

**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. )

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

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/s/ Eric B. Gallon

Eric B. Gallon (0071465)

(Counsel of Record)

Mark Stemm (0023146)

Emily Taylor (0095947)

Porter Wright Morris & Arthur LLP

41 South High Street

Columbus, OH 43215

Telephone: (614) 227-2190

Email: egallon@porterwright.com

mstemm@porterwright.com

etaylor@porterwright.com

Stephen B. Seiple, Asst. General Counsel  
(0003809)

Joseph M. Clark, Sr. Counsel (0080711)

P.O. Box 117

290 W. Nationwide Blvd.

Columbus, Ohio 43216-0117

Telephone: (614) 460-4648

E-mail: sseiple@nisource.com

josephclark@nisource.com

(Willing to accept service by e-mail)

Attorneys for

**COLUMBIA GAS OF OHIO, INC.**

**December 1, 2017**

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

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**I. INTRODUCTION**

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

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

A. I graduated from Miami University where I majored in Accounting with a minor in Management Information Systems and received a Bachelor of Science Degree in Business in May 2007. In August 2007, I joined the accounting firm Crowe Horwath (formerly Crowe Chizek) as an auditor and became a licensed certified public accountant ("CPA") in the state of Ohio in 2009. From 2010 to 2015, I was employed by NiSource Inc. in its SEC Financial Reporting Department, where I most recently held the position of Manager of SEC Reporting. I was hired by Columbia in December 2015 as Regulatory Affairs Manager and became Director of Regulatory Affairs effective May 1, 2017. I am currently a member of the Ohio Society of CPAs, as well as a member of the American Institute of CPAs.

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

A. As Director of Regulatory Affairs, my primary responsibilities include the planning, supervision, preparation and support of all Columbia regulatory filings before the Public Utilities Commission of Ohio ("Commission"). These responsibilities include the preparation of exhibits, proposed tariff changes and testimony filed by Columbia in support of the establishment of the proposed Capital Expenditure Program ("CEP") Rider.

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

A. My testimony supports the reasonableness of Columbia's request for the establishment of a CEP Rider. I will describe the exhibits I am sponsoring in support of Columbia's proposed CEP Rider (Exhibits G and I). I will also

1 address the development of the proposed maximum CEP Rider rates to be  
2 charged to customers.

3  
4 **II. APPLICATION AND PROPOSED MAXIMUM CEP RIDER RATE**

5  
6 **Q. Why has Columbia filed the current Application?**

7 A. The Application has been filed to establish a CEP Rider that provides for  
8 recovery of deferred expenses authorized in Case Nos. 11-5351-GA-UNC,  
9 et al., as continued by Case Nos. 12-3221-GA-UNC, et al., which authorized  
10 Columbia to implement a capital expenditure program regulatory asset  
11 ("CEP Deferral") to defer depreciation expense, property taxes, and post-  
12 in-service carrying costs ("PISCC") associated with certain types of capital  
13 investments. The CEP Rider would also provide for the return on and of the  
14 investments upon which these deferrals were calculated. These certain cap-  
15 ital investments fall within four categories: (1) Replacement/Public Im-  
16 provement/Betterment; (2) Growth; (3) Support Services; and (4) Infor-  
17 mation Technology. Ms. Thompson further describes the specific types of  
18 capital investments in her testimony.

19  
20 **Q. Please summarize the various types of costs for which Columbia seeks**  
21 **recovery through the CEP Rider.**

22 A. The CEP Rider mechanism for which Columbia requests Commission ap-  
23 proval in this proceeding provides for a return on and of its investments in  
24 the four capital investment categories referenced above, and related ex-  
25 penses for deferred depreciation expense, deferred property taxes, and  
26 PISCC.

27  
28 **Q. Why has Columbia included in its development of the CEP Rider a return**  
29 **on and of the investments upon which CEP deferrals are calculated?**

30 A. This request is being made in an effort to mitigate the impact on our cus-  
31 tomers. Beginning recovery now saves customers money by reducing fu-  
32 ture CEP deferrals and provides Columbia with the means to introduce re-  
33 covery on a gradual basis.

34  
35 **Q. How will the Net CEP Investment and revenue requirement for the CEP**  
36 **Rider be computed?**

37 A. Columbia proposes to use the same formulas and accounting for determin-  
38 ing the CEP Rider net investment and revenue requirement that it used to  
39 develop Columbia's Infrastructure Replacement Program ("IRP") rider  
40 ("Rider IRP").

1 **Q. What types of costs will be capitalized and included in Net CEP Invest-**  
2 **ment?**

3 A. The development of Net CEP Investment used for the calculation of pretax  
4 return is included in Exhibit I (page 2 of 13). Capitalized costs such as con-  
5 tract labor and associated expenses, materials and supplies, internal labor  
6 and associated overheads, and AFUDC are examples of the types of costs  
7 included in Net CEP Investment. The plant additions are capitalized at Co-  
8 lumbia's actual cost and captured in Net CEP Investment as projects are  
9 placed in service. The associated accumulated reserve for depreciation is  
10 shown as a reduction to Net CEP Investment. Each of the components is  
11 based on the cumulative investment made by Columbia since the inception  
12 of Columbia's CEP Deferral.

13  
14 **Q. Are expenses deferred through Columbia's CEP Deferral included in Net**  
15 **CEP Investment?**

16 A. Yes. Deferred depreciation expense, deferred property tax expense, and de-  
17 ferred PISCC are included in Net CEP Investment. In general, expenses are  
18 deferred beginning with the month the plant goes in service or the month  
19 the expense is incurred until Columbia begins earning a return on its in-  
20 vestment through rates.

21  
22 **Q. Were these deferred expenses calculated in accordance with provisions**  
23 **of the Commission's Finding and Order issued in Case Nos. 11-5351-GA-**  
24 **UNC, et al.?**

25 A. Yes.

26  
27 **Q. Why are deferred taxes shown as a reduction to Net CEP Investment?**

28 A. Deferred taxes are a non-investor source of funds, resulting from a tax treat-  
29 ment of expense that is different from the book treatment. Recognition of  
30 deferred taxes properly measures Columbia's net investment. These non-  
31 investor sources of funds, which are reflected as an offset to Net CEP In-  
32 vestment, include deferred taxes resulting from the use of higher tax depre-  
33 ciation and the recognition of the tax deduction available to Columbia re-  
34 lated to deferred PISCC and property taxes.

35  
36 **Q. Why did Columbia use the pre-tax rate of return of 10.95% in developing**  
37 **the revenue requirement upon which the CEP Rider rates are deter-**  
38 **mined?**

39 A. The use of this pre-tax rate of return is consistent with the return used by  
40 Columbia in its Rider IRP. It is the most recent rate of return approved by

1 the Commission; and it is also the same rate of return used by Columbia to  
2 calculate the impact of deferrals on customers as required in Case Nos. 11-  
3 5351-GA-UNC, et al. in determining the potential to exceed the \$1.50 rate  
4 cap. For further background regarding the \$1.50 rate cap, please refer to Ms.  
5 Thompson's testimony.

6  
7 **Q. Has Columbia reached the \$1.50 threshold on the CEP Deferral?**

8 A. No. Based on projected deferrals through December 31, 2017, the impact of  
9 the CEP Deferral on the estimated Small General Service ("SGS") class<sup>1</sup> rate  
10 is \$0.75. See Exhibit I (page 13 of 13) for a detailed calculation.

11  
12 **Q. What types of operating expenses are included in the CEP Rider revenue  
13 requirement calculation?**

14 A. Annualized depreciation expense, annualized property tax expense, and  
15 annualized amortization of deferred expenses are included in the CEP  
16 Rider revenue requirement calculation.

17  
18 **Q. Please explain the annualized amortization of deferred expenses calcula-  
19 tion.**

20 A. Deferred expenses, such as deferred depreciation, property taxes, and de-  
21 ferred PISCC, are amortized over the life of the associated assets using the  
22 current depreciation rate. Amortization does not start until Columbia com-  
23 mences recovery through rates and is calculated based on the cumulative  
24 deferral date balance.

25  
26 **Q. How does the property tax calculation provided in this filing compare to  
27 the calculations used in Rider IRP filings?**

28 A. The calculation methodology is identical to the methodology used in cur-  
29 rent Rider IRP filings and prescribed by the Ohio Department of Taxation.

30  
31 **Q. Is it proper to include these expenses in developing the CEP Rider reve-  
32 nue requirement?**

33 A. Yes. These expenses should be included because they are prudent and nec-  
34 essary business expenses incurred by Columbia on an ongoing basis.

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<sup>1</sup> 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 **Q. What data sources did Columbia use in developing the CEP revenue re-**  
2 **quirement study?**

3 A. The information comes from Columbia's General Ledger and supporting  
4 sub-ledgers.  
5

6 **Q. How will the revenue requirement be spread over Columbia's customer**  
7 **base?**

8 A. Columbia will utilize the billing determinants from its last base rate case,  
9 Case Nos. 08-72-GA-AIR, et al. The revenue requirement will be allocated  
10 by customer rate class based on cost occurrence reported in the Class Cost  
11 of Service Study filed as Schedule E-3.2-1 in that case. Next, the allocated  
12 revenue requirement will be converted to a monthly fixed charge based on  
13 the class-specific average number of projected bills for the applicable recov-  
14 ery period.  
15

16 **Q. What is the balance of CEP deferrals projected to be booked by Columbia**  
17 **for the period October 2011 through December 31, 2017?**

18 A. The total balance of deferred expenses, projected through December 31,  
19 2017, is \$148.3 million. Further details of the specific annual deferrals are  
20 included in Exhibit I (pages 10, 11, and 12 of 13).  
21

22 **Q. What is the balance of CEP capital investments made by Columbia dur-**  
23 **ing the period October 2011 through December 31, 2017?**

24 A. The total CEP capital investment, projected through December 31, 2017, is  
25 \$666.4 million. Further details of the annual CEP investments are included  
26 in Exhibit I (page 3 of 13).  
27

28 **Q. Does the application provide for the implementation of a Rider rate**  
29 **based on Columbia's total investment as of December 31, 2017, upon is-**  
30 **suance of an order in this case by the Commission?**

31 A. No. The application provides for a gradual phase-in that allows for a lower  
32 initial rate and ultimately reduces the requested recovery as a result of  
33 lower deferrals. See further discussion on the gradual approach below.  
34

35 **Q. What are the proposed maximum monthly SGS CEP Rider rates, and how**  
36 **were they determined?**

37 A. If Columbia were to begin recovering the total plant investments and the  
38 total related expenses through December 31, 2017, the proposed maximum  
39 SGS CEP Rider rate would be \$5.14 per month. Exhibit I (page 1 of 13) illus-

trates the proposed approach to gradually introduce the charge to customers' bills. This approach would set the initial CEP Rider rate at \$3.28 per month effective August 1, 2018. The CEP Rider rate would then be adjusted biennially as follows: \$4.17 per month effective August 1, 2020 and \$4.92 per month effective August 1, 2022. The proposed \$3.28 rate effective August 1, 2018, is based on an investment date of December 31, 2015, and a deferral date of December 31, 2017. The proposed \$4.17 rate effective August 1, 2020, is based on an investment date of December 31, 2016, and a deferral date of December 31, 2019. The proposed \$4.92 rate effective August 1, 2022, is based on an investment date of December 31, 2017, and a deferral date of December 31, 2021.

**Q. What does the term "deferral date," referenced above, represent?**

A. The term deferral date represents the point in time through which deferrals were calculated for including in Net CEP Investment and developing the revenue requirement. The gradual approach described above uses an investment date for the inclusion of plant investments in the developing of Net CEP Investment that differs from the deferral date used to capture the associated deferrals within Net CEP Investment. This variance between investment date and deferral date is summarized in the following table.

Investment Date	Deferral Date
2011-2015	Through 12-31-2017
2011-2016	Through 12-31-2019
2011-2017	Through 12-31-2021

**Q. Does Columbia believe that the timeline proposed by the Application and in Ms. Thompson's testimony provides the Commission with sufficient time to review and approve its proposed CEP Rider Biennial Adjustment?**

A. Yes. Columbia's proposed process provides for the Commission's completion of an audit of all CEP investments and related deferrals through December 31, 2017, with this Application. Completing the audit of Columbia's CEP investment and associated deferrals through December 31, 2017, eliminates the need for review of most of the major components of the subsequent biennial filings. Review of the biennial filing will then simply require verification of additional deferrals made by Columbia on investments made through December 31, 2017, but not currently included in rates, together with the verification of the accuracy of all calculations set forth in the filing.

1 **Q. Does the biennial process provide for the inclusion of a reconciliation**  
2 **adjustment?**

3 A. Yes. Including the reconciliation adjustment will ensure that implementing  
4 this Rider will not result in over- or under-collections.  
5

6 **III. CUSTOMER IMPACT**  
7

8 **Q. What percentage adjustment does the proposed CEP Rider represent on**  
9 **customer bills?**

10 A. Exhibit G to the Application is a bill comparison for all customer classes  
11 that shows the addition of the CEP Rider is initially projected to adjust a  
12 typical residential customer's bill by approximately 5% per month on Au-  
13 gust 1, 2018, with the subsequent two biennial adjustments adjusting a typ-  
14 ical residential customer's bill by less than 1.5% per month. The impact of  
15 the CEP Rider on customers' bills is mitigated by the fact that in recent  
16 years, Columbia's customers have experienced lower natural gas prices  
17 compared to prices at the last base rate case in 2008.  
18

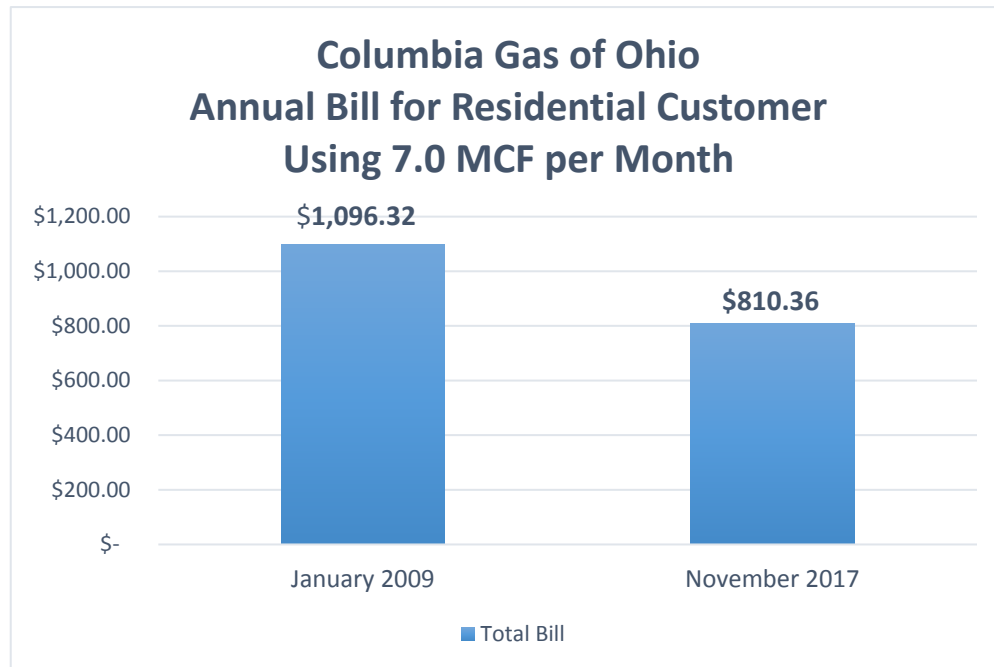
19 Additionally, the establishment of the CEP Rider stops future expense de-  
20 ferral on capital investment that would otherwise continue through Colum-  
21 bia's CEP Deferral. Once recovery of these capital investments begins, there  
22 will be no further deferral of depreciation expense, property taxes, or PISCC  
23 associated with these capital investments. If Columbia allowed the deferred  
24 balances to reach the cap of \$1.50 for SGS customers prior to implementing  
25 rates, the proposed CEP Rider rate would be higher than the maximum rate  
26 requested in this Application.  
27

28 This impact is further mitigated by the specific formula used to determine  
29 the CEP Rider rate. This formula provides for the recovery of deferred costs  
30 over the useful life of the assets rather than on a current-year basis. This  
31 approach minimizes the immediate impact on customers and further elim-  
32 inates the risk of excessive rate increases in any given year.



1 **Q. Are average customer bills higher now than they were when the current**  
2 **base rates were approved?**

3 **A.** No. The table below compares a Small General Service customer's bill in  
4 January 2009 with a customer's bill in 2017. This comparison demonstrates  
5 that a Small General Service customer's bill is more than 25% less today  
6 than in 2008. The commodity portion of the bill is nearly 50% less today  
7 than in 2008.



8

9

10 **Q. Does this conclude your Prepared Direct Testimony?**

11 **A.** Yes.

## 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.

kevin.moore@occ.ohio.gov  
cmooney@ohiopartners.org  
fdarr@mwncmh.com  
mpritchard@mwncmh.com  
steven.beeler@ohioattorneygeneral.gov  
john.jones@ohioattorneygeneral.gov  
William.Wright@ohioattorneygeneral.gov

/s/ Eric B. Gallon

Eric B. Gallon

Attorney for  
**COLUMBIA GAS OF OHIO, INC.**

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