Columbia Exhibit No.

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

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

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Attorneys for
COLUMBIA GAS OF OHIO, INC.

October 22, 2018

PREPARED SUPPLEMENTAL TESTIMONY
OF DIANA M. BEIL

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. Have you previously submitted testimony in this proceeding?

A. Yes, I filed my Direct Testimony on December 1, 2017, and my Amended Direct Testimony on April 2, 2018.

Q. Have there been any changes in your job responsibilities since your Amended Direct Testimony was filed?

A. No.

Q. What is the purpose of your testimony?

A. This testimony is being filed in support of the following issues raised by Columbia in its Objections to the Staff Report of Investigation ("Staff Report") filed in this case:

Objection 1 – Annual Caps
Objection 2 – Recovery Period of Deferrals
Objection 3 – Rate Base Depreciation Expense Calculation
Objection 4 – Rate Base Depreciation Expense Offset
Objection 5 – Single Rate
Objection 6 – Annual Filing

II. ANNUAL CAPS

Q. Why has Columbia objected to Staff's recommendation to establish annual caps (Columbia Objection 1)?

A. Columbia objects to Staff's recommendation to establish annual caps for two primary reasons. First, it appears Staff misinterpreted the Blue Ridge finding on which it based its recommendations. Second, annual caps are not needed to control costs or protect ratepayers from excessive and unnecessary plan investments.

Q. How did Staff misinterpret the Blue Ridge finding?

A. The Blue Ridge report stated that spending on growth projects with in the CEP had increased 149% from 2012 to 2017. Staff interpreted Blue Ridge's report to mean that overall capital spending had increased 149% from 2012 to 2017. Growth-related activities only represent a portion of the total CEP spend, approximately 44%.

Q. Did the Blue Ridge audit report make further recommendations with regards to the necessity or prudency of Columbia's investments?

A. No. In fact, Blue Ridge reported that it found nothing to indicate that Columbia's CEP expenses and assets were unnecessary, unreasonable or imprudent. The Blue Ridge audit covered over $2.5 billion in capital investments and only recommended a disallowance of $205,710. Additionally, Blue Ridge concluded that Columbia is implementing sound cost containment strategies. Blue Ridge further noted that these strategies would mitigate the impact of increasing costs, but not negate the impact on costs due to constraints in the pipe construction market in Ohio and surrounding states.

III. RECOVERY PERIOD OF DEFERRALS

Q. Why has Columbia objected to Staff's proposed recovery period of deferrals (Columbia Objection 2)?

A. Staff has proposed using average service lives from Columbia's last rate case, which results in an average composite service life of 50 years or an accrual rate of 2%, to amortize CEP deferrals. Columbia objects to this proposal for several reasons. First, the proposed amortization period is significantly longer than the estimated remaining useful life of the underlying assets. Second, Staff's proposed methodology is not consistent with the periods used to amortize Columbia's other plant-based deferrals. And finally, amortizing the deferrals over 50 years versus Columbia's estimated 25 years results in customer paying more.

Q. How does Columbia's methodology differ from Staff's proposed amortization period?

A. Columbia uses a composite depreciation rate based on the underlying assets to calculate the deferral amortization period. This composite depreciation rate aligns the estimated remaining useful life of the asset with the amortization of the related deferred expenses. Using Staff's proposed average service life approach, Columbia would be amortizing expense deferrals for approximately 25 years after the underlying assets have a net book value of $0.

Q. Does Columbia use the composite depreciation rate to amortize Columbia's other plant-based deferrals?

A. Yes. Columbia uses a composite depreciation rate to amortize plant-based deferrals in both the IRP and from the last base rate case.

Q. Columbia's Objections to the Staff Report said that "Columbia's composite current depreciation rates result in an amortization period of 37 years, rather than 50 years." Why do you say the proper amortization period is 25 years?

A. Since filing its Objections, Columbia recalculated the composite depreciation rate based on the specific types of assets in the CEP. For those specific assets, the correct and proper amortization period is 25 years, not 37 years.

Q. Why does utilizing a longer amortization period mean customers pay more?

A. On an annual basis, customers will pay more due to the extended time period for recovery. The longer a deferral is amortized, the longer it remains in rate base and is included in the calculation of return on rate base.

Q. Has Columbia estimated the overall impact to customers if it used the longer amortization period recommended by Staff, rather than the composite depreciation rate?

A. Yes. Using Columbia's authorized pre-tax rate of return, Columbia estimates customers will pay an estimated $144.8 million more over 50 years compared to an estimated 25 years. Please see the analysis included in Attachment 1.

IV. PROVISION FOR ACCUMULATED DEPRECIATION

Q. Why has Columbia objected to Staff's proposed provision for accumulated depreciation included in the calculation of the revenue requirement (Columbia Objection 3)?

A. Staff proposed calculating the provision for accumulated depreciation based on gross plant additions versus net plant (net of retirements). Columbia objects to this calculation being based on gross plant additions, as it does not follow generally accepted accounting principles and does not mirror the accounting on Columbia's books for accumulated depreciation. Columbia's accumulated depreciation, based on accounting principles, is calculated based on gross plant less retirements.

V. RATE BASE DEPRECIATION EXPENSE OFFSET

Q. Why has Columbia objected to Staff's recommendation of a rate base depreciation expense offset (Columbia Objection 4)?

A. Columbia's current tariffed rates are not the subject of Columbia's Amended Application, except to the extent the Commissions adjusts those rates to reflect the recently enacted Tax Cuts and Jobs Act. Any over-collections under those rates should be addressed in Columbia's next base rate case, and not in this proceeding.

Q. What would be the impact of Staff's recommended adjustment on the overall revenue requirement?

A. Staff recommended a single rate to begin recovery of CEP investments and the related deferral through December 31, 2017, with a rate base depreciation expense offset of $289.9 million. This rate base offset results in a $27.6 million reduction to, and understatement of, the revenue requirement.

Q. Would the recommended offset allow Columbia to earn its authorized rate of return?

A. No. With the adjustment, Columbia would only earn a rate of return of approximately 5.3% on its CEP investments, compared to its authorized pretax rate of return of 9.52%.

VI. SINGLE RATE

Q. Does Columbia object to Staff's recommendation for a single CEP Rider rate (Columbia Objection 5)?

A. No. Columbia would not object to a single CEP Rider rate for each rate class, to remain in effect until Columbia's next base rate case, as recommended by Staff. However, Columbia does object to the rates Staff proposed. Staff's proposed rate reflects the depreciation accrual rates for amortization of deferred expenses, rate base provision for accumulated depreciation calculation, and rate base depreciation expense offset to which Columbia objected above.

Q. Has Columbia performed a calculation of a single CEP Rider rate?

A. Yes. Columbia's single CEP Rider rate, considering all objections previously discussed, is projected to be $4.94 for SGS Class customers, $41.26 for GS Class customers, and $798.20 for LGS Class customers. See calculation on Attachment 2.

VII. ANNUAL FILING

Q. Why has Columbia objected to Staff's recommendation of an annual filing (Columbia Objection 6)?

A. Staff recommended an annual filing to account for over/under collections and modifications in the amortization of deferrals. Columbia objects to this annual filing because it is unnecessary if the CEP Rider rate is a fixed rate to remain in effect until Columbia's next base rate case. If the CEP Rider were an ongoing, annually adjusted rider, however, an annual true-up process would be appropriate.

Q. Would an ongoing Rider, updated annually for additional CEP investment, benefit customers?

A. Yes. As Staff stated in its report, a single rate Rider would pick up CEP investments and the associated deferrals through December 31, 2017. This would stop further deferrals on the investments made through December 31, 2017. However, Columbia would continue to defer depreciation, property taxes and post in-service carrying costs ("PISCC") on investments made post-2017. An ongoing Rider would more closely align the investment with recovery, and save customers money by avoiding compounding deferrals, specifically PISCC.

Q. Does this conclude your Prepared Supplemental Testimony?

A. Yes.

CERTIFICATE OF SERVICE

The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of this document's filing on the parties referenced on the service list of the docket card who have electronically subscribed to the case. In addition, the undersigned certifies that he is serving a copy of this document via electronic mail on the 22nd day of October, 2018, upon the persons listed below:

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/s/ Eric B. Gallon
Eric B. Gallon

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COLUMBIA GAS OF OHIO, INC.

Staff Recommendation
50 year amortization period, or 2%

Deferred Balance as of December 31, 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
$ 156,580,969.39													
Annual Amortization	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39
Ending Balance	$ 153,449,350.00	$ 150,317,730.61	$ 147,186,111.23	$ 144,054,491.84	$ 140,922,872.45	$ 137,791,253.06	$ 134,659,633.68	$ 131,528,014.29	$ 128,396,394.90	$ 125,264,775.51	$ 122,133,156.12	$ 119,001,536.74	$ 115,869,917.35
Net of Tax Balance	$ 121,224,986.50	$ 118,751,007.19	$ 116,277,027.87	$ 113,803,048.55	$ 111,329,069.24	$ 108,855,089.92	$ 106,381,110.60	$ 103,907,131.29	$ 101,433,151.97	$ 98,959,172.65	$ 96,485,193.34	$ 94,011,214.02	$ 91,537,234.71
Annualized Return on Rate Base	$ 11,540,618.71	$ 11,305,095.88	$ 11,069,573.05	$ 10,834,050.22	$ 10,598,527.39	$ 10,363,004.56	$ 10,127,481.73	$ 9,891,958.90	$ 9,656,436.07	$ 9,420,913.24	$ 9,185,390.41	$ 8,949,867.57	$ 8,714,344.74

	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Annual Amortization	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39
Ending Balance	$ 112,738,297.96	$ 109,606,678.57	$ 106,475,059.19	$ 103,343,439.80	$ 100,211,820.41	$ 97,080,201.02	$ 93,948,581.63	$ 90,816,962.25	$ 87,685,342.86	$ 84,553,723.47	$ 81,422,104.08	$ 78,290,484.70	$ 75,158,865.31
Net of Tax Balance	$ 89,063,255.39	$ 86,589,276.07	$ 84,115,296.76	$ 81,641,317.44	$ 79,167,338.12	$ 76,693,358.81	$ 74,219,379.49	$ 71,745,400.17	$ 69,271,420.86	$ 66,797,441.54	$ 64,323,462.23	$ 61,849,482.91	$ 59,375,503.59
Annualized Return on Rate Base	$ 8,478,821.91	$ 8,243,299.08	$ 8,007,776.25	$ 7,772,253.42	$ 7,536,730.59	$ 7,301,207.76	$ 7,065,684.93	$ 6,830,162.10	$ 6,594,639.27	$ 6,359,116.43	$ 6,123,593.60	$ 5,888,070.77	$ 5,652,547.94

	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056
Annual Amortization	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39
Ending Balance	$ 72,027,245.92	$ 68,895,626.53	$ 65,764,007.14	$ 62,632,387.76	$ 59,500,768.37	$ 56,369,148.98	$ 53,237,529.59	$ 50,105,910.20	$ 46,974,290.82	$ 43,842,671.43	$ 40,711,052.04	$ 37,579,432.65	$ 34,447,813.27
Net of Tax Balance	$ 56,901,524.28	$ 54,427,544.96	$ 51,953,565.64	$ 49,479,586.33	$ 47,005,607.01	$ 44,531,627.69	$ 42,057,648.38	$ 39,583,669.06	$ 37,109,689.75	$ 34,635,710.43	$ 32,161,731.11	$ 29,687,751.80	$ 27,213,772.48
Annualized Return on Rate Base	$ 5,417,025.11	$ 5,181,502.28	$ 4,945,979.45	$ 4,710,456.62	$ 4,474,933.79	$ 4,239,410.96	$ 4,003,888.13	$ 3,768,365.29	$ 3,532,842.46	$ 3,297,319.63	$ 3,061,796.80	$ 2,826,273.97	$ 2,590,751.14

	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067
Annual Amortization	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39	$ 3,131,619.39
Ending Balance	$ 31,316,193.88	$ 28,184,574.49	$ 25,052,955.10	$ 21,921,335.71	$ 18,789,716.33	$ 15,658,096.94	$ 12,526,477.55	$ 9,394,858.16	$ 6,263,238.78	$ 3,131,619.39	$ 0.00
Net of Tax Balance	$ 24,739,793.16	$ 22,265,813.85	$ 19,791,834.53	$ 17,317,855.21	$ 14,843,875.90	$ 12,369,896.58	$ 9,895,917.27	$ 7,421,937.95	$ 4,947,958.63	$ 2,473,979.32	$ 0.00
Annualized Return on Rate Base	$ 2,355,228.31	$ 2,119,705.48	$ 1,884,182.65	$ 1,648,659.82	$ 1,413,136.99	$ 1,177,614.15	$ 942,091.32	$ 706,568.49	$ 471,045.66	$ 235,522.83	$ 0.00
Total Return on Rate Base	$ 288,515,467.87										

Columbia's Calculation
~25 year amortization period, or 3.94%

Deferred Balance as of December 31, 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
$ 156,580,969.39													
Annual Amortization	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19
Ending Balance	$ 150,411,679.20	$ 144,242,389.00	$ 138,073,098.81	$ 131,903,808.61	$ 125,734,518.42	$ 119,565,228.23	$ 113,395,938.03	$ 107,226,647.84	$ 101,057,357.64	$ 94,888,067.45	$ 88,718,777.26	$ 82,549,487.06	$ 76,380,196.87
Net of Tax Balance	$ 118,825,226.56	$ 113,951,487.31	$ 109,077,748.06	$ 104,204,008.81	$ 99,330,269.55	$ 94,456,530.30	$ 89,582,791.05	$ 84,709,051.79	$ 79,835,312.54	$ 74,961,573.29	$ 70,087,834.03	$ 65,214,094.78	$ 60,340,355.53
Annualized Return on Rate Base	$ 11,312,161.57	$ 10,848,181.59	$ 10,384,201.62	$ 9,920,221.64	$ 9,456,241.66	$ 8,992,261.68	$ 8,528,281.71	$ 8,064,301.73	$ 7,600,321.75	$ 7,136,341.78	$ 6,672,361.80	$ 6,208,381.82	$ 5,744,401.85

	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Annual Amortization	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 6,169,290.19	$ 2,348,714.54
Ending Balance	$ 70,210,906.67	$ 64,041,616.48	$ 57,872,326.29	$ 51,703,036.09	$ 45,533,745.90	$ 39,364,455.70	$ 33,195,165.51	$ 27,025,875.32	$ 20,856,585.12	$ 14,687,294.93	$ 8,518,004.73	$ 2,348,714.54	$ 0.00
Net of Tax Balance	$ 55,466,616.27	$ 50,592,877.02	$ 45,719,137.77	$ 40,845,398.51	$ 35,971,659.26	$ 31,097,920.01	$ 26,224,180.75	$ 21,350,441.50	$ 16,476,702.25	$ 11,602,962.99	$ 6,729,223.74	$ 1,855,484.49	$ 0.00
Annualized Return on Rate Base	$ 5,280,421.87	$ 4,816,441.89	$ 4,352,461.92	$ 3,888,481.94	$ 3,424,501.96	$ 2,960,521.98	$ 2,496,542.01	$ 2,032,562.03	$ 1,568,582.05	$ 1,104,602.08	$ 640,622.10	$ 176,642.12	$ 0.00
Total Return on Rate Base	$ 143,610,046.15												

Estimated Customer impact $ 144,905,421.72

Columbia Gas of Ohio, Inc.

Capital Expenditure Program (CEP) Rider

Case No. 17-2202-GA-ALT

Revenue Requirement Calculation

Line No.	Investment Date		Company Proposed Single Rate 12/31/2017
	Description		
	Return on Investment		
1	Plant In-Service		
2	Additions[1]		$660,093,110.37
3	Retirements		$111,379,391.10
4	Total Plant In-Service	$	548,713,719.27
5	Less: Accumulated Provision for Depreciation		
6	Depreciation Expense	$	55,299,434.00
7	Retirements		$111,379,391.10
8	Total Accumulated Provision for Depreciation	$	56,079,957.10
9	Deferred Plant Depreciation		$55,299,434.00
10	Deferred PISCC		$71,707,463.81
11	Deferred Property Taxes		$29,574,071.58
12	Deferred Taxes on PISCC	$	(15,058,567.40)
13	Deferred Taxes on Property Taxes	$	(6,210,555.03)
14	Deferred Taxes on Liberalized Depreciation		($60,344,626.34)
15	Net Rate Base	$	679,760,896.99
16	Approved Pre-tax Rate of Return		9.52%
17	Annualized Return on Rate Base	$	64,713,237.39
	Operating Expenses		
18	Annualized Depreciation	$	21,619,320.54
19	Annualized Deferred Depreciation Amortization	$	1,922,861.00
20	Annualized PISCC Amortization	$	2,825,274.07
21	Annualized Property Tax Expense	$	12,669,976.42
22	Annualized Deferred Property Tax Amortization	$	1,165,218.42
	Revenue Requirement	$	104,915,887.84
23	(Over)/Under Recovered Balance	$	-
	Excess Deferred Tax Passback		
24	**Total Amount to be Collected**	**$**	**104,915,887.84**

Columbia Gas of Ohio, Inc.

Capital Expenditure Program (CEP) Rider

Case No. 17-2202-GA-ALT

Rate Development

Line No.	Investment Date	Company Proposed Single Rate 12/31/2017
	Description	
1	Revenue Requirement from Case No. 17-2202-GA-ALT	$ 104,915,888
	Allocated Plant in Service per Case No. 08-0072-GA-AIR[(1)]	
2	SGS Class	$ 1,406,934.00
3	GS Class	$ 274,607.00
4	LGS Class	$ 59,651.00
5	Total	$ 1,741,192.00
	Percent by Class	
6	SGS Class	80.80%
7	GS Class	15.77%
8	LGS Class	3.43%
9	Total	100.00%
	Revenue Requirement Allocated to Each Class	
10	SGS Class	$ 84,775,102.20
11	GS Class	$ 16,546,502.17
12	LGS Class	$ 3,594,283.47
13	Total	$ 104,915,887.84
	Number of Projected Bills TME July 31	
14	SGS Class	17,152,600
15	GS Class	401,072
16	LGS Class	4,503
17	Total	
18	**Projected Impact Per Month - SGS**	$ 4.94
19	**Projected Impact Per Month - GS**	$ 41.26
20	**Projected Impact Per Month - LGS**	$ 798.20