

**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. 21-1185-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.**

John R. Ryan, Sr. Counsel (0090607)
P.O. Box 117
290 W. Nationwide Blvd.
Columbus, Ohio 43216-0117
Telephone: (614) 285-2220
E-mail: johnryan@nisource.com

(Willing to accept service by e-mail)

February 25, 2022

Attorney for
COLUMBIA GAS OF OHIO, INC.

**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, 2022, 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
Schedule IRP-1	IRP Calculation of Revenue Requirement
Schedule IRP-2	IRP Plant Additions by Month
Schedule IRP-3	IRP Cost of Removal by Month
Schedule IRP-4	IRP Original Cost Retired by Month
Schedule IRP-5	IRP Provision for Depreciation
Schedule IRP-6	IRP Post in Service Carrying Cost
Schedule IRP-7	IRP Annualized Property Tax Expense Calculation
Schedule IRP-8	IRP Deferred Tax-Liberalized Depreciation
Schedule IRP-9	IRP Revenue Reconciliation
Schedule IRP-10	IRP Computation of Projected Impact Per Customer

II. EXPLANATION OF RIDER IRP SCHEDULES:

Q. Did Columbia file two sets of schedules in this proceeding?

A. Yes. In this proceeding, Columbia filed two sets of schedules: (1) AMRP, Riser and AMRD, based upon a test year beginning January 1, 2021, and ending December 31, 2021, and a date certain of December 31, 2021 for property valuation prior to revised base rates going into effect with Case No. 21-0637-GA-AIR, et al; (2) IRP, based upon a test year beginning April 1, 2021, and ending December 31, 2021, and a date certain of December 31, 2021 for property valuation on and after revised base rates go into effect with Case No. 21-0637-GA-AIR, et al.

Q. What is included in the AMRP, Riser, and AMRD 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

1 Stipulation and Recommendation filed in Case No. 08-0072-GA-AIR, et al.
2 on October 24, 2008; the Rate Case Order; the Joint Stipulation and Recom-
3 mendation from Case No. 11-5515-GA-ALT; and the Joint Stipulation and
4 Recommendation from Case No. 16-2422-GA-ALT.
5

6 **Q. What types of AMRP, Riser, and AMRD related costs are capitalized and**
7 **included in rate base?**

8 A. Capitalized costs include contract labor and associated expenses, materials
9 and supplies, internal labor and associated overheads, and AFUDC. The
10 plant additions are capitalized at Columbia's actual cost of replacement and
11 shown as an increase to rate base as projects are placed in service. The as-
12 sociated accumulated reserve for depreciation is detailed as a reduction to
13 rate base. Each of the rate base components is based on the cumulative in-
14 vestment made by Columbia during the fourteen calendar years ended De-
15 cember 31, 2021. The development of rate base used for computation of pre-
16 tax return on rate base is also shown on Schedules AMRP-1, R-1, and
17 AMRD-1.
18

19 **Q. What types of AMRP, Riser, and AMRD related deferred expenses are**
20 **included in rate base?**

21 A. Deferred depreciation expense, deferred property tax expense and deferred
22 PISCC are the three types of deferred expenses included in rate base. Gen-
23 erally, expenses are deferred beginning with the month the plant goes in
24 service or the month the expense is incurred, until Columbia begins earning
25 a return on its investment through rates.
26

27 **Q. Is the combined AMRP, Riser and AMRD rate requested in this Applica-**
28 **tion fully adjusted for the impacts of the Tax Reform?**

29 A. Yes. With the Rider IRP adjustment in Case No. 17-2374-GA-RDR, Colum-
30 bia updated its revenue requirement calculations for the impact of 100%
31 expensing, as well as the change in the federal income tax rate of 35% to
32 21% effective January 1, 2018. In Case No. 18-1701-GA-RDR, Columbia fur-
33 ther adjusted its IRP rates to provide for the commencement of the pass
34 back of excess deferred taxes associated with the reduced tax rate retroac-
35 tive to January 1, 2018. The calculation of excess deferred taxes is shown on
36 Schedules AMRP-12, R-12, and AMRD-12. The calculation of the excess de-
37 ferred tax balance is shown on Schedules AMRP-13, R-13, and AMRD-13.

1 **Q. Please explain the annualized amortization of deferred expenses calculations in the AMRP, Riser and AMRD Schedules.**

2
3 **A.** Deferred expenses such as deferred depreciation, deferred property taxes,
4 and deferred PISCC are amortized over the life of the associated assets using
5 the current depreciation rate. Amortization does not start until Columbia
6 begins recovering the associated expense through rates and is calculated
7 based on the cumulative date certain balance and current depreciation rate.
8 Amortization of Deferred Depreciation Expense is shown on Schedules
9 AMRP-5, R-5, and AMRD-5. Amortization of Deferred PISCC is shown on
10 Schedules AMRP-6, R-6, and AMRD-6 with the determination of the amortization
11 of Deferred Property Taxes being set forth Schedules AMRP-7, R-
12 7, and AMRD-7.
13

14 **Q. Please describe the property tax calculation set forth on Schedule 7 for AMRP, Riser and AMRD.**

15
16 **A.** These schedules provide for the computation of property tax based on the
17 sum of plant additions excluding the original cost retired. The calculation
18 follows the process used in Columbia's Annual Report to the Ohio Department
19 of Taxation to determine the Net Property Valuation and uses the latest
20 actual average property tax rate per \$1,000 of valuation. It reflects the
21 ongoing property tax that Columbia will incur when the proposed Rider
22 IRP rate will be in effect. These schedules further detail the development of
23 the deferred property taxes and annualized amortization of the deferred
24 expenses included in the revenue requirement.
25

26 **Q. Is there recognition of O&M savings included in the revenue requirement calculation for the AMRP, Riser, and AMRD schedules?**

27
28 **A.** Yes. The combined revenue requirement provides for recognition of approximately
29 \$7.7 million of O&M savings. There are two types of savings passed back to customers:
30 meter reading expense savings of approximately \$5.2 million, and mains and services
31 expense savings of \$2.5 million. Both types of savings are included as a reduction in
32 the associated revenue requirements.
33

34
35 **Q. Please describe how meter reading expense savings on Schedule AMRD-9B were calculated.**

36
37 **A.** The Rate Case Order states that each annual Rider IRP filing shall contain a
38 comparison of that year's meter reading expense (FERC 902) against the
39 meter reading expense for the twelve months ended September 30, 2008. If
40 that year's meter reading expense is lower than the test year amount, the

savings should appear as a reduction to the revenue requirement. The parties further agreed that additional savings (e.g., meter reading plan and call center savings) that may result from the AMRD program should also be passed back to customers. Subsequently, Staff, OCC, and Columbia agreed to three separate AMRD savings baseline calculations. Savings in one baseline calculation will not be netted against added costs in another. The first is the FERC 902 savings described above. The second calculation compares the expense incurred on minimum gas service standard mailings from the twelve months ended September 2008 to the current year's expense. If the current year's expense is lower than the test year, the savings will appear as a reduction to the revenue requirement. The next calculation compares the expense incurred for meter reading contacts at the customer call center from the twelve months ended September 2008 to the current year's expense. If the current year's expense is lower than the test year expense, the savings will appear as a reduction to the revenue requirement.

Q. How did Columbia calculate its actual 2021 O&M expense savings included in the AMRP Schedules?

A. Columbia used the same methodology approved by the Commission in Case No. 09-1036-GA-RDR, by calculating the savings attributable to Columbia's AMRP program through the comparison of specified account activities.

Q. Which mains and services activities were included in the O&M savings calculation on AMRP-9B?

A. Subsequent to the issuance of the Order in Case No. 09-1036-GA-RDR, PUCO Staff, OCC, and Columbia spent time discussing each of the mains and service activities. As a result of those discussions, Columbia's application contains a comparison of 2021's expense for the O&M activities against the expense for those same activities during the twelve months ended September 30, 2008. Those activities experiencing savings are included in the calculation of the 2021 actual O&M savings. These savings are flowed through to customers through a credit to cost of service if they exceed the minimum guaranteed savings levels agreed to by Columbia in Case No. 16-2422-GA-ALT.

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

A. In the Joint Stipulation and Recommendation approved in Case No. 16-2422-GA-ALT, Columbia agreed to include the greater of Columbia's actual

1 O&M savings of \$2,500,000 for 2021 as a reduction in the Rider IRP revenue
2 requirement. Columbia's actual O&M savings for 2021 did not exceed
3 \$2,500,000. Therefore, Columbia is reflecting O&M savings of \$2,500,000 as
4 a reduction to its revenue requirement.
5

6 **Q. How are the revenue requirements to be spread over Columbia's cus-**
7 **tomer base for the AMRP, Riser, and AMRD schedules?**

8 A. Each of the respective revenue requirements is allocated to the appropriate
9 rate schedule based on cost occurrence reported in the Class Cost of Service
10 Study filed as Schedule E-3.2-1 in Case Nos. 08-0072-GA-AIR, et al. Next,
11 the allocated program costs will be converted to a monthly fixed charge
12 based on the number of bills projected to be rendered to customers served
13 under each rate schedule. The impact on individual rate schedules for each
14 program will then be aggregated for determination of the Rider IRP. These
15 calculations are set forth on Schedules AMRP-11, R-11 and AMRD-11.
16

17 **Q. What is included in Schedule IRP-1 revenue requirement calculations?**

18 A. The revenue requirement set forth on Schedules IRP-1 include return on
19 and return of Columbia's investments and recovery of deferred expenses.
20 The pre-tax return on rate base is 9.32%, which was included in the Appli-
21 cation of Case No. 21-0637-GA-AIR. This rate will be updated upon issu-
22 ance of an Order for Case No. 21-0637-GA-AIR. Costs included for determi-
23 nation of the revenue requirement are consistent with those cost compo-
24 nents identified for recovery in the Joint Stipulation and Recommendation
25 filed in Case No. 08-0072-GA-AIR, et al. on October 24, 2008; the Rate Case
26 Order; the Joint Stipulation and Recommendation from Case No. 11-5515-
27 GA-ALT; and the Joint Stipulation and Recommendation from Case No. 16-
28 2422-GA-ALT.
29

30 **Q. What types of IRP-related costs are capitalized and included in rate base**
31 **on Schedule IRP-1?**

32 A. Capitalized costs include contract labor and associated expenses, materials
33 and supplies, internal labor and associated overheads, and AFUDC. The
34 plant additions are capitalized at Columbia's actual cost of replacement and
35 shown as an increase to rate base as projects are placed in service. The as-
36 sociated accumulated reserve for depreciation is detailed as a reduction to
37 rate base. Each of the rate base components is based on the cumulative in-
38 vestment made by Columbia and amounts reflected on Columbia's ac-
39 counting books during the nine months ended December 31, 2021.

1 **Q. What types of IRP-related deferred expenses are included in rate base on**
2 **Schedule IRP-1?**

3 A. Deferred depreciation expense, deferred property tax expense and deferred
4 PISCC are the three types of deferred expenses included in rate base. Gen-
5 erally, expenses are deferred beginning with the month the plant goes in
6 service or the month the expense is incurred, until Columbia begins earning
7 a return on its investment through rates. Columbia has included and com-
8 bined amounts from AMRP-5, Riser-5, AMRD-5, AMRP-6, Riser-6, AMRD-
9 6, AMRP-7, Riser-7 and AMRD-7 in Schedules IRP-5, IRP-6, and IRP-7, re-
10 spectively. Columbia included amounts from the AMRP, Riser and AMRD
11 schedules to properly reflect the amounts recorded on Columbia's account-
12 ing books during the nine months ending December 31, 2021.

13
14 **Q. Why are deferred taxes shown as a reduction to rate base?**

15 A. Deferred taxes are a non-investor source of funds, resulting from a tax treat-
16 ment of expense that is different from the book treatment. Recognition of
17 deferred taxes properly measures Columbia's net investment resulting
18 from implementation of the IRP. These non-investor sources of funds re-
19 flected as an offset to rate base include deferred taxes resulting from the use
20 of higher tax depreciation and current year recognition of deferred PISCC
21 and property taxes.

22
23 **Q. Please explain the annualized amortization of deferred expenses calcula-**
24 **tions in the IRP Schedules.**

25 A. Deferred expenses such as deferred depreciation, deferred property taxes,
26 and deferred PISCC are amortized over the life of the associated assets us-
27 ing the depreciation rate filed in Case No. 21-0637-GA-AIR Schedule B3.2.
28 Amortization does not start until Columbia begins recovering the associ-
29 ated expense through rates and is calculated based on the cumulative date
30 certain balance and depreciation rate. Amortization of Deferred Deprecia-
31 tion Expense is shown on Schedule IRP-5. Amortization of Deferred PISCC
32 is shown on Schedule IRP-6. And the amortization of Deferred Property
33 Taxes is shown on Schedule IRP-7.

34
35 **Q. Please describe the property tax calculation set forth on Schedule IRP-7.**

36 A. These schedules provide for the computation of property tax based on the
37 sum of plant additions excluding the original cost retired. This calculation
38 is for the calendar year ending December 31, 2021, as Case No. 21-0637-GA-
39 AIR only includes property tax for plant through December 31, 2020, and
40 not through the date certain of March 31, 2021. The calculation follows the

1 process used in Columbia's Annual Report to the Ohio Department of Tax-
2 ation to determine the Net Property Valuation and uses the latest actual
3 average property tax rate per \$1,000 of valuation. It reflects the ongoing
4 property tax that Columbia will incur when the proposed Rider IRP rate
5 will be in effect. These schedules further detail the development of the de-
6 ferred property taxes and annualized amortization of the deferred expenses
7 included in the revenue requirement.
8

9 **Q. Is there recognition of O&M savings included in the revenue require-**
10 **ment calculation for the IRP Schedules?**

11 A. No. Case No. 21-0637-GA-AIR establishes a new test period to compare
12 mains and services activities to calculate Columbia's actual O&M savings.
13

14 **Q. How is the revenue requirement to be spread over Columbia's customer**
15 **base?**

16 A. The revenue requirement is allocated to the appropriate rate schedule based
17 on Columbia's proposed allocations shown on the E Schedules filed on June
18 30, 2021, in Case No. 21-0637-GA-AIR, et al. Next, the allocated program
19 costs will be converted to a monthly fixed charge based on the number of
20 bills projected to be rendered to customers served under each rate schedule.
21 These calculations are set forth on Schedule IRP-10.
22

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

24 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, 2022, upon the persons listed below.

/s/ John R. Ryan

John R. Ryan

Attorney for

COLUMBIA GAS OF OHIO, INC.

SERVICE LIST

Thomas Lindgren
Assistant Attorney General
Public Utilities Section
180 East Broad Street
Columbus, Ohio 43215
Email: Thomas.lindgren@ohioago.gov

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on**

2/25/2022 4:00:30 PM

in

Case No(s). 21-1185-GA-RDR

Summary: Testimony Direct Testimony of Benjamin A. Freiman electronically filed
by Ms. Melissa L. Thompson on behalf of Columbia Gas of Ohio, Inc.