

FILE

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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

PUCO

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval of Tariffs to Adjust its)
Automated Meter Reading Cost Recovery)
Charge and Related Matters.)

Case No. 16-2206-GA-RDR

APPLICATION

In accordance with R.C. 4929.11 and the Commission's October 15, 2008 Opinion and Order in Case No. 07-829-GA-AIR (Distribution Rate Case), The East Ohio Gas Company d/b/a Dominion East Ohio (DEO) respectfully requests that the Commission approve an adjustment to DEO's Automated Meter Reading (AMR) Cost Recovery Charge from \$0.46 per customer per month to \$0.44 per customer per month to reflect costs during the 2016 calendar year associated with cumulative capital investments through June 30, 2012. In support of its Application, DEO states as follows:

1. 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. As such, DEO is a "natural gas company" and "public utility" as defined by R.C. 4905.03(E) and R.C. 4905.02.

2. On December 13, 2006, in Case No. 06-1453-GA-UNC, DEO filed an application to establish an AMR Cost Recovery Charge, via an automatic adjustment mechanism. The application was later consolidated with DEO's application in the Distribution Rate Case. As described in DEO's application, AMR technology: (i) provides a cost-effective way for DEO to read customers' meters as required under the minimum gas service standards; (ii) lessens the need for estimated bills, which in turn results in a better match between the amount billed and

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actual gas consumed; (iii) facilitates more frequent actual meter reads, which improves accuracy in transferring service; and (iv) eliminates the need for DEO to schedule appointments to read meters inside customers' premises, further enhancing convenience for customers.

3. To enable timely implementation of AMR technology, DEO proposed the use of an AMR Cost Recovery Charge applicable to all customer classes receiving AMR equipment. By recovering its incremental program costs through a separate charge, DEO was able to secure the capital funds needed to complete AMR installation on a five-year timetable. Absent this charge, DEO would have been required to fund the program through its normal capital budgeting process, which would have accommodated a 15- to 20-year systemwide deployment.

4. On May 23, 2008, Staff filed its report in the Distribution Rate Case. The Staff Report concluded that "AMR technology is a cost effective way to achieve more frequent actual meter readings and avoid inconveniencing these customers." (06-1453 Staff Report at 42.) Staff also agreed that a five-year AMR deployment period "is preferable to spreading deployment over a 15 to 20 year time span." (*Id.* at 42–43.) Staff recommended approval of the AMR Cost Recovery Charge, subject to certain modifications.

5. On August 22, 2008, the parties in the Distribution Rate Case stipulated to adopting Staff's recommendations with respect to AMR. On October 15, 2008, the Commission approved the Stipulation. The Stipulation and Opinion and Order in the Distribution Rate Case contemplated an annual adjustment of the AMR Cost Recovery Charge.

6. The current AMR Cost Recovery Charge was approved in the April 20, 2016 Opinion and Order in Case No. 15-1986-GA-RDR.

7. On November 29, 2016, DEO filed a pre-filing notice, including schedules reflecting estimated figures supporting the requested adjustment to the AMR Cost Recovery

Charge. Additionally, on November 30, 2016, pursuant to R.C. 4909.18 and 4909.43, DEO provided written notice to the mayor and legislative authority of each municipality within its service territory of DEO's intent to file this Application.

8. In accordance with the Stipulation and Opinion and Order in the Distribution Rate Case, DEO hereby submits the following schedules supporting its revised AMR Cost Recovery Charge, which are attached collectively as Attachment A:

- a. Schedule 1, which summarizes the annualized revenue requirement and the proposed AMR Cost Recovery Charge;
- b. Schedule 2, which reflects the incremental monthly plant additions for the cost of AMR devices and installation and the cumulative plant additions resulting from installations, system integration, and purchases of AMR devices and related computer hardware and software;
- c. Schedule 2A, which reflects cumulative and incremental monthly retirements of AMR assets;
- d. Schedule 3, which reflects cumulative and incremental monthly depreciation of the plant additions;
- e. Schedule 4, which reflects monthly amortization of post-in-service carrying costs and the remaining cumulative net regulatory asset;
- f. Schedule 5, which reflects the cumulative and incremental net deferred tax balance related to post-in-service carrying costs;
- g. Schedule 6, which reflects cumulative and incremental deferred tax on liberalized depreciation;
- h. Schedule 7, which reflects annualized amortization of post-in-service carrying costs for 2016;
- i. Schedule 8, which reflects incremental annual property tax expense for 2016 associated with cumulative plant additions through December 31, 2015;
- j. Schedule 9, which reflects the approved rate of return on rate base on a pre-tax basis;
- k. Schedule 10, which reflects the number of bills issued to customers on applicable rate schedules from January 1, 2016, through December 31, 2016; and

- l. Schedule 11, which reflects the change in meter-reading and call-center expense from the 2007 approved baseline to the 2016 actual expense, in compliance with the Commission's supplemental directives contained in the May 5, 2012 Opinion and Order in Case No. 09-1875-GA-RDR.
9. As reflected in Schedule 1:
 - a. The total net rate base through December 31, 2016, is \$45,014,726.27;
 - b. The annualized pre-tax return on rate base is \$5,113,672.90;
 - c. Meter-reading savings are \$6,104,509.27;
 - d. Call-center savings are \$82,712.84;
 - e. The annualized AMR-related revenue requirement is \$6,414,707.01;
 - f. The number of bills issued to customers on applicable rate schedules from January 1, 2016, through December 31, 2016, is 14,453,236; and
 - g. The resulting AMR Cost Recovery Charge is \$0.44 per customer per month.
 10. Clean and scored versions of the tariff sheet reflecting the adjusted AMR Cost Recovery Charge are attached as Attachment B.
 11. In its Opinion and Order in Case No. 11-5843-GA-RDR, the Commission stated that DEO "should prefile its supporting testimony at the same time it files its application." Opin. at 20 (Oct. 3, 2012). Accordingly, Attachment C to this Application contains the Direct Testimony of Vicki H. Friscic.
 12. DEO expects that it shall have the right to file rebuttal testimony in response to any recommendations made by witnesses for the Commission's Staff or any other intervenors. By filing the Direct Testimony contained in Attachment C, DEO does not waive or forfeit any right to file additional testimony to the extent any such recommendations are made.
- WHEREFORE, DEO respectfully requests that the Commission approve DEO's Application to adjust its AMR Cost Recovery Charge to \$0.44 per customer per month, as

reflected in the revised AMR Cost Recovery Charge tariff attached as Attachment B, and grant DEO all other necessary and proper relief.

Dated: February 28, 2017

Respectfully submitted,

/s/ Andrew J. Campbell

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ATTORNEYS FOR THE EAST OHIO GAS
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was served by electronic mail on the 28th day of February, 2017, to the following:

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ATTACHMENT A

THE EAST OHIO GAS COMPANY, d/b/a DOMINION EAST OHIO
AUTOMATED METER READING COST RECOVERY CHARGE
CASE NO. 16-2206-GA-RDR
REVENUE REQUIREMENT

Attachment A
Schedule 1

| Line No. | Approved 12/31/15 | 2016 Activity | Cumulative Through 12/31/16 | Reference |
|----------|-------------------|---------------|-----------------------------|-----------|
| 1 | | | | |
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|----|---|------------------|------------------|---------------------------|
| 1 | Return on Investment | | | |
| 2 | Plant in Service | | | |
| 3 | Additions | \$ 90,630,951.01 | \$ 90,630,951.01 | Schedule 2, Line 7 |
| 4 | Retirements | (1,358,891.32) | (1,358,891.32) | Schedule 2A, Line 7 |
| 5 | Total Plant in Service | 89,272,059.69 | 89,272,059.69 | |
| 6 | Less: Accumulated Provision for Depreciation | | | |
| 7 | Depreciation Expense | 28,143,489.99 | 33,999,118.83 | Schedule 3, Lines 26 |
| 8 | Retirements | (1,358,891.32) | (1,358,891.32) | Line 4 |
| 9 | Total Accumulated Provision for Depreciation | 26,784,598.67 | 32,640,227.51 | |
| 10 | Subtotal: Net Plant Additions | 62,487,461.02 | 56,631,832.18 | |
| 11 | Net Regulatory Asset - Post-In-Service Carrying Costs | 5,009,749.00 | 4,502,330.96 | Schedule 4, Lines 38 & 41 |
| 12 | Net Deferred Tax Balance - PISCC | (1,753,412.15) | (1,575,815.83) | Schedule 5, Lines 4 & 5 |
| 13 | Deferred Taxes on Liberalized Depreciation | (15,841,689.75) | (14,543,621.04) | Schedule 6, Line 31 |
| 14 | Net Rate Base | \$ 49,902,108.12 | \$ 45,014,726.27 | |
| 15 | Approved Pre-Tax Rate of Return (ROR) | | 11.36% | Schedule 9, Line 8 |
| 16 | Annualized Return on Rate Base | | \$ 5,113,672.90 | Line 14 x Line 15 |
| 17 | Operating Expense | | | |
| 18 | Incremental Annual Depreciation Expense | | 5,855,628.84 | Schedule 3, Line 25 |
| 19 | Annualized Amortization of PISCC | | 500,657.66 | Schedule 7, Line 35 |
| 20 | Adjusted Incremental Annual Property Tax Expense | | 1,131,969.72 | Schedule 8, Line 5 |
| 21 | Reduction in Meter Reading Expense | | (6,104,509.27) | Schedule 11, Line 1 |
| 22 | Reduction in Call Center Expense | | (82,712.84) | Schedule 11, Line 2 |
| 23 | Annualized Revenue Requirement | \$ 6,414,707.01 | | |
| 24 | Number of Bills | 14,453,236 | | Schedule 10, Line 4 |
| 25 | AMR Cost Recovery Charge | \$ 0.44 | | Per Customer Per Month |

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
 AUTOMATED METER READING COST RECOVERY CHARGE
 CASE NO. 16-2206-GA-RDR
 Provision for Depreciation

Attachment A
 Schedule 3

| Line No. | Approved | 12/31/15 | 01/31/16 | 02/28/16 | 03/31/16 | 04/30/16 | 05/31/16 | 06/30/16 | 07/31/16 | 08/31/16 | 09/30/16 | 10/31/16 | 11/30/16 | 12/31/16 | |
|---|---------------------------------------|----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| Cumulative Plant Additions | | | | | | | | | | | | | | | |
| 1 | ERT Installation | | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | |
| 2 | ERT Purchases | | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | |
| 3 | Computer Hardware | | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | 2,079,836.69 | |
| 4 | In House Labor - CCS '0' | | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | |
| 5 | In House Labor - IT | | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | 410,575.46 | |
| 6 | Computer Software - Purchased | | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | 350,000.21 | |
| 7 | Total | | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | \$ 90,630,951.01 | |
| Less: Fully Depreciated Plant - Cumulative | | | | | | | | | | | | | | | |
| 8 | Computer Hardware | | | | | | | | | | | | | | |
| 9 | In House Labor - IT | | | | | | | | | | | | | | |
| 10 | Computer Software - Purchased | | | | | | | | | | | | | | |
| 11 | Total | | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | \$ (2,840,412.36) | |
| Net Depreciable Plant - Cumulative | | | | | | | | | | | | | | | |
| 12 | ERT Installation | | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | \$ 36,901,116.14 | |
| 13 | ERT Purchases | | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | 48,944,461.71 | |
| 14 | Computer Hardware | | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | 1,944,960.80 | |
| 15 | In House Labor - CCS IT | | | | | | | | | | | | | | |
| 16 | In House Labor - IT | | | | | | | | | | | | | | |
| 17 | Computer Software - Purchased | | | | | | | | | | | | | | |
| 18 | Total | | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | \$ 87,790,538.65 | |
| Depreciation | | | | | | | | | | | | | | | |
| 19 | Depreciation Expense | | \$ 10,088,839.91 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | \$ 205,108.70 | |
| 20 | ERT Purchases | | 14,468,617.54 | 272,049.63 | 272,049.63 | 272,049.63 | 272,049.63 | 272,049.63 | 272,049.63 | 272,049.63 | 272,049.63 | 272,049.63 | 272,049.63 | 272,049.63 | |
| 21 | Computer Hardware | | 2,079,836.69 | 10,810.74 | 10,810.74 | 10,810.74 | 10,810.74 | 10,810.74 | 10,810.74 | 10,810.74 | 10,810.74 | 10,810.74 | 10,810.74 | 10,810.74 | |
| 22 | In House Labor - CCS IT | | 745,620.18 | | | | | | | | | | | | |
| 23 | In House Labor - IT | | 410,575.46 | | | | | | | | | | | | |
| 24 | Computer Software - Purchased | | 350,000.21 | | | | | | | | | | | | |
| 25 | Total | | \$ 28,343,489.99 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | \$ 487,969.07 | |
| 26 | Cumulative Provision for Depreciation | | \$ 28,343,489.99 | \$ 28,831,459.06 | \$ 29,319,428.13 | \$ 29,807,397.20 | \$ 30,295,366.27 | \$ 30,783,335.34 | \$ 31,271,304.41 | \$ 31,759,273.48 | \$ 32,247,242.55 | \$ 32,735,211.62 | \$ 33,223,180.69 | \$ 33,711,149.76 | \$ 34,199,118.83 |
| 27 | Cumulative Current Year Activity | | \$ - | \$ 487,969.07 | \$ 975,938.14 | \$ 1,463,907.21 | \$ 1,951,876.28 | \$ 2,439,845.35 | \$ 2,927,814.42 | \$ 3,415,783.49 | \$ 3,903,752.56 | \$ 4,391,721.63 | \$ 4,879,690.70 | \$ 5,367,659.77 | \$ 5,855,628.84 |

| Rate | Current Year | Cumulative |
|--------|---------------|-----------------|
| 6.67% | \$ 205,108.70 | \$ 2,461,304.40 |
| 6.67% | \$ 272,049.63 | \$ 2,720,496.63 |
| 20.00% | \$ 10,810.74 | \$ 108,107.40 |
| 6.67% | \$ - | \$ - |
| 10.00% | \$ - | \$ - |
| | \$ 487,969.07 | \$ 5,855,628.84 |

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
 AUTOMATED METER READING COST RECOVERY CHANGE
 CASE NO. 16-2206-GA-RDR
 Net Regulatory Asset - Post-In-Service Carrying Costs (PISSC)

Attachment A
 Schedule 4

| Line No. | Approved 12/31/15 | 01/31/16 (a) | 02/28/16 (a) | 03/31/16 (b) | 04/30/16 (b) | 05/31/16 (b) | 06/30/16 (b) | 07/31/16 (b) | 08/31/16 (b) | 09/30/16 (b) | 10/31/16 (b) | 11/30/16 (b) | 12/31/16 (b) | Balance at 12/31/16 |
|----------|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|
| 1 | Accumulated Capital Additions | | | | | | | | | | | | | |
| 2 | ERT Installation | | | | | | | | | | | | | |
| 3 | ERT Purchases | | | | | | | | | | | | | |
| 4 | Computer Hardware | | | | | | | | | | | | | |
| 5 | In-House Labor - CCS IT | | | | | | | | | | | | | |
| 6 | In-House Labor - IT | | | | | | | | | | | | | |
| 7 | Computer Software - Purchased | | | | | | | | | | | | | |
| 8 | Accumulated Capital Additions | | | | | | | | | | | | | |
| 9 | Regulatory Asset - Deferals | | | | | | | | | | | | | |
| 10 | ERT Installation | | | | | | | | | | | | | |
| 11 | ERT Purchases | | | | | | | | | | | | | |
| 12 | Computer Hardware | | | | | | | | | | | | | |
| 13 | In-House Labor - CCS IT | | | | | | | | | | | | | |
| 14 | In-House Labor - IT | | | | | | | | | | | | | |
| 15 | Computer Software - Purchased | | | | | | | | | | | | | |
| 16 | Total Deferals | | | | | | | | | | | | | |
| 17 | Regulatory Asset - Amortization | | | | | | | | | | | | | |
| 18 | ERT Installation | | | | | | | | | | | | | |
| 19 | ERT Purchases | | | | | | | | | | | | | |
| 20 | Computer Hardware | | | | | | | | | | | | | |
| 21 | In-House Labor - CCS IT | | | | | | | | | | | | | |
| 22 | In-House Labor - IT | | | | | | | | | | | | | |
| 23 | Computer Software - Purchased | | | | | | | | | | | | | |
| 24 | Total Amortization | | | | | | | | | | | | | |
| 25 | Regulatory Asset - Net Change | | | | | | | | | | | | | |
| 26 | ERT Installation | | | | | | | | | | | | | |
| 27 | ERT Purchases | | | | | | | | | | | | | |
| 28 | Computer Hardware | | | | | | | | | | | | | |
| 29 | In-House Labor - CCS IT | | | | | | | | | | | | | |
| 30 | In-House Labor - IT | | | | | | | | | | | | | |
| 31 | Computer Software - Purchased | | | | | | | | | | | | | |
| 32 | Net | | | | | | | | | | | | | |
| 33 | Cumulative Current Year Activity | | | | | | | | | | | | | |
| 34 | Cumulative Net Regulatory Asset | | | | | | | | | | | | | |
| 35 | ERT Installation | | | | | | | | | | | | | |
| 36 | ERT Purchases | | | | | | | | | | | | | |
| 37 | Computer Hardware | | | | | | | | | | | | | |
| 38 | In-House Labor - CCS IT | | | | | | | | | | | | | |
| 39 | In-House Labor - IT | | | | | | | | | | | | | |
| 40 | Computer Software - Purchased | | | | | | | | | | | | | |
| 41 | Total | | | | | | | | | | | | | |

(b) Prior year cumulative assets are included in the calculation of PISSC up to the month in which the associated AMR Cost Recovery charge was put into effect.

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
AUTOMATED METER READING COST RECOVERY CHARGE
CASE NO. 16-2206-CA-RDR

Deferred Taxes on Liberalized Depreciation

Attachment A
Schedule 6

Tax Year 2016

| Line No. | FERC Account | Tax Life | Approved 12/31/15 | Tax Year 2016 | | | | | | | | | | | Total Vintage 2016 | Cumulative | | | |
|-----------------------------|--------------|----------|-------------------|--------------------|--------------------|--------------------|------------------------|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------|--------------------|------------|------|------------------|--|
| | | | | Total Vintage 2007 | Total Vintage 2008 | Total Vintage 2009 | Jan - Sep Vintage 2010 | Oct - Dec Vintage 2010 | Total Vintage 2011 | Total Vintage 2012 | Total Vintage 2013 | Total Vintage 2014 | Total Vintage 2015 | | | | | | |
| Plant In-Service | | | | | | | | | | | | | | | | | | | |
| 1 | 3820 | 15/20 | \$ 36,300,116.14 | \$ 2,756,253.11 | \$ 8,592,168.14 | \$ 9,492,002.23 | \$ 6,185,507.62 | \$ 2,116,251.53 | \$ 7,279,949.83 | \$ 378,973.68 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 36,901,116.14 | |
| 2 | 3810 | 15/20 | 48,944,461.71 | 4,523,047.88 | 14,771,574.63 | 10,204,104.37 | 8,178,417.04 | 2,438,292.24 | 8,533,669.04 | 295,356.51 | - | - | - | - | - | - | - | 48,944,461.71 | |
| 3 | 3912 | 5 | 2,079,836.69 | 115,959.17 | 392,355.47 | 580,569.48 | 95,005.49 | 682,916.35 | 212,630.73 | - | - | - | - | - | - | - | - | 2,079,836.69 | |
| 4 | 3990 | 1 | 1,944,960.80 | 226,195.37 | 184,380.09 | 1,419,779.86 | - | 397,230.83 | 127,950.11 | - | - | - | - | - | - | - | - | 1,944,960.80 | |
| 5 | 3030 | 1 | 410,575.46 | 278,945.51 | 21,054.70 | - | - | - | - | - | - | - | - | - | - | - | - | 410,575.46 | |
| 6 | 3030 | 3 | 350,000.21 | 7,900,411.04 | 24,011,333.03 | 21,696,855.94 | 14,558,930.15 | 5,634,690.95 | 16,154,198.71 | 674,330.19 | - | - | - | - | - | - | - | 350,000.21 | |
| 7 | | | \$ 90,630,951.01 | | | | | | | | | | | | | | | \$ 90,630,951.01 | |
| Tax Base In-Service: | | | | | | | | | | | | | | | | | | | |
| 8 | | | \$ 2,079,836.69 | \$ 115,959.17 | \$ 392,355.47 | \$ 580,569.48 | \$ 95,005.49 | \$ 682,916.35 | \$ 212,630.73 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,079,836.69 | |
| 9 | | | 69,357,628.79 | 7,279,310.99 | 23,363,742.77 | 19,696,106.60 | 14,463,924.66 | 4,554,443.77 | - | - | - | - | - | - | - | - | - | 69,357,628.79 | |
| 10 | | | 16,487,949.06 | - | - | - | - | - | 15,813,618.87 | 674,330.19 | - | - | - | - | - | - | - | 16,487,949.06 | |
| 11 | | | 350,000.21 | 278,945.51 | 71,054.70 | - | - | - | - | - | - | - | - | - | - | - | - | 350,000.21 | |
| 12 | | | 2,355,536.26 | 226,195.37 | 184,380.09 | 1,419,779.86 | - | 397,230.83 | 127,950.11 | - | - | - | - | - | - | - | - | 2,355,536.26 | |
| 13 | | | \$ 90,630,951.01 | \$ 7,900,411.04 | \$ 24,011,533.03 | \$ 21,696,855.94 | \$ 14,558,930.15 | \$ 5,634,690.95 | \$ 16,154,198.71 | \$ 674,330.19 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 90,630,951.01 | |
| Tax Rates | | | | | | | | | | | | | | | | | | | |
| 14 | | | | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 11.520% | 11.520% | 19.200% | 19.200% | 11.520% | 32.000% | 20.000% | - | - | |
| 15 | | | | 5.900% | 5.910% | 5.900% | 5.900% | 0.000% | 0.000% | 6.930% | 6.930% | 8.550% | 8.550% | 7.700% | 9.500% | 5.000% | - | - | |
| 16 | | | | 4.461% | 4.462% | 4.522% | 4.888% | 0.000% | 0.000% | 5.713% | 5.713% | 6.677% | 6.677% | 6.177% | 7.219% | 3.750% | - | - | |
| 17 | | | | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 16.667% | 33.333% | 16.667% | - | - | |
| 18 | | | | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | 0.000% | - | - | |
| Tax Depreciation | | | | | | | | | | | | | | | | | | | |
| 19 | | | \$ 2,079,836.70 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,079,836.70 | |
| 20 | | | 52,385,980.70 | 429,479.35 | 690,398.60 | 581,035.14 | 426,685.78 | - | - | - | - | - | - | - | - | - | - | 54,516,579.17 | |
| 21 | | | 15,231,106.81 | - | - | - | - | - | - | 19,262.24 | - | - | - | - | - | - | - | 16,256,369.05 | |
| 22 | | | 350,000.21 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 350,000.21 | |
| 23 | | | 2,355,536.26 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 2,355,536.26 | |
| 24 | | | \$ 73,405,460.69 | \$ 429,479.35 | \$ 690,398.60 | \$ 581,035.14 | \$ 426,685.78 | \$ - | \$ - | \$ 19,262.24 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 75,552,321.80 | |
| 25 | | | | | | | | | | | | | | | | | | | |
| Book Depreciation | | | | | | | | | | | | | | | | | | | |
| 26 | | | \$ 10,688,820.91 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,688,820.91 | |
| 27 | | | 14,468,617.54 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,468,617.54 | |
| 28 | | | 3,596,022.54 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,596,022.54 | |
| 29 | | | \$ 28,143,460.99 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 28,143,460.99 | |
| 30 | | | \$ 45,261,970.70 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 45,261,970.70 | |
| 31 | | | \$ 15,841,689.75 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 15,841,689.75 | |
| 32 | | | | | | | | | | | | | | | | | | | |
| 33 | | | | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | |
|----|--|--|------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------------------|--|
| 26 | | | \$ 10,688,820.91 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10,688,820.91 | |
| 27 | | | 14,468,617.54 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 14,468,617.54 | |
| 28 | | | 3,596,022.54 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,596,022.54 | |
| 29 | | | \$ 28,143,460.99 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 28,143,460.99 | |
| 30 | | | \$ 45,261,970.70 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 45,261,970.70 | |
| 31 | | | \$ 15,841,689.75 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 15,841,689.75 | |
| 32 | | | | | | | | | | | | | | | | | | | |
| 33 | | | | | | | | | | | | | | | | | | | |

* 50% bonus tax depreciation applies. Tax depreciation is calculated on the remaining 50% of plant value at the stated tax depreciation rates.
** 100% bonus tax depreciation applies to October 2010 through December 2011 plant additions.

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
 AUTOMATED METER READING COST RECOVERY CHARGE
 CASE NO. 16-2206-GA-RDR
 Annualized Amortization of PISCC

Attachment A
 Schedule 7

| Line No. | Description | PISCC Deferrals | | | | | 2013 | 2012 | 2011 | (b) 2014-2016 | Accumulated Deferrals at 12/31/16 |
|----------|----------------------------------|-----------------|-----------------|-----------------|-----------------|---------------|--------------|------|------|------------------|-----------------------------------|
| | | 2008 | 2009 | 2010 | 2010 | 2011 | | | | | |
| 1 | Regulatory Asset - Deferrals | | | | | | | | | | |
| 2 | ERT Installation | \$ 484,140.14 | \$ 637,446.79 | \$ 517,451.28 | \$ 456,006.91 | \$ 413,510.10 | \$ 10,283.85 | \$ - | \$ - | \$ 2,518,819.07 | |
| 3 | ERT Purchases | 1,025,594.22 | 845,624.48 | 629,317.60 | 765,792.14 | 476,810.50 | 7,999.25 | - | - | 3,751,138.19 | |
| 4 | Computer Hardware | 26,349.10 | 33,973.79 | 21,024.97 | 26,804.32 | 11,517.50 | - | - | - | 119,669.68 | |
| 5 | In House Labor - CCS IT | - | - | 38,452.35 | 10,758.33 | 6,930.60 | - | - | - | 56,141.30 | |
| 6 | In House Labor - IT | 26,186.72 | 11,116.75 | - | - | - | - | - | - | 37,306.47 | |
| 7 | Computer Software - Purchased | 20,562.72 | 9,479.15 | - | - | - | - | - | - | 30,041.87 | |
| 8 | Cumulative Total--Deferred PISCC | \$ 1,582,832.90 | \$ 1,537,645.96 | \$ 1,206,246.20 | \$ 1,239,261.72 | \$ 908,768.70 | \$ 18,263.10 | \$ - | \$ - | \$ 6,513,116.58 | |

| Line No. | Description | Annual Amortization of: | | | | | 2013 PISCC | 2012 PISCC | 2011 PISCC | 2014-2016 PISCC | Total Annual Amortization | Monthly Amortization |
|----------|---|-------------------------|---------------|--------------|--------------|--------------|-------------|------------|------------|-----------------|---------------------------|----------------------|
| | | 2008 PISCC | 2009 PISCC | 2010 PISCC | 2010 PISCC | 2011 PISCC | | | | | | |
| 9 | Amortization Approved in Case #14-2125-GA-RDR | | | | | | | | | | | |
| 10 | Annualized Amortization of PISCC | \$ 43,040.06 | \$ 52,798.49 | \$ 40,232.99 | \$ 33,509.96 | \$ 28,869.17 | \$ 684.60 | \$ - | \$ - | \$ 199,135.27 | \$ 16,594.61 | |
| 11 | ERT Installation | 88,698.52 | 68,556.38 | 48,171.24 | 55,705.85 | 33,124.05 | 533.55 | - | - | 294,789.59 | 24,565.80 | |
| 12 | ERT Purchases | - | - | 4,205.00 | 5,360.33 | 2,303.50 | - | - | - | 11,868.83 | 989.07 | |
| 13 | Computer Hardware | - | - | 2,562.14 | 716.95 | 461.84 | - | - | - | 3,740.93 | 311.74 | |
| 14 | In House Labor - CCS IT | - | - | - | - | - | - | - | - | 370.73 | 30.89 | |
| 15 | In House Labor - IT | - | 370.73 | - | - | - | - | - | - | 370.73 | 31.60 | |
| 16 | Computer Software - Purchased | - | 316.03 | - | - | - | - | - | - | 316.03 | 26.34 | |
| 17 | Total -- Annualized PISCC Amortization | \$ 131,738.58 | \$ 122,041.63 | \$ 95,171.37 | \$ 95,293.09 | \$ 64,758.56 | \$ 1,218.15 | \$ - | \$ - | \$ 510,221.38 | \$ 42,518.45 | |

Schedule 4

| Line No. | Description | Annual Amortization of: | | | | | 2013 PISCC | 2012 PISCC | 2011 PISCC | 2014-2016 PISCC | Total Annual Amortization | Monthly Amortization |
|----------|---|-------------------------|---------------|--------------|--------------|--------------|-------------|------------|------------|-----------------|---------------------------|----------------------|
| | | 2008 PISCC | 2009 PISCC | 2010 PISCC | 2010 PISCC | 2011 PISCC | | | | | | |
| 18 | Amortization Approved in Case #15-1986-GA-RDR | | | | | | | | | | | |
| 19 | Annualized Amortization of PISCC | \$ 43,040.06 | \$ 52,798.49 | \$ 40,232.99 | \$ 33,509.96 | \$ 28,869.17 | \$ 684.60 | \$ - | \$ - | \$ 199,135.27 | \$ 16,594.61 | |
| 20 | ERT Installation | 88,698.52 | 68,556.38 | 48,171.24 | 55,705.85 | 33,124.05 | 533.55 | - | - | 294,789.59 | 24,565.80 | |
| 21 | ERT Purchases | - | - | 4,205.00 | 5,360.33 | 2,303.50 | - | - | - | 11,868.83 | 989.07 | |
| 22 | Computer Hardware | - | - | 2,562.14 | 716.95 | 461.84 | - | - | - | 3,740.93 | 311.74 | |
| 23 | In House Labor - CCS IT | - | - | - | - | - | - | - | - | 370.73 | 30.89 | |
| 24 | In House Labor - IT | - | 370.73 | - | - | - | - | - | - | 370.73 | 31.60 | |
| 25 | Computer Software - Purchased | - | 316.03 | - | - | - | - | - | - | 316.03 | 26.34 | |
| 26 | Total -- Annualized PISCC Amortization | \$ 131,738.58 | \$ 122,041.63 | \$ 90,966.37 | \$ 95,293.09 | \$ 64,758.56 | \$ 1,218.15 | \$ - | \$ - | \$ 505,016.38 | \$ 42,168.03 | |

Schedule 4

| Line No. | Description | Annual Amortization of: | | | | | 2013 PISCC | 2012 PISCC | 2011 PISCC | 2014-2016 PISCC | Total Annual Amortization | Monthly Amortization |
|----------|--|-------------------------|---------------|--------------|--------------|--------------|-------------|------------|------------|-----------------|---------------------------|----------------------|
| | | 2008 PISCC | 2009 PISCC | 2010 PISCC | 2010 PISCC | 2011 PISCC | | | | | | |
| 27 | Current Year Calculation | | | | | | | | | | | |
| 28 | Annualized Amortization of PISCC | \$ 43,040.06 | \$ 52,798.49 | \$ 40,232.99 | \$ 33,509.96 | \$ 28,869.17 | \$ 684.60 | \$ - | \$ - | \$ 199,135.27 | \$ 16,594.61 | |
| 29 | ERT Installation | 88,698.52 | 68,556.38 | 48,171.24 | 55,705.85 | 33,124.05 | 533.55 | - | - | 294,789.59 | 24,565.80 | |
| 30 | ERT Purchases | - | - | 4,205.00 | 5,360.33 | 2,303.50 | - | - | - | 11,868.83 | 989.07 | |
| 31 | Computer Hardware | - | - | 2,562.14 | 716.95 | 461.84 | - | - | - | 3,740.93 | 311.74 | |
| 32 | In House Labor - CCS IT | - | - | - | - | - | - | - | - | 370.73 | 30.89 | |
| 33 | In House Labor - IT | - | 370.73 | - | - | - | - | - | - | 370.73 | 31.60 | |
| 34 | Computer Software - Purchased | - | 316.03 | - | - | - | - | - | - | 316.03 | 26.34 | |
| 35 | Total -- Annualized PISCC Amortization | \$ 131,738.58 | \$ 122,041.63 | \$ 90,966.37 | \$ 95,293.09 | \$ 64,758.56 | \$ 1,218.15 | \$ - | \$ - | \$ 500,657.66 | \$ 41,687.88 | |

Schedule 1

(a) Based on asset lives approved in Case # 13-1988-GA-AAM
 (b) Due to completion of program, no PISCC recorded for calendar years 2014-2016

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
AUTOMATED METER READING COST RECOVERY CHARGE
 CASE NO. 16-2206-GA-RDR
 Property Tax Expense Calculation

Attachment A
Schedule 8

| Line No. | Approved Through 12/31/15 | Actual Through 12/31/16 | Cumulative Through 12/31/16 |
|---|---------------------------|-------------------------|-----------------------------|
| 1 Total Plant in Service | \$ 90,630,951.01 | - | \$ 90,630,951.01 |
| 2 Retirements | (1,358,891.32) | - | (1,358,891.32) |
| 3 Total Plant in Service Less Retirements | \$ 89,272,059.69 | - | \$ 89,272,059.69 |
| 4 2015 Effective Rate | 1.268% | | |
| 5 Tax on Property Through 12/31/2015 - Expensed in 2016 | <u>\$ 1,131,969.72</u> | | |

Schedule 2
Schedule 2A

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
 AUTOMATED METER READING COST RECOVERY CHARGE
 CASE NO. 16-2206-GA-RDR

Approved Rate of Return on Rate Base

Attachment A
 Schedule 9

| Line No. | | |
|----------|--|--------|
| 1 | Capital Structure | |
| 2 | Debt | 48.66% |
| 3 | Equity | 51.34% |
| 4 | Cost of Capital | |
| 5 | Debt | 6.50% |
| 6 | Equity | 10.38% |
| 7 | Return on Rate Base | 8.49% |
| 8 | Return on Rate Base using Pre-Tax Equity | 11.36% |

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
AUTOMATED METER READING COST RECOVERY CHARGE

CASE NO. 16-2206-GA-RDR

Actual Bills Issued

Twelve Months Ended December 31, 2016

Attachment A
 Schedule 10

| Line No. | Customer Class | CCS | SBS | Total Bills |
|----------|----------------|------------|--------|-------------|
| 1 | GSS / ECTS | 14,381,551 | 1,444 | 14,382,995 |
| 2 | LVGSS / LVECTS | 41,635 | 1,363 | 42,998 |
| 3 | GTS / TSS | 18,594 | 8,649 | 27,243 |
| 4 | Total | 14,441,780 | 11,456 | 14,453,236 |

THE EAST OHIO GAS COMPANY d/b/a DOMINION EAST OHIO
AUTOMATED METER READING COST RECOVERY CHARGE
 CASE NO. 16-2206-GA-RDR
 Meter Reading and Call Center O&M Expense

Attachment A
Schedule 11

| Line No. | 2007 Baseline | 2016 Activity | Variance 2016 Projected vs. 2007 Baseline | Reduction of AMR Revenue Requirement |
|--------------------------|-------------------------|-------------------------|---|--|
| 1 Meter Reading | \$ 8,684,136.64 | \$ 2,579,627.37 | \$ (6,104,509.27) | \$ (6,104,509.27) |
| 2 Call Center - Restated | 19,031,482.22 | 18,948,769.38 | \$ (82,712.84) | (82,712.84) |
| 3 Total | <u>\$ 27,715,618.86</u> | <u>\$ 21,528,396.75</u> | <u>\$ (6,187,222.11)</u> | <u>\$ (6,187,222.11)</u> |

ATTACHMENT B

AMR Cost Recovery Charge

A monthly charge of \$0.44 shall be added to the otherwise applicable monthly service charge for all customers receiving service under the following rate schedules to recover the depreciation, incremental property taxes and post in-service carrying charges associated with the installation of automated meter reading (AMR) equipment throughout East Ohio's system:

- a) General Sales Service – Residential
- b) General Sales Service – Nonresidential
- c) Large Volume General Sales Service
- d) Energy Choice Transportation Service – Residential
- e) Energy Choice Transportation Service – Nonresidential
- f) Large Volume Energy Choice Transportation Service
- g) General Transportation Service
- h) Transportation Service for Schools

Issued:

Effective: With bills rendered on or after

Filed under authority of the Public Utilities Commission of Ohio in Case No. 16-2206-GA-RDR
Jeffrey A. Murphy, Vice President and General Manager

AMR Cost Recovery Charge

A monthly charge of \$0.44 shall be added to the otherwise applicable monthly service charge for all customers receiving service under the following rate schedules to recover the depreciation, incremental property taxes and post in-service carrying charges associated with the installation of automated meter reading (AMR) equipment throughout East Ohio's system:

Deleted: 46

- a) General Sales Service – Residential
- b) General Sales Service – Nonresidential
- c) Large Volume General Sales Service
- d) Energy Choice Transportation Service – Residential
- e) Energy Choice Transportation Service – Nonresidential
- f) Large Volume Energy Choice Transportation Service
- g) General Transportation Service
- h) Transportation Service for Schools

Deleted: April 25, 2016

Deleted: May 6, 2016

Deleted: 15-1986

Issued: _____ Effective: With bills rendered on or after _____

Filed under authority of the Public Utilities Commission of Ohio in Case No. 16-2206-GA-RDR
Jeffrey A. Murphy, Vice President and General Manager

ATTACHMENT C

**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 Adjust its) Case No. 16-2206-GA-RDR
Automated Meter Reading Cost Recovery)
Charge and Related Matters.)

**DIRECT TESTIMONY OF VICKI H. FRISCIC
ON BEHALF OF
THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO**

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V. CONCLUSION8

**Direct Testimony of
Vicki H. Friscic**

I. INTRODUCTION

Q1. Please introduce yourself.

A. My name is Vicki H. Friscic. I am employed by The East Ohio Gas Company d/b/a Dominion East Ohio (DEO or Company) as Director Regulatory & Pricing. My business address is 1201 East 55th Street, Cleveland, Ohio 44103.

Q2. In your capacity as Director Regulatory & Pricing, are you generally familiar with DEO's books and records?

A. Yes. I am responsible for preparing and making a variety of regulatory filings that include financial information derived from DEO's financial records, including the general ledger, annual reports, income statements, and balance sheets.

Q3. Are you familiar with DEO's Application to adjust its Automated Meter Reading (AMR) Cost Recovery Charge?

A. Yes. I supervised and coordinated the preparation of DEO's Pre-Filing Notice and Application, including the collection of the data and assembly of the schedules supporting the AMR Cost Recovery Charge (AMR Charge), which were submitted as part of DEO's AMR filings.

Q4. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain the adjustment to the AMR Charge set forth in DEO's Application in this case.

II. DESCRIPTION OF APPLICATION

Q5. What change is DEO requesting to the AMR Charge?

A. DEO is requesting a change from the current charge of \$0.46 per applicable customer, per month, to \$0.44 per applicable customer, per month.

Q6. Please describe the components used to calculate the Annualized Revenue Requirement for the AMR Program.

A. DEO has calculated the AMR Program revenue requirement in a manner consistent with the revenue requirement calculation in the last rate case and in prior annual AMR Charge proceedings. The formula, shown on Application Attachment A at Schedule 1, is rate base times rate of return plus operating expenses. Each component of the formula is supported by a schedule or schedules.

Q7. Please identify the rate components and schedules that support the calculation of rate base shown on Application Attachment A at Schedule 1.

A. Rate base consists of the following components: Total Plant In Service shown on Schedule 2; Retirements shown on Schedule 2A; Accumulated Provision for Depreciation shown on Schedule 3; Net Regulatory Asset - Post-in-Service Carrying Costs (PISCC) shown on Schedule 4; Net Deferred Taxes on PISCC shown on Schedule 5; and Deferred Taxes on Liberalized Depreciation shown on Schedule 6.

Q8. Please explain the information set forth on Schedule 2 and how that information is shown on Schedule 1.

A. Schedule 2 shows the Plant Additions by Month associated with the AMR Program cumulatively and for the year ended December 31, 2016. These Plant Additions represent capital investments by DEO for the purchase and installation of AMR devices on customer meters, associated remote reading devices and equipment and computer software. Because the AMR program was completed in 2012, there are no additional plant investments in 2016. Plant Additions from Schedule 2 appear on Schedule 1 at line 3.

Q9. Please explain the information set forth on Schedule 2A and how that information is shown on Schedule 1.

A. Schedule 2A shows retirements of AMR Program assets, which reduce Plant in Service and Accumulated Depreciation in the rate base. Total retirements from Schedule 2A appear on Schedule 1 at lines 4 and 8.

Q10. Please explain the information set forth on Schedule 3 and how that information is shown on Schedule 1.

A. Schedule 3 shows the Provision for Depreciation associated with the AMR Program cumulatively and for the year ended December 31, 2016. The accumulated Provision for Depreciation, sometimes known as "Accumulated Depreciation," represents the depreciation expense accumulated since inception of the AMR Program and during the year ended December 31, 2016, on the cumulative AMR Program Plant Additions shown on Schedule 2. The accumulated Provision for Depreciation from Schedule 3 appears on Schedule 1 at line 7 and the incremental depreciation expense for the year ended December 31, 2016, from Schedule 3 appears on Schedule 1 at line 18.

Q11. Please explain the information set forth on Schedules 4, 5, and 6 and how that information is shown on Schedule 1.

A. Schedule 4 shows the Net Regulatory Asset - Post-in-Service Carrying Costs associated with the AMR Program for the year ended December 31, 2016, and cumulatively. PISCC represents carrying charges calculated at 6.5 percent on cumulative AMR Plant Additions, for which the Commission has authorized cost recovery through the AMR Charge, but for which cost recovery has not yet begun. The 6.5 percent rate is DEO's cost of long-term debt from the last rate case. The Net Regulatory Asset - PISCC represents accumulated PISCC net of the amortization of PISCC amounts deferred in prior years. The Net Regulatory Asset - PISCC from Schedule 4 appears on Schedule 1 at line 11.

Schedule 5 shows the Net Deferred Tax Balance - PISCC associated with the AMR Program for the year ended December 31, 2016, and cumulatively. The Net Deferred Tax Balance - PISCC represents a tax liability resulting from a book versus tax timing difference associated with the recognition of PISCC on AMR Plant Additions. The Net Deferred Tax Balance - PISCC from Schedule 5 appears on Schedule 1 at line 12.

Schedule 6 shows Deferred Taxes on Liberalized Depreciation associated with the AMR Program for the year ended December 31, 2016, and cumulatively. The Deferred Taxes on Liberalized Depreciation represent the federal income tax liability associated with the difference between depreciation allowed for income tax purposes, which is determined in accordance with tax rules, compared with depreciation calculated for book purposes, which is determined in accordance with accounting rules. Such taxes are calculated based on AMR Plant Additions. The calculation of Deferred Taxes on Liberalized Depreciation on Schedule 6 of this filing includes bonus tax depreciation allowed by law for capital additions in 2008 through 2012. There have been no capital additions since 2012. Deferred Taxes on Liberalized Depreciation from Schedule 6 appears on Schedule 1 at line 13.

Q12. Please identify the schedule that supports the Approved Pre-Tax Rate of Return that DEO applies to the AMR Program rate base shown on Application Attachment A at Schedule 1.

A. Schedule 9 shows the Approved Rate of Return on Rate Base as determined by the Commission in its December 19, 2008 Entry on Rehearing in Case No. 07-829-GA-AIR and the associated pre-tax rate. The Return on Rate Base using Pre-Tax Equity is shown as the Approved Pre-Tax Rate of Return on Schedule 1 at line 15. The Approved Pre-Tax

Rate of Return multiplied by the AMR Program rate base on Schedule 1 at line 14 provides the amount of the Annualized Return on Rate Base on Schedule 1 at line 16.

Q13. Please identify the rate components and schedules that support the calculation of Operating Expense shown on Application Attachment A at Schedule 1.

A. Operating Expense consists of five rate components: Incremental Annual Depreciation Expense shown on Schedule 3; Annualized Amortization of PISCC shown on Schedule 7; Incremental Annual Property Tax Expense shown on Schedule 8; Reduction in Meter Reading Expense shown on Schedule 11; and Reduction in Call Center Expense shown on Schedule 11.

Q14. Please explain the information set forth on Schedule 7 and how that information is shown on Schedule 1.

A. Schedule 7 sets forth the Annualized Amortization of PISCC deferred for recovery in prior years and during the year ended December 31, 2016. The Annualized Amortization of PISCC represents the amortization during the twelve-month period the adjusted AMR Charge will be in effect of PISCC accumulated during each year of the AMR Program through December 31, 2016. This amortization spreads each year's accumulated PISCC to expense over the lives of the related assets. The Annualized Amortization of PISCC is shown on Schedule 1 at line 19.

Q15. Please explain the information set forth on Schedule 8 and how that information is shown on Schedule 1.

A. Schedule 8 sets forth the Incremental Annual Property Tax Expense, which is property tax expense for AMR-related assets net of retirements recognized on DEO's books during the year ended December 31, 2016 and deferred for recovery through the AMR Charge. Property tax expense recognized in any calendar year is based on plant assets as of the preceding year end. As a result, property tax expense incurred in 2016 reflects one year's

tax on cumulative AMR Plant Additions as of December 31, 2015. Incremental Annual Property Tax Expense is shown on Schedule 1 at line 20.

Q16. Please explain the information set forth on Schedule 11 and how that information is shown on Schedule 1.

- A. Schedule 11 sets forth the operations-and-maintenance (O&M) expense savings attributable to the AMR program for the year ended December 31, 2016. The Reduction in Meter Reading Expense is determined by measuring the decrease in meter reading expenses incurred during the 2016 program year as compared with the same expenses in the baseline year, which is the calendar year ended December 31, 2007. The Reduction in Meter Reading Expense amount for 2016 is shown on Schedule 1 at line 21.

The Reduction in Call Center Expense is determined by comparing call center expenses during the 2016 program year, after the adjustments ordered by the Commission in Case No. 09-1875-GA-UNC to restate call center expenses for non-AMR-related activities since the 2007 baseline year, with call center expenses in the baseline year. The Reduction in Call Center Expense amount for 2016 is shown on Schedule 1 at line 22.

Q17. Please explain the information set forth on Schedule 10 and how that information is shown on Schedule 1.

- A. Schedule 10 sets forth the number of Actual Bills Issued through DEO's CCS (low-pressure) and SBS (high-pressure) billing systems during the twelve months ended December 31, 2016, for each of the rate classes to which the AMR Charge is applicable. The total number of bills issued for 2016 is reflected on Schedule 1 at line 24.

Q18. How is the AMR Charge shown on Schedule 1 at line 25 calculated?

- A. The AMR Program Annualized Revenue Requirement on Schedule 1 at line 23 is divided by the total Number of Bills at line 24 to arrive at the AMR Charge shown at line 25.

Q19. Does the proposed AMR Charge include any credit for expense reductions?

A. Yes. As shown on Schedule 1 at line 21 and line 22, the AMR Charge includes credits to the Annualized Revenue Requirement of \$6,104,509.27 related to meter-reading and \$82,712.84 related to call-center O&M expense savings.

III. PROGRAM STATUS

Q20. What is the status of the AMR program as of December 31, 2016?

A. DEO considered the program to be complete as of the end of June 2012. Since that time, DEO has continued and will continue to install AMR devices as needed, but is not seeking recovery of those costs through the AMR Charge. Although there is no further capital investment in the AMR program, DEO will continue to request approval for recovery of PISCC, depreciation, property taxes, and a return on AMR investments until such time as the AMR investments are included in rate base.

Q21. What was the total cost of AMR deployment, and how did that compare to DEO's pre-acceleration estimates?

A. The total capital investment in the AMR program was \$90,630,951.01. This is approximately \$10 million less than the lowest estimate of the total program cost given when DEO filed its original AMR application.

Q22. Has DEO reduced meter-reading O&M expense?

A. Yes. In 2016, DEO achieved \$6,104,509.27 in meter-reading O&M expense savings compared to that expense for the 2007 baseline year and despite increases in labor rates and benefit costs that have occurred since 2007.

Q23. Has DEO restated its call-center expense in accordance with the 09-1875 Order?

A. Yes. DEO has restated call-center expense using the same methodology in every case since Case No. 09-1875, including this one. This methodology was reviewed in detail

with Staff in March 2011 for the filing based on 2010 AMR costs (Case No. 10-2853-GA-RDR).

Q24. Did this methodology result in the recognition of any call-center O&M expense savings this year?

A. Yes. The restatement of call-center O&M expenses in 2016 resulted in savings of \$82,712.84 compared to that expense for the 2007 baseline year.

IV. NOTICE TO MUNICIPALITIES

Q25. Did DEO file a Notice of Intent to File an Application to Adjust its AMR Charge?

A. Yes, DEO filed its Notice of Intent on November 29, 2016, and served it on every party to its original distribution rate case in Case No. 07-829-GA-AIR.

Q26. Did DEO provide municipalities a notice of its intent to file an Application to Adjust its AMR Charge?

A. Yes, it did. DEO mailed the notice to mayors and legislative authorities within its service territories on November 30, 2016, which was more than 30 days prior to the end of February.

V. CONCLUSION

Q27. Does this conclude your direct testimony?

A. Yes.