

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application)
of Columbia Gas of Ohio, Inc. for an Ad-) Case No. 21-0023-GA-RDR
justment to the CEP Rider Rate.)

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

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February 25, 2021

Attorney for
COLUMBIA GAS OF OHIO, INC.

**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. Finally, I support the team that works with Columbia's largest industrial customers.

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

A. The purpose of my testimony is to support the reasonableness of Columbia's request for the proposed rate adjustments to the CEP Rider, as well as to support and sponsor the Application, Attachments A and B, and the CEP Schedules filed on February 25, 2021.

II. EXPLANATION OF CEP RIDER SCHEDULES

Q. What schedules are you sponsoring in this proceeding?

A. The following is a list of the CEP Rider schedules filed on February 25, 2021, that I am sponsoring and supporting in this proceeding:

Schedule	Description
Attachment A	Proposed Rate Schedules
Attachment B	Typical Bill Comparison
Schedule CEP-1	Calculation of Revenue Requirement
Schedule CEP-2	Plant Additions by Month
Schedule CEP-3	Original Cost Retired by Month
Schedule CEP-4	Net Plant by Month
Schedule CEP-5	Provision for Depreciation (Gross Plant)
Schedule CEP-6	Calculation of Base Rate Depreciation Offset
Schedule CEP-7	Annualized Depreciation
Schedule CEP-8	Deferred Depreciation
Schedule CEP-9	Post-in-Service Carrying Cost
Schedule CEP-10	Annualized Property Tax Expense Calculation
Schedule CEP-11	Deferred Tax-Liberalized Depreciation
Schedule CEP-12	Revenue Reconciliation
Schedule CEP-13	Computation of Projected Impact Per Customer

Q. How was the CEP Rider authorized by the Commission?

A. The Commission authorized the establishment of the CEP Rider in its Opinion and Order dated November 28, 2018 in Case No. 17-2202-GA-ALT.

Q. Please describe the CEP Rider.

A. The CEP Rider recovers the post-in-service carrying costs, incremental depreciation expense, and property tax expense directly attributable to Columbia's capital expenditure program ("CEP"). The CEP Rider also provides for a return on and of the assets included in the CEP program.

Q. Would you please provide a brief explanation of Attachment A and Attachment B?

A. Attachment A details the rate schedules to which the CEP Rider applies. Attachment B compares typical bills for each rate schedule between current rates and the proposed CEP Rider rates.

Q. Did Columbia include in its filing the revenue requirement calculation and related schedules in support of its proposed change to the CEP Rider rate?

A. Yes. Columbia included the CEP Rider revenue calculation detailed on Schedule CEP-1.

Q. What is included in the CEP Rider revenue requirement calculations?

A. The revenue requirement set forth on Schedule CEP-1 includes return on and return of Columbia's investment in each of these programs and related costs. The pre-tax return on rate base is 9.52%, which was approved by the Commission in Columbia's most recent rate case, adjusted to account for the impacts of the Tax Cuts and Jobs Act of 2017 ("Tax Reform"). Costs included for determination of the revenue requirement are based on actual account balances at December 31, 2019, consistent with those cost components identified for recovery in the Joint Stipulation and Recommendation from Case No. 17-2202-GA-ALT.

Q. What types of CEP-related costs are capitalized and included in rate base?

A. Capitalized costs include contract labor and associated expenses, materials and supplies, internal labor and associated overheads, and AFUDC. These plant additions are capitalized at Columbia's actual cost and shown as an increase to rate base as projects are placed in service. The associated accumulated reserve for depreciation which, was computed based upon gross plant additions and current depreciation rates,¹ is reflected as a reduction to rate base. Each of the rate base components is based on the actual cumulative investment in the CEP made by Columbia at December 31, 2020.

Q. Does the calculation of rate base further reflect the recognition of an additional rate base offset in recognition of depreciated plant investment currently included in Columbia's base rates?

A. Yes. Please refer to Schedule CEP-6 for the detailed development of this offset to rate base.

¹ See Staff Report of Investigation Case No. 08-0072-GA-AIR, *et al.*

- Q. What types of CEP-related deferred expenses are included in rate base?**
- A. Deferred depreciation expense, deferred property tax expense and deferred PISCC are the deferred expenses included in rate base. Generally, these expenses are deferred beginning with the month the plant goes in service or the month the expense is incurred, and continues up to the point Columbia commences recovery of its investment through rates. The cumulative deferred expenses recorded during October 1, 2011 through December 31, 2020, have been included as part of rate base in this filing.
- Q. Why are deferred taxes shown as a reduction to rate base?**
- A. Deferred taxes are a non-investor source of funds, resulting from a tax treatment of expense that is different from the book treatment. Recognition of deferred taxes properly measures Columbia's net investment resulting from implementation of the CEP Rider. These non-investor sources of funds reflected as an offset to rate base include deferred taxes resulting from the use of higher tax depreciation and current year recognition of deferred PISCC and property taxes.
- Q. Please explain the annualized amortization of deferred expenses calculations.**
- A. Deferred expenses such as deferred depreciation, deferred property taxes, and deferred PISCC are amortized over a 30-year period consistent with the treatment provided for in Case No. 17-2202-GA-ALT. Amortization of Deferred Depreciation Expense is shown on Schedule CEP-8. Amortization of Deferred PISCC is shown on Schedule CEP-9 with the determination of the amortization of Deferred Property Taxes being set forth on Schedule CEP-10.
- Q. Please describe the property tax calculation set forth on Schedule CEP-10.**
- A. This schedule provides for the computation of property tax based on the sum of plant additions excluding the impact of original cost retired. The calculation follows the process used in Columbia's Annual Report to the Ohio Department of Taxation to determine the Net Property Valuation and uses the latest actual average property tax rate per \$1,000 of valuation. Calculating tax in this manner results in the revenue requirement reflecting the property tax expense which Columbia will incur during the twelve months the proposed CEP Rider rate will be in effect.

Q. How is the revenue requirement to be recovered?

A. The allocation of the CEP revenue requirement and development of the applicable CEP Rider rates are shown on Schedule CEP-13. This schedule shows that the revenue requirement is to be recovered based upon gross plant in service upon which base rates were established in Case No. 08-0072-GA-AIR, *et al.* This method results in the assignment of the revenue requirement to rate schedules consistent with that previously approved by the Commission.

III. REASONABLENESS OF REQUESTED ADJUSTMENT

Q. Did Columbia agree to CEP Rider rate caps for the Small General Service (“SGS”), General Service (“GS”), and Large General Service (“LGS”) class of customers?

A. Yes. In Case No. 17-2202-GA-ALT, Columbia agreed to limit the monthly CEP Rider rates that became effective September 1, 2021 to \$6.66 per SGS customer, \$57.41 per GS customer, and \$1,098.12 per LGS customer.

Q. Are Columbia’s proposed rates within the permitted caps?

A. Yes. Columbia’s proposed SGS class rate is \$5.93 per month, GS class rate is \$41.54 per month, and LGS class rate is \$1,007.43 per month beginning September 1, 2021.

Q. Do you have an opinion regarding whether Columbia’s request to adjust the CEP Rider is reasonable?

A. Yes. I believe Columbia’s request to adjust its CEP Rider is fair and reasonable. I believe that the costs of service are properly allocated to the appropriate customer classes and the rate design was properly computed in accordance with the terms and conditions of prior Commission orders. Furthermore, the proposed CEP Rider rates are within the rate caps established in Case No. 17-2202-GA-ALT.

IV. OTHER COMPLIANCE MATTERS

Q. Did the Commission Staff make certain recommendations in its Staff Report in Case No. 20-0049-GA-ALT?

A. Yes. On pages 4 through 5 of the Staff Report, Staff recommended that Columbia address the following items by March 1, 2021, in its next CEP filing: “2. track meter relocations; 3. document certain policies and procedures, and 4. track growth projects and goals met.”

Q. Has Columbia complied with these recommendations?

A. Yes. With the second requirement, Columbia is able to track its meter relocations because it uses three types of job orders for meter relocations: 565, 2313, and 3843. A majority of Columbia's meter relocations are 565 job orders, which are capital job orders. The 2313 and 3843 job orders are capital and O&M, respectively.

With the third requirement, Columbia gathered policies and procedures internally that addressed the preparation and approval of work orders, damage claims, accounting and journal entries, and allocations. With the fourth and final requirement, Columbia has implemented a policy responsive to this requirement.

Q. Does this complete your Prepared Direct Testimony?

A. Yes, it does.

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Summary: Testimony Testimony of Melissa Thompson electronically filed by Mr. John R Ryan
on behalf of Columbia Gas of Ohio