

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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AMENDED PREPARED DIRECT TESTIMONY OF  
MELISSA L. THOMPSON  
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](mailto:egallon@porterwright.com)

[mstemm@porterwright.com](mailto:mstemm@porterwright.com)

[etaylor@porterwright.com](mailto: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](mailto:sseiple@nisource.com)

[josephclark@nisource.com](mailto:josephclark@nisource.com)

(Willing to accept service by e-mail)

Attorneys for

COLUMBIA GAS OF OHIO, INC.

April 2, 2018

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

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**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 Amended Application, as well as to support and sponsor Exhibits A through F, and K of the Amended 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") class<sup>1</sup> 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.

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

37  
38           The first two categories of capital investment in Columbia's approved cap-  
39           ital expenditure program, Replacement/Public Improvement/Betterment  
40           and Growth, align with the category of capital expenditures contemplated

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

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

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

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

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

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

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

36 **A.** Columbia is requesting authority, pursuant to R.C. §§ 4929.111, 4929.05,  
37 and 4909.18, to establish a Capital Expenditure Program Rider ("CEP  
38 Rider") that will recover expenses associated with Columbia's CEP Deferral,  
39 as well as the corresponding assets to which these expenses are directly  
40 attributable. Columbia proposes to recover the balance of the CEP Deferral

1 as shown below. Columbia also proposes to recover a return on and of the  
2 assets that correspond with the CEP deferral for those investments made  
3 through December 31, 2017. As further explained by Ms. Beil, the CEP Rider  
4 will be a fixed monthly charge.  
5

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

7 A. Columbia is proposing to gradually implement the CEP Rider to mitigate  
8 the impact upon customers. Columbia is proposing the following CEP  
9 Rider structure and SGS Class rates, before adjusting for any over- and un-  
10 der-recovery:  
11

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

12 **Q. How does Columbia propose adjusting the CEP Rider?**

13 A. Columbia is proposing that the CEP Rider be biennially adjusted. For CEP  
14 investments placed in service after December 31, 2017, Columbia requests  
15 to continue deferring those expenses associated therewith until Columbia  
16 requests recovery in a separate proceeding. Columbia proposes to file an  
17 adjustment biennially by April 30 (starting in 2020) to set the CEP Rider,  
18 adjust for actual deferrals and adjust for any over- and under-recovery for  
19 the CEP Rider.  
20

21 **Q. Do Columbia's Amended Application and testimony support this pro-  
22 posed CEP Rider structure?**

23 A. Yes, they do. Columbia's Amended Application details the expenses that  
24 have been deferred, as well as the impact on Columbia's SGS Class and  
25 other rate classes. Columbia's Amended Application and Testimony have  
26 explained the case history supporting the CEP Deferral, as well as the legal  
27 basis to recover both the CEP Deferral and the corresponding assets. Ms.

1 Beil further explains the reasonableness of the proposed CEP Rider as com-  
2 pared to the bills of customers experienced when Columbia set its base  
3 rates.

4

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

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

10

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

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

18

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

21

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

25 A. Yes. Attached as Exhibit A to Columbia's Amended Application is an alter-  
26 native rate plan that states the facts and grounds upon which Columbia's  
27 CEP Rider application is based. Exhibit A provides the rationale for Colum-  
28 bia's new CEP Rider tariffs for all affected services, which are included as  
29 Exhibit F.

30

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

36 A. Yes. In Case No. 08-1344-GA-EXM, the Commission authorized an exemp-  
37 tion for Columbia to implement its gas supply auctions. Columbia further  
38 details this compliance in Exhibit B to the Amended Application, which I  
39 am sponsoring.

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

5 A. No. This is addressed in Exhibit C to the Amended Application, which I am  
6 sponsoring. Each of the revenue requirements is allocated by customer rate  
7 class based on the cost incurrence reported in the Class Cost of Service  
8 Study and approved by the Commission in Case Nos. 08-72-GA-AIR, *et al.*  
9 The use of these same factors better ensures the mitigation of potential  
10 cross-subsidization through assignment of the individual revenue require-  
11 ment to customers on those bases previously determined appropriate by  
12 the Commission.  
13

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

17 A. As explained in Exhibit D of the Amended Application, which I am spon-  
18 soring, Columbia complies with R.C. § 4905.35. Columbia's public utility  
19 services are available on a comparable and non-discriminatory basis. Co-  
20 lumbia does not presently have any bundled service offerings that include  
21 a regulated and unregulated service. Columbia does not condition or limit  
22 the availability of any regulated services or goods, or the availability of a  
23 discounted rate or improved quality, price, term or condition for any regu-  
24 lated services or goods, on the basis of the identity of the supplier of any  
25 other services or goods or on the purchase of any unregulated services or  
26 goods from Columbia. Columbia offers its regulated services or goods to all  
27 similarly-situated customers, including any persons with which it is affili-  
28 ated or which it controls, under comparable terms and conditions.  
29

30 Columbia's approved Standards of Conduct (existing Tariff Sheet No. 22,  
31 Section VII, which is attached in Exhibit B), is based on the requirements of  
32 R.C. § 4905.35 and requires Columbia to comply with those requirements  
33 as noted in the following provisions:  
34

- 35 • Columbia shall apply tariffs in a nondiscriminatory manner.
- 36 • Columbia shall enforce the tariffs in a nondiscriminatory manner.
- 37 • Columbia shall not give any supplier, including any marketing affil-  
38 iate, or customers of any supplier, including any marketing affiliate,  
39 preference over any other suppliers or customers. For purposes of  
40 Columbia's CHOICE® Program, any ancillary service provided by



Columbia that is not tariffed shall be priced uniformly for affiliated and nonaffiliated companies and available to all equally.

- Columbia shall process all similar requests for transportation in the same manner and within the same approximate period of time.
- Columbia shall not condition or tie its agreements for gas supply or for the release of interstate pipeline capacity to any agreement by a supplier, customer, or third party in which its marketing affiliate is involved.
- Neither Columbia nor any marketing affiliate shall communicate the idea that any advantage might accrue in the use of Columbia's service as a result of dealing with any supplier, including any marketing affiliate.

Columbia also requires all employees dealing with customers or suppliers in the areas covered by the code of conduct to receive annual training regarding its purpose and application.

**Q. R.C. § 4929.05(A)(1) and Ohio Admin. Code 4901:1-19-06(C)(5) also require an alternative rate plan applicant to discuss how it substantially complies with R.C. § 4929.02 and whether it expects to remain in substantial compliance with R.C. § 4929.02 after implementation of its Alternative Rate Plan. Does Columbia substantially comply with R.C. § 4929.02, and will it continue to do so if the Commission approves its Amended Application?**

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

1 CHOICE® Program both offer unbundled and comparable natural gas ser-  
2 vices and goods alternatives that allow customers to choose their supplier,  
3 price, terms, and other conditions to meet their respective needs. Those pro-  
4 grams promote diversity of natural gas supplies and suppliers, by giving  
5 consumers effective choices over the selection of those supplies and suppli-  
6 ers.

7  
8 Approving Columbia's Amended Application will further advance Ohio's  
9 policies. By ensuring that Columbia is given the opportunity to timely re-  
10 cover its investments in public improvement, growth capital, shared ser-  
11 vices, and information technology, the plan will enhance Columbia's ability  
12 to continue to offer adequate, reliable, and reasonably priced natural gas  
13 services and goods.

14  
15 **Q. Ohio Admin. Code 4901:1-19-06(C)(5) requires an applicant to demon-**  
16 **strate that its alternative rate plan is just and reasonable. Is Columbia's**  
17 **alternative rate plan just and reasonable?**

18 A. Yes, it is. The proposed alternative rate plan begins the gradual recovery of  
19 the CEP Deferral and underlying assets in 2018. By recovering these  
20 amounts, Columbia will request less from customers than if it were to con-  
21 tinue to defer expenses until the deferral reaches the SGS Class rate impact  
22 threshold of \$1.50 per month. Additionally, by recovering the underlying  
23 investments, Columbia will no longer continue deferring future expenses  
24 associated with those investments. Finally, with the proposed CEP Rider  
25 structure, the proposed alternative rate plan will ensure that the CEP Rider  
26 remains reasonable. Therefore, Columbia's alternative rate plan is just and  
27 reasonable.

28  
29 **Q. Are you sponsoring any exhibits to the Amended Application beyond**  
30 **those discussed above?**

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

36  
37 **Q. Does this complete your Amended Prepared Direct Testimony?**

38 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 2nd day of April, 2018, upon the persons listed below.

kevin.moore@occ.ohio.gov  
zachary.woltz@occ.ohio.gov  
cmooney@ohiopartners.org  
fdarr@mwncmh.com  
mpritchard@mwncmh.com  
dboehm@BKLawfirm.com  
mkurtz@BKLawfirm.com  
kboehm@BKLawfirm.com  
jkylercohn@BKLawfirm.com  
paul@carpenterlipps.com  
bojko@carpenterlipps.com  
dressel@carpenterlipps.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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