

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Co-)
lumbia Gas of Ohio, Inc. for an Adjust-) Case No. 20-1712-GA-RDR
ment to Rider IRP and Rider DSM Rates.)

**PREPARED DIRECT TESTIMONY OF
BENJAMIN A. FREIMAN
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.**

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February 25, 2021

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**PREPARED DIRECT TESTIMONY
OF BENJAMIN A. FREIMAN**

I. INTRODUCTION

Q. Please state your name and business address.

A. Benjamin A. Freiman, 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 The Ohio State University where I majored in Accounting, and received a Bachelor of Science in Business Administration in August 2008. In November 2008, I joined the accounting firm Ary, Roepcke, Mulchaey as an auditor and became a licensed certified public accountant ("CPA") in the state of Ohio in January 2011. From 2011 to 2019, I was employed by NiSource Inc. in various accounting, special studies, project management and financial planning roles. I was hired by Columbia in July 2019 as Manager of Regulatory Affairs. I am currently a member of the Ohio Society of CPAs.

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

A. As Manager 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"). Other responsibilities include the preparation of exhibits, proposed tariff changes and testimony filed by Columbia in support of the continuation of its Infrastructure Replacement Program ("IRP") Rider.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support the reasonableness of Columbia's request for the proposed rate adjustments in the Rider IRP. I provide a detailed explanation of the schedules filed by Columbia on February 25, 2021, in support of the proposed adjustments.

Q. What schedules are you sponsoring in this proceeding?

A. Following is a list and brief description of the schedules I am sponsoring in this proceeding, which are applicable to Rider IRP:

1 **Rider IRP:**

2

Schedule/Exhibit	Description
Schedule AMRP-1	AMRP Calculation of Revenue Requirement
Schedule AMRP-2	AMRP Plant Additions by Month
Schedule AMRP-3	AMRP Cost of Removal by Month
Schedule AMRP-4	AMRP Original Cost Retired by Month
Schedule AMRP-5	AMRP Provision for Depreciation
Schedule AMRP-6	AMRP Post in Service Carrying Cost
Schedule AMRP-7	AMRP Annualized Property Tax Expense Calculation
Schedule AMRP-8	AMRP Deferred Tax-Liberalized Depreciation
Schedule AMRP-9A	AMRP O&M Expenses
Schedule AMRP-9B	AMRP O&M Savings
Schedule AMRP-10	AMRP Revenue Reconciliation
Schedule AMRP-11	AMRP Computation of Projected Impact Per Customer
Schedule AMRP-12	AMRP Calculation of Excess Deferred Tax Adjustment
Schedule AMRP-13	AMRP Computation of Excess Deferred Tax Balance
Schedule R-1	RISER Calculation of Revenue Requirement
Schedule R-2	RISER Plant Additions by Month
Schedule R-3	RISER Cost of Removal by Month
Schedule R-4	RISER Original Cost Retired by Month
Schedule R-5	RISER Provision for Depreciation
Schedule R-6	RISER Post in Service Carrying Cost
Schedule R-7	RISER Annualized Property Tax Expense Calculation
Schedule R-8	RISER Deferred Tax-Liberalized Depreciation
Schedule R-9	RISER O&M Expenses
Schedule R-10	RISER Revenue Reconciliation
Schedule R-11	RISER Computation of Projected Impact Per Customer
Schedule R-12	RISER Calculation of Excess Deferred Tax Adjustment
Schedule R-13	RISER Computation of Excess Deferred Tax Balance
Schedule AMRD-1	AMRD Calculation of Revenue Requirement
Schedule AMRD-2	AMRD Plant Additions by Month
Schedule AMRD-3	AMRD Cost of Removal by Month
Schedule AMRD-4	AMRD Original Cost Retired by Month
Schedule AMRD-5	AMRD Provision for Depreciation
Schedule AMRD-6	AMRD Post in Service Carrying Cost
Schedule AMRD-7	AMRD Annualized Property Tax Calculation
Schedule AMRD-8	AMRD Deferred Tax-Liberalized Depreciation

Schedule/Exhibit	Description
Schedule AMRD-9A	AMRD O&M Expenses
Schedule AMRD-9B	AMRD O&M Savings
Schedule AMRD-10	AMRD Revenue Reconciliation
Schedule AMRD-11	AMRD Computation of Projected Impact Per Customer
Schedule AMRD-12	AMRD Calculation of Excess Deferred Tax Adjustment
Schedule AMRD-13	AMRD Computation of Excess Deferred Tax Balance

II. EXPLANATION OF RIDER IRP SCHEDULES:

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

A. Each of the revenue requirements set forth on Schedules AMRP-1, R-1, and AMRD-1 include return on and return of Columbia's investment in each of these programs, and recovery of related costs such as program operating expenses and deferred expenses. The pre-tax return on rate base is 9.52%, which accounts for the impacts of the Tax Cuts and Jobs Act of 2017 ("Tax Reform"). Costs included for determination of the revenue requirement are consistent with those cost components identified for recovery in the Joint Stipulation and Recommendation filed in Case No. 08-0072-GA-AIR, et al. on October 24, 2008; the Rate Case Order; the Joint Stipulation and Recommendation from Case No. 11-5515-GA-ALT; and the Joint Stipulation and Recommendation from Case No. 16-2422-GA-ALT.

Q. What types of IRP-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. The plant additions are capitalized at Columbia's actual cost of replacement and shown as an increase to rate base as projects are placed in service. The associated accumulated reserve for depreciation is detailed as a reduction to rate base. Each of the rate base components is based on the cumulative investment made by Columbia during the twelve calendar years ended December 31, 2020. The development of rate base used for computation of pre-tax return on rate base is also shown on Schedules AMRP-1, R-1, and AMRD-1.

Q. What types of IRP-related deferred expenses are included in rate base?

A. Deferred depreciation expense, deferred property tax expense and deferred PISCC are the three types of deferred expenses included in rate base. Generally, expenses are deferred beginning with the month the plant goes in

1 service or the month the expense is incurred, until Columbia begins earning
2 a return on its investment through rates. The cumulative deferred expenses
3 recorded during calendar years 2008-2020 have been included as part of
4 rate base in this filing.
5

6 **Q. Why are deferred taxes shown as a reduction to rate base?**

7 **A.** Deferred taxes are a non-investor source of funds, resulting from a tax treat-
8 ment of expense that is different from the book treatment. Recognition of
9 deferred taxes properly measures Columbia's net investment resulting
10 from implementation of the IRP. These non-investor sources of funds re-
11 flected as an offset to rate base include deferred taxes resulting from the use
12 of higher tax depreciation and current year recognition of deferred PISCC
13 and property taxes.
14

15 **Q. Is the Rider IRP rate requested in this Application fully adjusted for the**
16 **impacts of the Tax Reform?**

17 **A.** Yes. With the Rider IRP adjustment in Case No. 17-2374-GA-RDR, Colum-
18 bia updated its revenue requirement calculations for the impact of 100%
19 expensing, as well as the change in the federal income tax rate of 35% to
20 21% effective January 1, 2018. In Case No. 18-1701-GA-RDR, Columbia fur-
21 ther adjusted its IRP rates to provide for the commencement of the pass
22 back of excess deferred taxes associated with the reduced tax rate retroac-
23 tive to January 1, 2018. The calculation of excess deferred taxes is shown on
24 Schedules AMRP-12, R-12, and AMRD-12. The calculation of the excess de-
25 ferred tax balance is shown on Schedules AMRP-13, R-13 and AMRD-13.
26

27 **Q. Please explain the annualized amortization of deferred expenses calcula-**
28 **tions.**

29 **A.** Deferred expenses such as deferred depreciation, deferred property taxes,
30 and deferred PISCC are amortized over the life of the associated assets us-
31 ing the current depreciation rate. Amortization does not start until Colum-
32 bia begins recovering the associated expense through rates and is calculated
33 based on the cumulative date certain balance and current depreciation rate.
34 Amortization of Deferred Depreciation Expense is shown on Schedules
35 AMRP-5, R-5, and AMRD-5. Amortization of Deferred PISCC is shown on
36 Schedules AMRP-6, R-6, and AMRD-6 with the determination of the amor-
37 tization of Deferred Property Taxes being set forth Schedules AMRP-7, R-
38 7, and AMRD-7.

1 **Q. Please describe the property tax calculation set forth on Schedules**
2 **AMRP-7, R-7, and AMRD-7.**

3 A. These schedules provide for the computation of property tax based on the
4 sum of plant additions excluding the original cost retired. The calculation
5 follows the process used in Columbia's Annual Report to the Ohio Depart-
6 ment of Taxation to determine the Net Property Valuation and uses the lat-
7 est actual average property tax rate per \$1,000 of valuation. It reflects the
8 ongoing property tax that Columbia will incur during the twelve months
9 that the proposed Rider IRP rate will be in effect. These schedules further
10 detail the development of the deferred property taxes and annualized
11 amortization of the deferred expenses included in the revenue requirement.
12

13 **Q. Is there recognition of O&M savings included in the revenue require-**
14 **ment calculation?**

15 A. Yes. The combined revenue requirement provides for recognition of ap-
16 proximately \$7.5 million of O&M savings. There are two types of savings
17 passed back to customers: meter reading expense savings of approximately
18 \$5.2 million, and mains and services expense savings of \$2.3 million. Both
19 types of savings are included as a reduction in the associated revenue re-
20 quirements.
21

22 **Q. Please describe how meter reading expense savings on Schedule AMRD-**
23 **9B were calculated.**

24 A. The Rate Case Order states that each annual Rider IRP filing shall contain a
25 comparison of that year's meter reading expense (FERC 902) against the
26 meter reading expense for the twelve months ended September 30, 2008. If
27 that year's meter reading expense is lower than the test year amount, the
28 savings should appear as a reduction to the revenue requirement. The par-
29 ties further agreed that additional savings (e.g., meter reading plan and call
30 center savings) that may result from the AMRD program should also be
31 passed back to customers. Subsequently, Staff, OCC, and Columbia agreed
32 to three separate AMRD savings baseline calculations. Savings in one base-
33 line calculation will not be netted against added costs in another. The first
34 is the FERC 902 savings described above. The second calculation compares
35 the expense incurred on minimum gas service standard mailings from the
36 twelve months ended September 2008 to the current year's expense. If the
37 current year's expense is lower than the test year, the savings will appear
38 as a reduction to the revenue requirement. The next calculation compares
39 the expense incurred for meter reading contacts at the customer call center

1 from the twelve months ended September 2008 to the current year's ex-
2 pense. If the current year's expense is lower than the test year expense, the
3 savings will appear as a reduction to the revenue requirement.
4

5 **Q. How did Columbia calculate its actual 2020 O&M expense savings?**

6 A. Columbia used the same methodology approved by the Commission in
7 Case No. 09-1036-GA-RDR, by calculating the savings attributable to Co-
8 lumbia's AMRP program through the comparison of specified account ac-
9 tivities.
10

11 **Q. Which mains and services activities were included in the O&M savings**
12 **calculation?**

13 A. Subsequent to the issuance of the Order in Case No. 09-1036-GA-RDR,
14 PUCO Staff, OCC, and Columbia spent time discussing each of the mains
15 and service activities. As a result of those discussions, Columbia's applica-
16 tion contains a comparison of 2020's expense for the O&M activities against
17 the expense for those same activities during the twelve months ended Sep-
18 tember 30, 2008. Those activities experiencing savings are included in the
19 calculation of the 2020 actual O&M savings. These savings are flowed
20 through to customers through a credit to cost of service if they exceed the
21 minimum guaranteed savings levels agreed to by Columbia in Case No. 16-
22 2422-GA-ALT.
23

24 **Q. Please describe how mains and services O&M expense savings shown on**
25 **Schedule AMRP-9B were determined.**

26 A. In the Joint Stipulation and Recommendation approved in Case No. 16-
27 2422-GA-ALT, Columbia agreed to include the greater of Columbia's actual
28 O&M savings or \$2,250,000 for 2020 as a reduction in the Rider IRP revenue
29 requirement. Columbia's actual O&M savings for 2020 did not exceed
30 \$2,250,000. Therefore, Columbia is reflecting O&M savings of \$2,250,000 as
31 a reduction to its revenue requirement.
32

33 **Q. How are the revenue requirements to be spread over Columbia's cus-**
34 **tomer base?**

35 A. Each of the respective revenue requirements is allocated to the appropriate
36 rate schedule based on cost occurrence reported in the Class Cost of Service
37 Study filed as Schedule E-3.2-1 in Case Nos. 08-0072-GA-AIR, et al. Next,
38 the allocated program costs will be converted to a monthly fixed charge
39 based on the number of bills projected to be rendered to customers served

1 under each rate schedule for the twelve-months ending April 2022. The im-
2 pact on individual rate schedules for each program will then be aggregated
3 for determination of the Rider IRP. These calculations are set forth on
4 Schedules AMRP-11, R-11 and AMRD-11.
5

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

7 **A.** Yes. However I reserve my right to supplement this testimony.

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 25th day of February, 2021, upon the persons listed below.

/s/ John R. Ryan

John R. Ryan

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