

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

Suburban Natural Gas Company,)	
)	
Complainant,)	
v.)	Case No. 17-2168-GA-CSS
)	
Columbia Gas of Ohio, Inc.)	
)	
Respondent.)	

**PREPARED DIRECT TESTIMONY
OF ZACH MCPHERSON
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

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Attorneys for

COLUMBIA GAS OF OHIO, INC.

**PREPARED DIRECT TESTIMONY
OF ZACH MCPHERSON**

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

2 A: Zach McPherson, 290 W. Nationwide Blvd., Columbus, Ohio 43215.

4 **Q: By whom are you employed?**

5 A: I am employed by NiSource, Inc. ("Columbia").

7 **Q: Please state briefly your educational background and experience?**

8 A: I attended Ohio University in 2002 and then, following a summer intern-
9 ship, decided to leave college and start a career. I started my career in the
10 land development industry with Countrytyme Realty. In 2007, I moved to
11 Columbia Gas Transmission, with an assignment in its land department as
12 a land analyst. In 2008, I began working for the Columbia distribution com-
13 panies in the new business department as a New Business Representative.
14 I have spent the last ten years in various new business roles, holding many
15 different positions. Since 2014, I have been a New Business Manager. Cur-
16 rently, I am tasked with oversight of approximately 20 sales professionals
17 throughout Ohio and Kentucky.

19 **Q: What are your job responsibilities as New Business Manager?**

20 A: I provide leadership and support to the companies' sales team, which inter-
21 acts face to face with potential customers across Ohio. I also interact directly
22 with many customers. Our team, called the New Business Team, has re-
23 sponsibility for various business opportunities. Some of the individuals on
24 the team are assigned to work with engineers, architects, builders, develop-
25 ers and other construction professionals to facilitate the installation of nat-
26 ural gas facilities to serve residential and commercial development projects.
27 Another portion of the team is assigned to helping home owners bring nat-
28 ural gas service into existing neighborhoods where natural gas has been
29 unavailable. Together, our goal is provide service to a wide array of new
30 customers, allowing them the benefits of clean and efficient natural gas.

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

33 A: No.

35 **Q: Have you read the Complaint filed by Suburban Natural Gas Company
36 ("Suburban") in PUCO Case No. 17-2168-GA-CSS?**

37 A: Yes.

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

2 A. I will describe Columbia's efforts to increase its customer base, including Co-
3 lumbia's efforts in Delaware County. This discussion will explain how Co-
4 lumbia's Demand Side Management ("DSM") program is referenced in Co-
5 lumbia's marketing efforts. I will describe Columbia's initiation of service to
6 part of the Glenross subdivision in Delaware County. I will also discuss Co-
7 lumbia's main extension policy and the application of that policy to the Glen-
8 ross subdivision. Finally, I will discuss the close proximity of Columbia's and
9 Suburban's facilities in southern Delaware County.

10
11 **Growth Policy; Role of New Business**
12

13 **Q. What is the current growth policy for Columbia Gas of Ohio?**

14 A. We are working very hard to capture as much of the available growth in
15 Ohio development as we can. Since we cannot influence the construction of
16 new homes, it is important to serve as many of the homes built each year as
17 possible. Increasing the number of customers spreads our fixed costs over
18 a larger population and effectively lowers the cost of service per customer
19 to all customers. This is of even more importance as we have been replacing
20 such a large amount of aging infrastructure around the state.

21
22 **Q. Is your growth plan different from one area of the state to another?**

23 A. No. We desire to grow all across the state. Of course, there are areas that
24 experience higher growth in the new construction market. New home sales
25 are very much driven by location. We have seen our largest new residential
26 market growth in Delaware County, Franklin County and areas to the
27 southwest of Cleveland.
28

29 **Q. Do you adjust your growth plans when you are aware there is another gas
30 company in the area?**

31 A. No. Our programs and policies remain constant from one part of the state
32 to another, with no special offers available due to the presence of competi-
33 tion, or perceived competition. This type of competition occurs across sev-
34 eral parts of Ohio. Whether our competitor is Dominion Energy a gas coop-
35 erative, Suburban, or any other energy supplier, there are projects that we
36 win and projects we do not. Notably, Suburban is the only competitor to
37 challenge the application of Columbia's ten-year-old DSM program where
38 the two utilities compete for builders and developers.

1 **Q. In your experience, what factors often influence a builder's choice of Co-**
2 **lumbia over competitors?**

3 A. There are many factors but, not surprisingly, cost is at the top of the list. For
4 new subdivision developments for which the main extension is determined
5 justified at Columbia's expense pursuant to the tariff, I believe that Colum-
6 bia wins projects due to its reputation for providing quality installations
7 and restorations on a timely basis within the customer's schedule. I have
8 learned that builders and developers most value a utility's willingness to
9 work within their schedule. They also appreciate Columbia's resources and
10 ability to respond quickly when a special circumstance arises. Of course,
11 Columbia's EfficiencyCrafted® Homes Program may be attractive to those
12 builders who intend to construct energy-efficient new homes.

13
14 **DSM and Energy Efficiency Programs**

15
16 **Q. How does your sales team market the availability of Columbia's DSM**
17 **program to homebuilders?**

18 A. We typically mention Columbia's builder incentive program for energy ef-
19 ficient homes when reviewing all of the reasons why we believe Columbia
20 is the best choice. Those reasons include our safety record, our competitive
21 rates, the CHOICE program, our customer focus, builder support personnel
22 and our prompt service line installations as well as the award-winning
23 DSM program. In regards to the DSM program we inform customers that
24 the program is very well administered and helps builders build a higher
25 quality, more energy efficient product.

26
27 **Q. Do the incentives available to builders under the EfficiencyCrafted®**
28 **Homes Program help you and your team encourage builders to select Co-**
29 **lumbia as their natural gas company?**

30 A. The EfficiencyCrafted® Homes Program is part of Columbia's DSM pro-
31 gram, as described in the testimony of Columbia witness Thompson. When
32 communicating with builders and developers we mention the program, but
33 the program is designed to encourage builders to increase energy efficiency.
34 The EfficiencyCrafted® Homes Program is something that becomes availa-
35 ble to builders if they build energy efficient qualifying homes served by
36 Columbia. We hope builders appreciate the purpose of the program and see
37 value in it. When my team encounters builders and developers of a planned
38 new residential development, we can only estimate the potential value of
39 the DSM incentives if the homes are constructed to meet the energy savings

1 standards of the EfficiencyCrafted® Homes Program. However, until the
2 homes are actually constructed and inspected by a third-party energy effi-
3 ciency rater, the actual value of the incentives is not known. I will defer to
4 Columbia witness Thompson for specifics on the EfficiencyCrafted® Homes
5 Program.

6

7 **Glenross Subdivision**

8

9 **Q. Who is the developer/builder at the Glenross subdivision development?**

10 A. Pulte Homes

11

12 **Q. How would you describe the relationship between Columbia and Pulte**
13 **Homes?**

14 A. Columbia has worked with Pulte Homes since it first became active in cen-
15 tral Ohio. NiSource companies previously established a good working re-
16 lationship with Pulte in other states. Pulte has been an excellent customer,
17 and we count it as a partner in bringing clean, efficient natural gas to many
18 new homes each year.

19

20 **Q. How many Pulte developments does Columbia serve?**

21 A. Our records do not allow us to calculate an exact number. But at the begin-
22 ning of 2017, we were working with Pulte on no less than 27 projects across
23 central Ohio (at various stages of the process).

24

25 **Q. How does Columbia work with Pulte to keep so many projects on track?**

26 A. We typically meet with Pulte monthly. These meetings are part of the col-
27 laborative nature of our relationship.

28

29 **Q. How did Columbia learn of the Glenross development?**

30 A. During our monthly meetings, Pulte often discusses upcoming develop-
31 ments, affording us the opportunity to better forecast resources and cus-
32 tomer needs. Through this collaboration, we learned of the plans for Glen-
33 ross South. At that time, our team asked Pulte for the opportunity to serve
34 the customers in this project. Pulte agreed to let us review the plans and
35 offer it a proposal for service.

1 **Q. Did Pulte Homes know of Columbia's DSM energy efficiency home con-**
2 **struction programs before Pulte offered Columbia an opportunity to sub-**
3 **mit a proposal to serve a section of Glenross?**

4 A. Yes. Pulte Homes began receiving builder incentives under Columbia's
5 DSM program in 2015 and has continued to receive them every year since
6 then for qualifying homes constructed in Delaware, Fairfield, Franklin, and
7 Union counties.

8
9 **Q. Where is the Glenross subdivision?**

10 A. Glenross is located in Berlin Township in Delaware County along Cheshire
11 Road.

12
13 **Q. Describe the subdivision development at Glenross, its phases, the cur-**
14 **rent status of the development, and which natural gas supplier has been**
15 **selected to serve the various phases.**

16 A. Glenross consists of 22 phases. Pulte Homes completed the development of
17 phases 1 – 10 on the north side of Cheshire Road served by Suburban and
18 is continuing to construct and sell homes on those lots. Glenross on the
19 south side of Cheshire Road consists of phases 11 – 22. Pulte chose Colum-
20 bia to serve these phases. Pulte completed paving in Phase 11 in November
21 2017 and asked Columbia to complete its main extension before year-end
22 which Columbia did. At present, Pulte has broken ground to construct just
23 one home in Phase 11, but I understand construction of more homes will
24 soon begin.

25
26 **Q. Is Glenross South the first residential subdivision that Columbia has**
27 **been selected to serve in southern Delaware County?**

28 A. No, Columbia has provided natural gas distribution service in southern
29 Delaware County for many decades.

30
31 **Q. Was Columbia aware that Suburban had pipe in the area when preparing**
32 **a proposal to serve Glenross South?**

33 A. Yes. We knew that Suburban was located in the general area, as Pulte had
34 chosen Suburban to serve the section of the development to the north of
35 Cheshire Road.

36
37 **Q. Was Columbia in a position to serve the Glenross South development?**

38 A. Yes. Columbia already had gas mains along Cheshire Road, approximately
39 6,700 feet to the west -- a distance we determined we could economically

1 extend our mains based on our cost-benefit analysis, given the scope of the
2 development.

3

4 **Q. Is a main extension of 6,700 feet significant?**

5 A. No. The critical question for Columbia and the developer is whether an ex-
6 tension of any length can be economically justified at Columbia's expense.
7 The number of homes in the development to be served is the most im-
8 portant variable in that analysis. In this case, the length of the extension to
9 Glenross was easily justified at Columbia's expense by the number of
10 homes Pulte agreed to allow Columbia to serve. In other situations, a much
11 shorter main extension may not be justified at Columbia's expense if the
12 number of homes to be served was much lower. We examine each new ser-
13 vice opportunity for residential subdivision developments using the same
14 economic analysis to determine if the needed main extension, regardless of
15 its length, will require a deposit from the customer toward the cost of con-
16 struction. In the case of Glenross, no contribution was required.

17

18 **Q. What steps did Columbia take in response to Pulte offering it a chance to**
19 **serve this development?**

20 A. In February of 2017 we received Pulte's civil engineering plans and we were
21 able to run our cost benefit analysis. As with any extension, we perform the
22 analysis required by our tariff to evaluate the expected revenues of the
23 added customers against the estimated costs to construct our required fa-
24 cilities. In this particular case, the study determined that no contribution in
25 aid of construction would be required. Said another way, the net present
26 value of the project was positive. At that point, we were able to offer our
27 service to Pulte without requiring a contribution.

28

29 **Q. Will the homes in the Glenross subdivision qualify for incentives under**
30 **the EfficiencyCrafted® Homes Program?**

31 A. We hope many of them will but we will not know until Pulte completes
32 construction, has them energy savings rated, and applies for the incentives.

33

34 **Q. What has Columbia done to date in order to serve the Glenross develop-**
35 **ment?**

36 A. After Pulte informed us that it wanted Columbia to serve the development,
37 in October we completed our prep work and assigned the construction to
38 our crews. Our gas main was installed and work was completed in mid-
39 December. The work order for the first section of gas main was finished on

December 26, 2017, fulfilling Pulte's request that we have our main in the ground prior to year-end ready to serve Phase 11. We expect to begin serving homes in the development very soon.

Columbia's Main Extension Policy

Q. Where are the tariff pages that govern Columbia's main extension policies?

A. Section III, part 12, of Columbia's tariff details the extension of our gas mains. Relative to the project in question, we relied on the paragraph that discusses "Plots of lots and real estate subdivisions."

Q. What specifically is the process called for by the tariff for determining whether a main extension to a real estate subdivision is economically justified at the Columbia's expense?

A. For subdivisions, the process involves several key steps. First, we collect the details regarding the property from the builder or developer. The plans are then reviewed by our engineering department, which determines what facilities would be required to serve the new homes. The engineers also put together a full estimate of the investment required of Columbia to construct the facilities. From that point, the sales team uses a proprietary model that compares the cost—the engineer's estimated construction costs—with the benefit—the revenues expected to be generated by the additional customers. This is how we conduct the cost-benefit analysis required by the tariff. Our accounting department is responsible for this model to ensure the analysis is consistent and appropriate. The only variables inputted by the engineering and sales departments are the revenues and the costs.

Q. Is this the cost-benefit analysis that was used for Glenross South?

A. Yes.

Q. Does the model you described vary from one subdivision or builder to another?

A. No. The model does not change. We use the same model state-wide. The only variables for each project are the inputs based on the cost of our infrastructure and the expected revenue stream. In the case of a residential subdivision, the revenue side is dictated by the number of homes to be constructed and the timeline for construction.

1 **Q. Does Columbia require the builder/developer to sign a Line Extension**
2 **Agreement before Columbia begins a main extension?**

3 A. Only in cases where a deposit is required when we determine the extension
4 is not economically justified at Columbia's expense.
5

6 **Facilities Overlap**

7

8 **Q. Do natural gas utilities share maps of their gas lines with Columbia?**

9 A. No. For security reasons, safety reasons and competitive reasons, gas com-
10 panies generally do not make their maps publicly available. The "one call"
11 markings do reveal the exact location of other facilities, but we do not con-
12 tact the locate service until we are ready to begin construction of our facili-
13 ties.
14

15 **Q. When you determine another gas company has lines in the area, what**
16 **happens?**

17 A. Wherever our lines in Ohio are in the same vicinity as a competitor's lines
18 there is the possibility of facilities overlap. As long as a customer requests
19 our service and our construction is not impeded by the location of the facil-
20 ities we proceed just as we would in any other case. We install our facilities
21 and begin to provide service to the customer(s) requesting service.
22

23 **Q. Is the Glenross development the first time Columbia has encountered an-**
24 **other gas utility's main distribution lines on the opposite side of a street**
25 **from Columbia's main?**

26 A. No. In Franklin County at the Jefferson Run development the Energy Co-
27 operative gas supplier ran its line across the street from Columbia's.
28

29 **Q. Has Columbia experienced situations where Suburban extended its**
30 **mains to reach and serve new developments at locations where Columbia**
31 **already had facilities in much closer proximity to the planned develop-**
32 **ment?**
33

34 A. Yes. I have not attempted to research all the times this has occurred, but I
35 am aware of several such situations.
36

37 In 2014, the developer chose Suburban to serve a new residential subdivi-
38 sion called Old Colony Estates along Old Colony Drive in Delaware County
39 even though Columbia had mains in close proximity since 1980. Columbia

1 would have needed to extend its main only about 200 feet to reach Old Col-
2 ony Drive. We do not know how far Suburban extended its line, but a mem-
3 ber of my team literally watched as Suburban constructed its pipe right past
4 Columbia's existing main to reach this development.
5

6 Similar situations occurred at subdivision projects called The Woods at
7 Weeping Rock and Olentangy Crossing, both in Delaware County. Colum-
8 bia was present and willing to serve, but the customers chose Suburban. At
9 the Woods at Weeping Rock, Columbia's facilities were available at the
10 planned entrance. At Olentangy Crossing, Columbia would have needed to
11 extend its main only a couple hundred feet to reach the development. In
12 fact our main bordered one side of the property.
13

14 Suburban has been competing like this with lengthy facility extensions for
15 a long time. In 2004 Columbia had facilities positioned at the entrance of a
16 new residential development in Delaware County called Vinmar Farms.
17 For whatever reason, the developer, Dominion Homes, selected Suburban
18 to serve the new subdivision. According to the March 13, 2017 deposition
19 testimony I personally heard from Suburban witness Jeff Thompson who
20 worked for Dominion Homes at the time, the main extension needed to
21 reach Vinmar Farms was over 6,000 feet. But it was not Columbia's exten-
22 sion, it was Suburban's. Columbia would not have needed any extension to
23 serve Vinmar Farms.
24

25 This does not happen only with respect to residential subdivisions. One
26 particular commercial building of which I am aware is the Mount Carmel
27 Lewis Center facility on Columbus Pike in Delaware County. Columbia had
28 lines available to the building and serves much of the surrounding area.
29 However, the customer chose to be served by Suburban. Unlike Suburban,
30 we accept that wherever our lines in Ohio are in the same vicinity as a com-
31 petitor's lines, there is the possibility of facilities overlap.
32

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

34 **A.** Yes. I reserve the right to file rebuttal testimony as warranted based upon
35 further developments in this case.

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 16th day of March, 2018, upon the parties listed below.

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