

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Co-)
lumbia Gas of Ohio, Inc. for Approval of) Case No. 17-2202-GA-ALT
an Alternative Form of Regulation.)

**PREPARED DIRECT TESTIMONY OF
MELISSA L. THOMPSON
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

/s/ Eric B. Gallon

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**PREPARED DIRECT TESTIMONY
OF MELISSA L. THOMPSON**

I. INTRODUCTION

Q. Please state your name and business address.

A. Melissa L. Thompson, 290 W. Nationwide Blvd., Columbus, Ohio 43215.

Q. By whom are you employed?

A. I am employed by Columbia Gas of Ohio, Inc. ("Columbia").

Q. Will you please state briefly your educational background and experience?

A. I attended Marietta College, earned a Bachelor of Arts in Communications and Political Science, and graduated magna cum laude from Capital University Law School. I worked for two years in private practice with law firms in Columbus, and joined the NiSource Legal Department in 2012. In 2015, I transitioned to my role as the Director of Regulatory Policy with Columbia.

Q. What are your job responsibilities as Director of Regulatory Policy?

A. My primary responsibilities include the planning, supervision, preparation, and support of Columbia's regulatory filings before the Public Utilities Commission of Ohio ("Commission"). I also develop policy to support Columbia's energy efficiency programs and drive Columbia's regulatory initiatives to ensure execution of Columbia's business strategy.

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

A. The purpose of my testimony is to provide a review of Columbia's capital expenditure program deferral and a summary of the Application, as well as to support and sponsor Exhibits A through F and H of the Application. I will also address various requirements in the Ohio Revised Code and Ohio Administrative Code that specifically relate to alternative rate plan filings.

1 **II. OVERVIEW OF THE CAPITAL EXPENDITURE PROGRAM DEFERRAL**

2
3 **Q. Does Columbia defer any costs under its capital expenditure program?**

4 A. Yes. The Commission's orders in Case Nos. 11-5351-GA-UNC, *et al.*, as con-
5 tinued by Case Nos. 12-3221-GA-UNC, *et al.*, authorized Columbia to im-
6 plement a capital expenditure program ("CEP") regulatory asset ("CEP De-
7 ferral") to defer the depreciation expense, property taxes, and post-in-ser-
8 vice carrying costs associated with certain types of capital investments. The
9 Commission authorized Columbia to accrue CEP deferrals until the accrued
10 deferrals, if included in rates, would cause the rates charged to the Small
11 General Service ("SGS") class¹ to increase by more than \$1.50 per month.
12

13 **Q. Has Columbia reached the \$1.50 threshold?**

14 A. No. As further explained in the testimony of Diana M. Beil, Columbia has
15 not reached the \$1.50 threshold with the deferral of expenses for calendar
16 years 2011 through 2016, and with the projected expenses through calendar
17 year 2017.
18

19 **Q. What types of capital investments are eligible for the CEP Deferral?**

20 A. As explained in Columbia's Commission-approved Application in Case
21 Nos. 12-3221-GA-UNC, *et al.*, Columbia's capital expenditure program in-
22 cludes four categories of capital investments:
23

- 24 a. **Replacement/Public Improvement/Betterment.** This cate-
25 gory includes the replacement of facilities for any of the following
26 reasons: (1) physical deterioration; (2) meeting the requirements of
27 governmental authorities related to street and highway construction;
28 (3) accommodating existing customer requests for facility relocation;
29 and, (4) improving system operating conditions and ensuring ade-
30 quate distribution system capacity and/or system reliability. This
31 category may also include, but is not limited to, costs related to in-
32 stallation of and/or improvements to mains and service lines, meas-
33 uring and regulation stations, district regulator stations, excess pres-
34 sure measuring stations, meters, meter sets, AMR devices, house
35 regulators, and any associated buildings, land or land rights.

¹ Small General Service includes Small General Sales Service, Small General Schools Sales Service, Small Gas Transportation Service, Small General Schools Transportation Service, Full Requirements Small General Transportation Service, and Full Requirements Small General Schools Transportation Service.

1 b. **Growth.** This category includes the installation of facilities re-
2 quired to provide service to new customers or to provide increased
3 load capacity to existing customers. This category may include, but
4 is not limited to, costs associated with the installation of and/or im-
5 provement to mains and services (including service line installations
6 to new customers served by existing mains), district regulator sta-
7 tions, excess pressure measuring stations, meters, meter sets, AMR
8 devices, house regulators, and any associated land or land rights.
9

10 c. **Support Services.** This category includes, but is not limited
11 to, costs associated with the purchase of and/or improvements to
12 buildings and structures (including associated land and land rights),
13 environmental remediation at company-owned facilities, office fur-
14 niture and equipment, motorized equipment and trailers, power-op-
15 erated equipment, and other miscellaneous equipment.
16

17 d. **Information Technology.** This category includes capital ex-
18 penditures related to technology and communications infrastruc-
19 ture. This category may include, but is not limited to, costs associated
20 with the purchase and installation of communications equipment
21 (including associated buildings, land or land rights), data processing
22 equipment, data processing software, and software licenses.
23

24 **Q. How do the categories of capital investment that you just listed align with**
25 **R.C. § 4929.111?**

26 **A. R.C. § 4929.111(A)** permits a natural gas company to file an application to
27 implement a capital expenditure program for any of the following types of
28 capital:

- 29 (1) any infrastructure expansion, infrastructure improvement or
30 infrastructure replacement program;
31 (2) any program to install, upgrade, or replace information tech-
32 nology systems; and
33 (3) any program reasonably necessary to comply with any rules,
34 regulations, or orders of the Commission or other govern-
35 mental entity having jurisdiction.
36

37 The first two categories of capital investment in Columbia’s approved cap-
38 ital expenditure program, Replacement/Public Improvement/Betterment
39 and Growth, align with the category of capital expenditures contemplated
40 by R.C. § 4929.111(A)(1). Both of these categories capture costs associated

1 with the replacement of infrastructure and installation of new infrastruc-
2 ture. The fourth category of capital investment in Columbia's Capital Ex-
3 penditure Program, Information Technology, aligns with the category of
4 expenditures contemplated by R.C. § 4929.111(A)(2). Through this category
5 of expenditures, Columbia is able to install, upgrade and replace its IT sys-
6 tems through communications equipment, data processing equipment and
7 software, and software licenses. The third category of capital investment in
8 Columbia's Capital Expenditure Program, Shared Services, aligns with the
9 category of expenditures contemplated by R.C. § 4929.111(A)(3). Columbia
10 must invest in its buildings, facilities, office furniture and equipment, mo-
11 torized equipment and trailers, power-operated equipment, and other
12 equipment to comply with the rules, regulations, and orders of the Com-
13 mission or other governmental entities having jurisdiction over Columbia.
14 Without this kind of capital investment, Columbia would not be able to
15 provide safe and reliable natural gas service to its customers.

16
17 **Q. Has the Commission held that the categories of capital investment that**
18 **you just listed align with R.C. § 4929.111?**

19 A. Yes. When reviewing Columbia's proposal in Case Nos. 11-5351-GA-UNC
20 and 11-5352-GA-AAM, the Commission found that Columbia's proposed
21 CEP was consistent with R.C. § 4929.111. In Case Nos. 12-3221-GA-UNC
22 and 12-3222-GA-AAM, the Commission reaffirmed that the CEP was con-
23 sistent with R.C. § 4929.111.
24

25 **Q. As projected through December 31, 2017, how much will Columbia defer**
26 **in the CEP Deferral?**

27 A. As of December 31, 2017, Columbia is projected to defer \$148.3 million in
28 total deferred expenses, which translates to \$666.4 million in underlying
29 capital investments. Ms. Beil further describes and itemizes the deferred
30 amounts in her testimony.
31

32 **III. APPLICATION AND PROPOSED CEP RIDER**

33

34 **Q. Please explain Columbia's Application in this case.**

35 A. Columbia is requesting authority, pursuant to R.C. §§ 4929.05, 4929.051(A),
36 4929.11, and 4929.111, to establish a Capital Expenditure Program Rider
37 ("CEP Rider") that will recover expenses associated with Columbia's CEP
38 Deferral, as well as the corresponding assets to which these expenses are
39 directly attributable. Columbia proposes to recover the balance of the CEP

Deferral as of December 31, 2017. Columbia also proposes to recover a return on and of the assets that correspond with the CEP deferral for those investments made through December 31, 2017. As further explained by Ms. Beil, the CEP Rider will be a fixed monthly charge, which will be based upon the billing determinants and revenue requirement authorized by the Commission in Columbia's most recent rate case proceeding, Case Nos. 08-72-GA-AIR, *et al.* Pursuant to R.C. § 4929.051(A), Columbia will also be continuing its revenue decoupling mechanism, approved in Case Nos. 08-72-GA-AIR, *et al.*, and its energy efficiency program, most recently approved in Case Nos. 16-1309-GA-UNC and 16-1310-GA-AAM.

Q. What is Columbia's proposed CEP Rider structure?

A. Columbia is proposing to gradually implement the CEP Rider to mitigate the impact upon customers. Columbia is proposing the following CEP Rider structure and SGS Class rates, before adjusting for any over- and under-recovery:

| Rates Effective August 1 | 2018 | 2020 | 2022 |
|--|-------------------|-------------------|-------------------|
| Maximum SGS Class CEP Rider Rate | \$3.28 | \$4.17 | \$4.92 |
| CEP Asset Investment Year ("Investment Date") | 2011 - 2015 | 2011 - 2016 | 2011 - 2017 |
| CEP Deferral Balance Through ("Deferral Date") | December 31, 2017 | December 31, 2019 | December 31, 2021 |

Q. How does Columbia propose adjusting the CEP Rider?

A. Columbia is proposing that the CEP Rider be biennially adjusted. For CEP investments placed in service after December 31, 2017, Columbia requests to continue deferring those expenses associated therewith until Columbia requests recovery in a separate proceeding. Columbia proposes to file an adjustment biennially by April 30 (starting in 2020) to set the CEP Rider, adjust for actual deferrals and adjust for any over- and under-recovery for the CEP Rider.

1 **Q. Do Columbia's Application and testimony support this proposed CEP**
2 **Rider structure?**

3 A. Yes, they do. Columbia's Application details the expenses that have been
4 deferred, as well as the impact on Columbia's SGS Class and other rate clas-
5 ses. Columbia's Application and Testimony have explained the case history
6 supporting the CEP Deferral, as well as the legal basis to recover both the
7 CEP Deferral and the corresponding assets. Ms. Beil further explains the
8 reasonableness of the proposed CEP Rider as compared to the bills of cus-
9 tomers experienced when Columbia set its base rates.

10
11 **Q. Why has Columbia proposed to implement the CEP Rider at this time?**

12 A. This request is being made in an effort to mitigate the impact on our cus-
13 tomers. Beginning cost recovery now of the costs related to this investment
14 saves customers money by reducing future CEP deferrals and allowing Co-
15 lumbia to adjust the CEP Rider gradually.

16
17 **Q. Are there other reasons to adopt the proposed CEP Rider at this time?**

18 A. The commodity rates that customers are paying have appreciably de-
19 creased since Columbia's last base rate case in 2008. As further discussed
20 by Ms. Beil, Columbia's customers are currently paying less than they were
21 at the end of Columbia's last rate case. As the total customer bill decreases,
22 including the commodity portion of customers' bills, now is the optimal
23 time to recover these investments.

24
25 **IV. THE FILING REQUIREMENTS FOR ALTERNATIVE RATE PLAN APPLICA-**
26 **TIONS IN OHIO ADMIN. CODE 4901:1-19-06**

27
28 **Q. Ohio Admin. Code 4901:1-19-06(C)(2) states that alternative rate plan ap-**
29 **plications must provide a detailed alternative rate plan. Does Columbia's**
30 **Application provide a detailed alternative rate plan?**

31 A. Yes. Attached as Exhibit A to Columbia's application is an alternative rate
32 plan that states the facts and grounds upon which Columbia's CEP Rider
33 application is based. Exhibit A provides the rationale for Columbia's new
34 CEP Rider tariffs for all affected services, which are included as Exhibit F.
35 Finally, Exhibit A also explains how Columbia's CEP Rider Application
36 meets the requirements of R.C. § 4929.051(A), with Columbia using the bill-
37 ing determinants from its last base rate case in Case Nos. 08-72-GA-AIR, *et*
38 *al.*, continuing its revenue decoupling mechanism approved in Case Nos.
39 08-72-GA-AIR, *et al.*, and continuing its energy efficiency program ap-
40 proved in Case Nos. 16-1309-GA-UNC, *et al.*

1 **Q. Ohio Admin. Code 4901:1-19-06(C)(3) requires alternative rate plan appli-**
2 **cations to list the services for which they have been exempted and pro-**
3 **vide certain other information regarding those exemptions. Does Colum-**
4 **bia's Application provide information regarding any services the Com-**
5 **mission has authorized it to exempt under R.C. 4929.04?**

6 A. Yes. In Case No. 08-1344-GA-EXM, the Commission authorized an exemp-
7 tion for Columbia to implement its gas supply auctions. Columbia further
8 details this compliance in Exhibit B to the Application, which I am sponsor-
9 ing.

10
11 **Q. Ohio Admin. Code 4901:1-19-06(C)(4) requires an alternative rate plan ap-**
12 **plication to discuss how the plan addresses potential issues concerning**
13 **cross-subsidization of services. Will the adoption of Columbia's alterna-**
14 **tive rate plan result in any cross-subsidization of services?**

15 A. No. This is addressed in Exhibit C to the Application, which I am sponsor-
16 ing. Each of the revenue requirements is allocated by customer rate class
17 based on the cost incurrence reported in the Class Cost of Service Study and
18 approved by the Commission in Case Nos. 08-72-GA-AIR, *et al.* The use of
19 these same factors better ensures the mitigation of potential cross-subsidi-
20 zation through assignment of the individual revenue requirement to cus-
21 tomers on those bases previously determined appropriate by the Commis-
22 sion.

23
24 **Q. R.C. § 4929.05(A)(1) and Ohio Admin. Code 4901:1-19-06(C)(5) require an**
25 **alternative rate plan applicant to discuss how it complies with**
26 **R.C. § 4905.35. Does Columbia comply with R.C. § 4905.35?**

27 A. As explained in Exhibit D of the Application, which I am sponsoring, Co-
28 lumbia complies with R.C. § 4905.35. Columbia's public utility services are
29 available on a comparable and non-discriminatory basis. Columbia does
30 not presently have any bundled service offerings that include a regulated
31 and unregulated service. Columbia does not condition or limit the availa-
32 bility of any regulated services or goods, or the availability of a discounted
33 rate or improved quality, price, term or condition for any regulated services
34 or goods, on the basis of the identity of the supplier of any other services or
35 goods or on the purchase of any unregulated services or goods from Co-
36 lumbia. Columbia offers its regulated services or goods to all similarly-sit-
37 uated customers, including any persons with which it is affiliated or which
38 it controls, under comparable terms and conditions.

1 Columbia's approved Standards of Conduct (existing Tariff Sheet No. 22,
2 Section VII, which is attached in Exhibit B), is based on the requirements of
3 R.C. § 4905.35 and requires Columbia to comply with those requirements
4 as noted in the following provisions:
5

- 6 • Columbia shall apply tariffs in a nondiscriminatory manner.
- 7 • Columbia shall enforce the tariffs in a nondiscriminatory manner.
- 8 • Columbia shall not give any supplier, including any marketing affil-
9 iate, or customers of any supplier, including any marketing affiliate,
10 preference over any other suppliers or customers. For purposes of
11 Columbia's CHOICE® Program, any ancillary service provided by
12 Columbia that is not tariffed shall be priced uniformly for affiliated
13 and nonaffiliated companies and available to all equally.
- 14 • Columbia shall process all similar requests for transportation in the
15 same manner and within the same approximate period of time.
- 16 • Columbia shall not condition or tie its agreements for gas supply or
17 for the release of interstate pipeline capacity to any agreement by a
18 supplier, customer, or third party in which its marketing affiliate is
19 involved.
- 20 • Neither Columbia nor any marketing affiliate shall communicate the
21 idea that any advantage might accrue in the use of Columbia's ser-
22 vice as a result of dealing with any supplier, including any market-
23 ing affiliate.

24
25 Columbia also requires all employees dealing with customers or suppliers
26 in the areas covered by the code of conduct to receive annual training re-
27 garding its purpose and application.
28

29 **Q. R.C. § 4929.05(A)(1) and Ohio Admin. Code 4901:1-19-06(C)(5) also re-**
30 **quire an alternative rate plan applicant to discuss how it substantially**
31 **complies with R.C. § 4929.02 and whether it expects to remain in substan-**
32 **tial compliance with R.C. § 4929.02 after implementation of its Alterna-**
33 **tive Rate Plan. Does Columbia substantially comply with R.C. § 4929.02,**
34 **and will it continue to do so if the Commission approves its Application?**

35 **A.** As explained in Exhibit D, Columbia is currently in compliance with the
36 provisions of R.C. § 4929.02 and will continue to be in compliance with
37 those provisions after the alternative rate plan is implemented. R.C.
38 § 4929.02 sets forth the state policy regarding natural gas services and
39 goods. That policy promotes the availability of adequate, reliable and rea-

sonably priced services and goods as well as the unbundling and comparability of those services and goods. It also supports effective choices for supplies and suppliers and encourages market access to supply-and demand-side management services and goods. Other provisions address the importance of effective competition and the regulatory treatment needed to support that competition. Most importantly, R.C. § 4929.02 encourages the promotion of an alignment of natural gas company interests with consumer interest in energy efficiency and energy conservation.

Columbia is in substantial compliance with the policies set forth in R.C. § 4929.02. Columbia's Gas Transportation Service Program and CHOICE® Program both offer unbundled and comparable natural gas services and goods alternatives that allow customers to choose their supplier, price, terms, and other conditions to meet their respective needs. Those programs promote diversity of natural gas supplies and suppliers, by giving consumers effective choices over the selection of those supplies and suppliers.

Approving Columbia's Application will further advance Ohio's policies. By ensuring that Columbia is given the opportunity to timely recover its investments in public improvement, growth capital, shared services, and information technology, the plan will enhance Columbia's ability to continue to offer adequate, reliable, and reasonably priced natural gas services and goods. Continuing Columbia's straight fixed variable rate design, and adding the proposed fixed monthly CEP Rider charge, will continue to align Columbia's interests with consumer interests in energy efficiency and conservation, consistent with R.C. § 4929.02. Finally, by approving Columbia's commitment to continue its energy efficiency program, Columbia's alternative rate plan will encourage market access to demand-side management services and goods, reasonably priced goods and services, and energy conservation, consistent with R.C. § 4929.02.

Q. Ohio Admin. Code 4901:1-19-06(C)(5) requires an applicant to demonstrate that its alternative rate plan is just and reasonable. Is Columbia's alternative rate plan just and reasonable?

A. Yes, it is. The proposed alternative rate plan begins the gradual recovery of the CEP Deferral and underlying assets in 2018. By recovering these amounts, Columbia will request less from customers than if it were to continue to defer expenses until the deferral reaches the SGS Class rate impact threshold of \$1.50 per month. Additionally, by recovering the underlying

1 investments, Columbia will no longer continue deferring future expenses
2 associated with those investments. Finally, with the proposed CEP Rider
3 structure, the proposed alternative rate plan will ensure that the CEP Rider
4 remains reasonable. Therefore, Columbia's alternative rate plan is just and
5 reasonable.

6
7 **Q. Are you sponsoring any exhibits to the Application beyond those dis-**
8 **cussed above?**

9 A. Yes. Though not required by Ohio Admin. Code 4901:1-19-06(C), I am also
10 sponsoring Exhibit F, which are copies of Columbia's proposed CEP Rider
11 Tariff Sheets, as supported by the rationale detailed in Exhibit A. The tariff
12 sheets in the exhibit will allow Columbia to recover the CEP Deferral bal-
13 ances and the underlying assets put in service through calendar year 2017.

14
15 **V. CONTINUING COLUMBIA'S ENERGY EFFICIENCY PROGRAM**

16
17 **Q. Does R.C. § 4929.051(A) contain any additional requirements for an alter-**
18 **native rate plan?**

19 A. The statute requires that an alternative rate plan submitted pursuant to R.C.
20 § 4929.051(A) must establish, continue, or expand an energy efficiency or
21 energy conservation program.

22
23 **Q. Does Columbia have a Commission-approved energy efficiency pro-**
24 **gram?**

25 A. Yes. Columbia has been providing energy efficiency programs to its cus-
26 tomers since the inception of the WarmChoice® program in 1987. In 2008,
27 Columbia created its first demand-side management program in Case No.
28 08-833-GA-UNC. Columbia extended and expanded the energy efficiency
29 program in Case Nos. 11-5028-GA-UNC and 11-5029-GA-AAM. Colum-
30 bia's energy efficiency program was most recently reviewed and approved
31 in Case Nos. 16-1309-GA-UNC and 16-1310-GA-AAM.

32
33 Columbia's energy efficiency program offers Columbia's customers home
34 energy audits, low-income weatherization, rebates on appliances and ther-
35 mostats, and energy efficiency education to students. The program encour-
36 ages the building of new, energy-efficient homes, informs customers about
37 their energy consumption, and provides rebates to non-profits and houses
38 of worship to install energy efficiency measures.

- 1 **Q. Is Columbia continuing its energy efficiency program?**
2 A. Yes. As noted in Exhibit A, Columbia intends to continue its energy effi-
3 ciency program. I am sponsoring Exhibit H, which includes copies of Co-
4 lumbia's Application, the Joint Stipulation and Recommendation, and the
5 Commission's Opinion and Order from Case Nos. 16-1309-GA-UNC and
6 16-1310-GA-AAM.
7
8 **Q. Does this complete your Prepared Direct Testimony?**
9 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 1st day of December, 2017, upon the persons listed below.

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