 A: Columbia's AMRP targets certain types of mains for replacement over a  
15 25-year timeframe. The size and scope of the main replacement projects  
16 completed each year will vary, from replacing small individual segments  
17 of main to replacing extremely large segments of pipe across a relatively  
18 wide geographic area.

19  
20 The types of gas main explicitly included in the AMRP, as initially ap-  
21 proved, were bare steel, unprotected coated steel, wrought iron, and cast  
22 iron. These types of main ("Priority Pipe" or "Priority Main") are typically  
23 more likely to leak, due to their material type, protection, age, and other  
24 characteristics. Also explicitly included in the AMRP is the replacement of  
25 all metallic service lines and associated appurtenances.

26  
27 In Columbia's last extension of the IRP, Case No. 11-5515-GA-ALT, the  
28 Commission adopted a Stipulation and Recommendation ("2011 Stipula-  
29 tion") that, among other things, clarified the scope of the AMRP to ex-  
30 pressly include certain items, including interspersed sections of nonpriori-  
31 ty pipe, first generation plastic pipe, ineffectively coated steel, meter move  
32 outs, and government relocations.

33  
34 **Q: Please describe the HCSL Program.**

35 A: As an outgrowth of the prone-to-fail riser survey and replacement pro-  
36 gram, of which I was a team leader, Columbia also is responsible for  
37 maintaining, repairing, and replacing customer-owned service lines that  
38 Columbia has determined present an existing or probable hazard to per-  
39 sons or property or require a scheduled repair or replacement based upon  
40 severity or location.

As of the end of 2016, Columbia has replaced approximately 70,257 hazardous customer service lines as part of the HCSL Program. This program ensures that hazardous customer service lines are not only replaced safely and efficiently, but that Columbia continues to own and maintain these service lines.

**Q: Since beginning the AMRP, how many miles of pipe has Columbia replaced?**

**A:** The table below breaks down the type of pipe replaced over the first nine years (2008-2016) of the AMRP:

Infrastructure Category	Mileage Replaced
Bare Steel	1,337
Cast Iron/Wrought Iron	86
Pre-1955 Unprotected Coated Steel	165
Pre-1954 Coated Steel	73
First Generation Plastic	202

**Q: How does Columbia determine which mains it will replace as part of its AMRP program?**

**A:** Columbia uses Optimain DS™, a commercially available software package, to help evaluate and risk-rank pipe segments system-wide against a range of environmental conditions (*e.g.*, population density, building class, surface cover type) and risk factors (*e.g.*, pipe segment leak history, pipe condition, pitting depth, depth of cover). The program enables Columbia to specifically target some of the worst segments of distribution pipe for replacement.

Using this program, Columbia identifies, ranks, and selects projects based on the level of relative risk that would be removed from the system. Columbia also uses its operational and engineering knowledge to monitor and replace other critical segments that could pose additional risk if replacement is delayed. Columbia also works collaboratively with local and state governments to replace Priority Pipe where public improvement work will occur.

1 **Q: Why is Columbia seeking to continue its current AMRP?**

2 A: Columbia's initial intent, which is to accelerate the replacement of our Pri-  
3 ority Main and to provide safe and reliable service to our customers, re-  
4 mains unchanged. This program allows Columbia to continue to imple-  
5 ment its systematic replacement strategy, which targets the identification,  
6 selection, and replacement of Priority Pipe in large geographic areas with  
7 high relative risk. Extending the current AMRP also enables Columbia to  
8 coordinate the replacement of its Priority Pipe in advance of state or mu-  
9 nicipal construction projects, which eliminates long-term complaints over  
10 the intrusive maintenance efforts that Columbia would otherwise have to  
11 take in order to repair leaks and maintain an aging natural gas system.  
12

13 As the Director of Construction, and formerly Columbia's leader oversee-  
14 ing leakage and corrosion control, I have seen corroded, bare steel mains  
15 and services in the trench. Continuing the accelerated replacement of haz-  
16 ardous pipelines ensures Columbia can maintain safe and reliable delivery  
17 of natural gas.  
18

19 **Q: Would continuing the AMRP provide any other benefits?**

20 A: Yes. In addition to the increased safety of Columbia's customers, continu-  
21 ing the AMRP is essential to maintaining access to highly-skilled and op-  
22 erator-qualified construction contractor resources.  
23

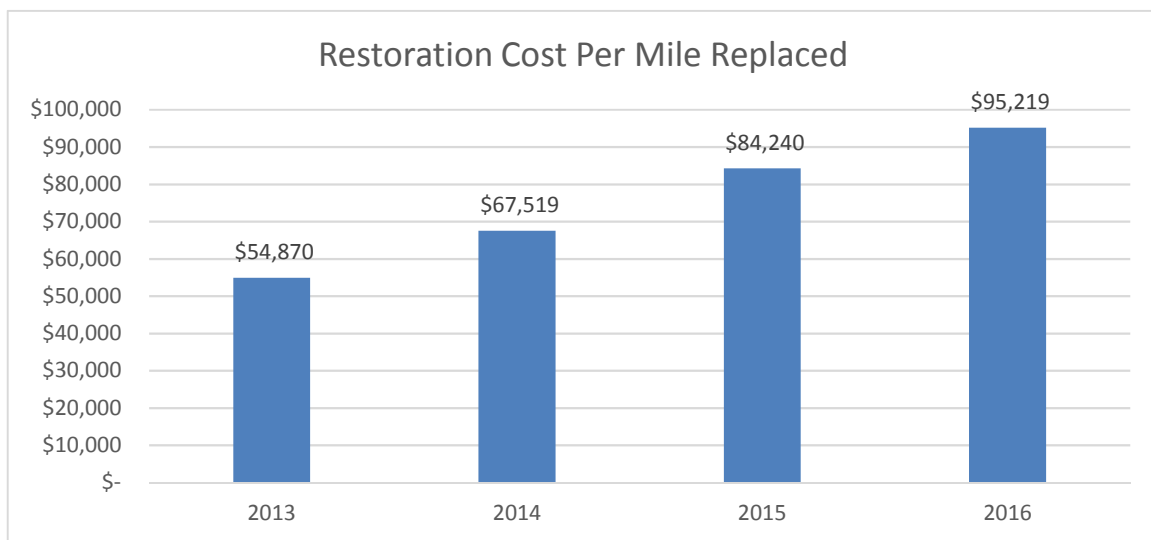
24 Retaining quality, operator-qualified construction contractors can be a  
25 challenge. In 2011, Columbia implemented its contractor acquisition strat-  
26 egy, which focused on building long-term relationships with Columbia's  
27 blanket contractors. Due to increased construction contractor needs across  
28 the industry and the relatively small technically competent labor market,  
29 blanket contractors are having high personnel turnover, making it more  
30 difficult to meet Columbia's resource needs. Continuing Columbia's cur-  
31 rent AMRP will ensure a consistent stream of business, thereby encourag-  
32 ing contractors to expand their businesses in Ohio and hire the needed la-  
33 bor resources that will play a vital role in the construction of Columbia's  
34 projects.

1 **III. CHANGES INCREASING AMRP COSTS**

2  
3 **A. Restoration and Underground Facility Camera Work**

4  
5 **Q: Since 2011, have you seen any changes in the environment in which Co-**  
6 **lumbia is able to do business?**

7 **A:** Yes. One of the largest changes I have seen is the large increases in resto-  
8 ration expenses, both hard surface (e.g., road pavement and sidewalk) and  
9 soft surface (e.g., grass seed and lawn care). This is driven, largely, by  
10 municipal right-of-way ordinances and permit requirements when Co-  
11 lumbia is required to open cut to install mains and services.



12 **Q. Are you familiar with directional boring or drilling?**

13 **A:** Yes. Directional boring is a pipeline installation technique that utilizes a  
14 drill to guide and install the pipeline without open cutting a trench.

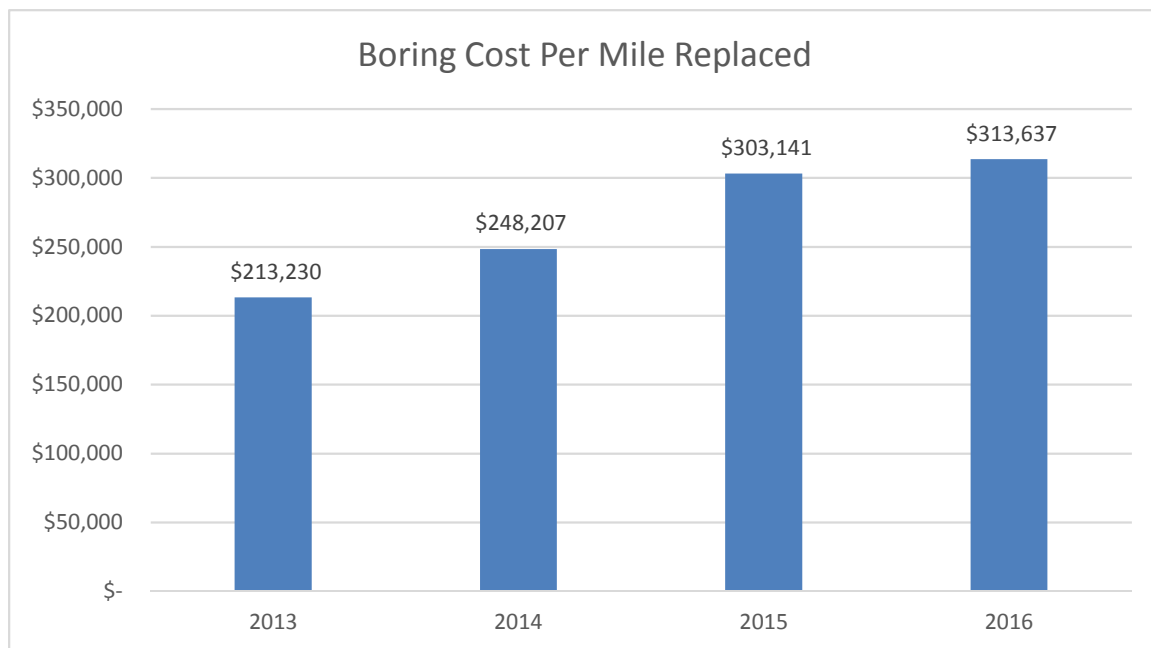
15  
16 **Q. Would conducting more directional boring affect restoration costs?**

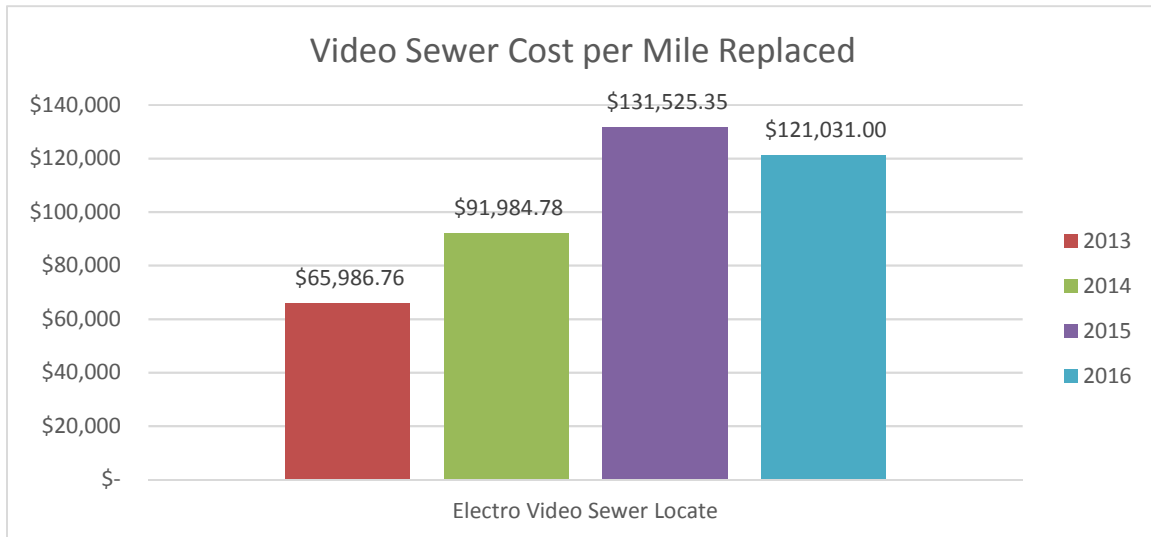
17 **A:** Yes. Open cutting, where Columbia opens the trench to lay the pipeline,  
18 requires Columbia to restore more surface area. Directional boring de-  
19 creases restoration costs because the necessity to restore above-ground  
20 property, whether it is grass or pavement, is reduced with directional, un-  
21 derground boring. The minimal restoration required for directional boring  
22 is limited to holes dug to launch and receive the pipeline as it is installed  
23 and the holes dug to spot other underground utilities, which is a require-  
24 ment by Ohio law.

1 **Q: Have there been any increased costs associated with directional boring?**

2 **A:** Yes. With Ohio's new damage prevention law, Columbia is required to  
3 visually inspect or "spot" any crossing underground facilities to ensure  
4 that new facilities do not intersect, creating a cross bore. Columbia's gas  
5 standards also require construction crews to camera (record video of) all  
6 underground sewer mains and facilities to confirm their location and  
7 proximity to gas facilities. Both of these practices ensure Columbia safely  
8 installs directionally-drilled mains and service lines. If Columbia cannot  
9 safely locate all underground facilities, it will open cut the project, which  
10 increases restoration costs, but alleviates the requirement to camera un-  
11 derground sewer mains and facilities.

12  
13 Because the demand for underground facility camera crews is increasing,  
14 the costs corresponding to these crews are also increasing. Since 2013, Co-  
15 lumbia has seen a substantial increase in the costs associated with this  
16 safety practice. Accordingly, while conducting more directional boring  
17 will decrease Columbia's restoration costs, it will increase Columbia's  
18 camera costs.





**Q: Do you foresee these costs going down in the foreseeable future?**

A: I do not. Columbia and likely other companies are continuing to revise their procedures and policies to ensure the safe installation of underground facilities. I foresee these costs not going down, but going up in the next five years. This is due to the reasons stated above, as well as increased training time for new employees, reduced productivity as more experienced employees retire from the workforce, and increased guidelines and regulations coming from PHMSA for pipeline installation.

**Q: Is there anything Columbia can do to contain these costs?**

A: Through its blanket contract negotiations, Columbia is working with its construction contractors to secure the most cost-efficient and qualified contractors to do this work. Columbia has also worked with the Ohio Laborers' District Council and its largest contractors to create an entry-level training program for new employees beginning careers in gas construction. Columbia has recently begun a partnership with the Distribution Contractors Association and the American Gas Association to help community colleges develop distribution construction training programs. The goal of all of this training is to reduce the amount of on-the-job training, which improves productivity, and to allow new employees to have a quicker transition to becoming productive, safe employees.

#### **B. Historic Cost Increases**

**Q: During the last nine years of the AMRP, have you seen any change in costs?**



1 A: Yes, the program, overall, has been experiencing cost increases. When  
2 looking at the average cost per mile over the last nine years, Columbia is  
3 experiencing a 15.57% year-over-year increase. As of 2016, Columbia's av-  
4 erage cost per mile was \$1.073 million.  
5

6 **Q: Do you anticipate these costs going down?**

7 A: I do not. The average cost per mile of installing natural gas pipeline is like-  
8 ly to continue to climb. The revitalization of shale drilling in Ohio, and the  
9 continued demand for natural gas qualified construction crews and re-  
10 sources, is stretching the market. Said differently, the demand for quali-  
11 fied construction crews is increasing, while the supply of these crews is  
12 decreasing, especially with the retirement of seasoned employees.  
13

14 That being said, Columbia works hard to manage its costs. For the last five  
15 years of installing and managing the costs of AMRP projects, Columbia  
16 has increased its monitoring of spend, standardized contracts, and stand-  
17 ardized contract unit items. We have also improved our planning process,  
18 which allows us to level the workload throughout the year. This allows  
19 the contractors to do more work with fewer crews.  
20

### 21 *C. Construction Contract Renegotiation*

22

23 **Q: Are there other foreseeable cost increases in the next five years?**

24 A: Columbia's blanket construction contracts, which employ the primary  
25 personnel charged with installing AMRP projects, expire on December 31,  
26 2020. During the proposed five-year extension of the IRP, Columbia will  
27 be renegotiating these contracts. As I previously noted, the costs of con-  
28 struction crews are likely to increase, not decrease. With the natural gas  
29 drilling in eastern Ohio and the continued construction of pipelines and  
30 underground facilities, the demand for operator-qualified contract crews  
31 is great, but the supply is limited.  
32

33 **Q: Is there anything Columbia plans to do to contain these costs during the**  
34 **negotiation?**

35 A: Columbia will conduct a competitive bidding process towards the end of  
36 2018. The details of this process are still in the preliminary stages, as we  
37 are more than three years away from these contracts expiring on Decem-  
38 ber 31, 2020. Nonetheless, Columbia must retain operators and construc-  
39 tion crews that are both skilled and install natural gas pipeline safely. Alt-  
40 hough Columbia will continue to pursue contractors that are able to install

1 safe, compliant and best-value pipe, we will not trade minimal short-term  
2 savings at the expense of our customers' and employees' safety.

3

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

5 **A.** Yes, it does.

## 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 27<sup>th</sup> day of February, 2017 upon the parties listed below.

/s/ Eric B. Gallon

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