OCC EXHIBIT NO._______

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters.	)	Case No. 21-637-GA-AIR
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation.	)	Case No. 21-638-GA-ALT
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of a Demand Side Management Program for its Residential and Commercial Customers.	)	Case No. 21-639-GA-UNC
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods.	)	Case No. 21-640-GA-AAM

DIRECT TESTIMONY
OF
KERRY J. ADKINS

On Behalf of
Office of the Ohio Consumers' Counsel
65 East State Street, Suite 700
Columbus, Ohio 43215

May 13, 2022

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ATTACHMENTS:

Attachment KJA-01

I. INTRODUCTION

Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.

A1. My name is Kerry J. Adkins. My business address is 65 East State Street, Suite 700, Columbus, Ohio 43215. I am employed by the Office of the Ohio Consumers' Counsel ("OCC") as a Senior Regulatory Analyst.

Q2. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A2. I earned a Bachelor of Arts degree with a pre-law option from Ohio Northern University in 1983. In 1988, I earned a Master of Public Administration degree with specializations in Regulatory Policy and Fiscal Administration from The Ohio State University. In addition, I have attended various utility regulatory seminars and training programs sponsored by the Public Utilities Commission of Ohio ("PUCO") and OCC.

My professional experience in the utility regulation field began when I was hired by the PUCO in August 1989 as a Researcher II in the Nuclear Division of what was then the Consumer Services Department. In that capacity, I monitored the financial and operating performance of utility-owned and operated nuclear power plants and made policy and recommendations regarding nuclear power issues in rate proceedings. In addition, I served as staff to the Utility Radiological Safety Board of Ohio ("URSB") and liaison to the URSB's Citizens Advisory Council.

Around 1995, my career transitioned towards deregulation and the development of competitive options for formerly utility-supplied services. I was a PUCO Staff representative to various committees and working groups that oversaw the development of customer choice ("Choice") pilot programs, and I analyzed and made recommendations concerning the pilot programs as they progressed. Later, as the pilot programs matured into legislatively-sponsored restructuring programs, I worked with the General Assembly's Legislative Service Commission on draft bill language concerning the consumer protection provisions in Substitute Senate Bill 3 (122^{nd} General Assembly) that restructured the electric industry in Ohio and Substitute House Bill 9 (124^{th} General Assembly), which restructured the natural gas industry. After the restructuring laws were enacted, I managed PUCO Staff teams that were responsible for drafting and enforcing the PUCO's rules governing certification of competitive energy suppliers and the competitive suppliers' interactions with Ohio consumers. In 2008, I transferred to what was then the PUCO's Utilities Department (now the Rates and Analysis Department) where I supervised Staff teams responsible for analyzing and making recommendations regarding utility rate filings, primarily related to the natural gas industry.

I retired from the PUCO in September 2018. I began my current employment at OCC in November 2018. At OCC, I review and analyze utility filings at the PUCO and other regulatory agencies and make recommendations to protect the interests of residential utility consumers.

Q3. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY OR TESTIFIED BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO?

A3. Yes. The cases in which I have submitted testimony or have testified before the PUCO can be found in Attachment KJA-01.

II. PURPOSE/BACKGROUND

Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A4. The purpose of my testimony is to support certain OCC and Northeast Ohio Public Energy Council ("NOPEC") Objections to the Staff Report of Investigation ("Staff Report") that was filed in this case on May 6, 2022 related to Columbia Gas of Ohio's ("Columbia") proposals to continue and modify existing riders. In addition, I will explain OCC/NOPEC's support for several recommendations by the PUCO Staff in the Staff Report that oppose Columbia's proposals to expand the scope of existing programs collected from consumers via riders and adoption of new riders and deferrals.

III. ANALYSIS AND RECOMMENDATIONS

Q5. WHICH SPECIFIC OCC/NOPEC OBJECTIONS ARE YOU SUPPORTING?

A5. I am specifically supporting OCC/NOPEC Objection Nos. 31, 32, 33, 34, and 35. These Objections relate to Staff's recommendations concerning Columbia's proposals pertaining to the Infrastructure Replacement Program ("IRP") and associated IRP Rider and the Capital Expenditure Program ("CEP") and associated CEP Rider.

OCC/NOPEC Objection No. 31

Q6. ***IN OBJECTION NO. 31, OCC/NOPEC MAINTAINS THAT PUCO STAFF SHOULD HAVE RECOMMENDED A COMPREHENSIVE EVALUATION OF THE INFRASTRUCTURE REPLACEMENT PROGRAM. PLEASE EXPLAIN WHY A COMPREHENSIVE REVIEW OF THE EFFECTIVENESS AND COSTS OF THE IRP BY AN EXPERT IS NECESSARY AND PRUDENT?***

A6. The IRP was initially approved in Case No. 08-072-GA-AIR et al. ("08-072 Rate Case") and has been in effect for more than 13 years, since 2008.[1] And the Program was reauthorized twice for new five-year periods – once in 2012[2] and again in 2018.[3] The IRP was initially approved for accelerated replacement of bare-steel and cast-iron mains and service lines in Columbia's natural gas system over a 25-year period – 2008-2033. With the pending renewal application, the IRP is essentially at its mid-point and the Program has not undergone a comprehensive

[1] *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Distribution Service.* Case No. 08-072-GA-AIR et al., Opinion and Order (December 3, 2008) at 14 and 23-27.

[2] *See In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation,* Case No. 11-5515-GA-ALT, Opinion and Order (November 28, 2012).

[3] *See In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation,* Case No. 16-2422-GA-ALT, Opinion and Order (January 31, 2018).

review since its inception. It is past time for the IRP to be thoroughly analyzed to determine if it is on track towards achieving its stated goals, if it is cost effective and delivering consumers sufficient value in exchange for higher rates, and how the Program compares to similar programs in Ohio and other states.

Q7. WHO SHOULD PERFORM THE REVIEW THAT OCC/NOPEC IS RECOMMENDING AND WHAT SHOULD THE REVIEW ENCOMPASS?

A7. The review should be conducted by an independent outside consulting firm that is familiar with natural gas distribution, systems, operations, the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration's ("PHMSA") rules and requirements, and capital investment requirements. The outside consultant should also be familiar with the role and functions of state utility regulatory commissions, utility accounting, and utility rate setting processes. Lastly, the independent consultant should be familiar with natural gas utility accelerated infrastructure replacement programs around the country. The consultant should be retained by the PUCO Staff via a competitive bidding process with 100% of the costs paid for by Columbia.

The independent consultant's review should at a minimum analyze and report on the following:

1. A review of the record of the 08-072 case related to approval of the IRP including Columbia testimony in support of the Program and identification of operational and consumers benefits that were

supposed to happen as a result of the IRP's implementation including progress on achieving the Program's timetables and milestones and other important benefit claimed by Columbia at that time.;

2. Columbia's progress towards achieving and meeting the identified Program operation and safety goals, consumer benefits, timetables, milestones, including but not limited to benefits such as improved leak rates, lower installation costs from systematic area-based installations, increased economic development benefits from elimination of low-pressure systems and increased operating pressures, fewer unscheduled service interruptions, and other important benefit claimed by Columbia; [4]

3. An assessment of Columbia's costs for the IRP and its processes and mechanisms for controlling costs;

4. A cost versus benefit analysis that is consistent with the elements of a sound cost/benefit analysis as described in OCC witness Dr Ken Costello's direct testimony[5] in order to ensure that consumers are achieving measurable value in exchange for their increased rate payments; and,

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[4] *See* Case No. 08-072-GA-AIR, Prepared Direct Testimony of David A. Roy on Behalf of Columbia Gas of Ohio, Inc. (March 17, 2008) at 18-23.

[5] Direct Testimony of Kenneth W. Costello on Behalf of Office of the Ohio Consumers' Counsel, (May 13, 2022) ("Costello Direct") at 13-33.

5. A comparison of Columbia's IRP with similar programs across the country in terms of costs, benefits, progress, and similar comparisons.

Q8. WHEN SHOULD THE REVIEW THAT OCC IS RECOMMENDING BE DONE?

A8. The comprehensive review should have been done prior to issuance of the Staff Report so that Staff could have used the information in the report to inform its recommendation regarding continuance of the IRP in this case. However, since the review was not done, I recommend that the PUCO direct that a comprehensive review of the IRP should be completed prior to PUCO reauthorizing the IRP for a new five-year period. Columbia should be permitted to continue IRP investments in 2022 consistent with the PUCO's authorization of the Program in Case No. 16-2422-GA-ALT.

However, collection of 2022 IRP investments should be consistent with the PUCO Staff's recommended transition plan for coordinating collection of 2022 IRP investments with the inclusion of the IRP assets in the rate base for this case. The Staff recommends that "[w]ith regards to the transition period, Staff recommends the assets for 2021 continue to be recovered as approved in the prior alternative regulation case (Case No. 16-2422-GA-ALT). Upon Commission approval of new base rates, the IRP rider will be adjusted to remove the revenue requirement associated with all assets being rolled into and [collected from consumers] within base rates."[6] OCC/NOPEC concurs. But any IRP investments in 2023 should not be collectible from consumers in Columbia's service area until the comprehensive review is completed, its results analyzed, and any changes to the Program based on the review are approved by the PUCO. Any IRP capital investments made after 2022 and before reauthorization of the Program should be collected without carrying costs or deferral of any expenses in a future Columbia base rate case.

OCC/NOPEC Objection No. 32

Q9. IN OBJECTION NO. 32 OCC/NOPEC MAINTAINS THAT PUCO STAFF SHOULD HAVE RECOMMENDED LARGER AND GRADUATED MINIMUM OPERATION AND MAINTENANCE ("O&M") SAVINGS OFFSETS FOR THE ACCELERATED MAINS REPLACEMENT PROGRAM ("AMRP") COMPONENT OF THE IRP. WHY?

A9. Since its inception, the AMRP component of the IRP has correctly included an O&M savings offset. This offset recognizes that as aging pipeline infrastructure is replaced with new pipelines and new pipeline materials, the new pipelines do not need as much monitoring, maintenance, and repair as the older infrastructure that was replaced. However, consumers continue to pay for monitoring, maintenance, and repair of the old infrastructure in their base gas distribution rates. If there is

[6] Staff Report at 46.

no O&M savings offset in the IRP Rider, then consumers end up paying twice – once for new pipelines via the IRP Rider and again for maintenance, monitoring, and repair of old pipelines that were replaced and no longer in service.

Columbia recognized the importance of the O&M savings offset and provided in its Application that the O&M savings calculation formula that is currently in place for the IRP be updated to include O&M expenses incurred in 2021 as a baseline year and a minimum O&M savings offset of $2.0 million per year.[7] This means that in the annual IRP revenue requirement calculation, the O&M savings offset will be the greater of Columbia's actual O&M savings realized compared to 2021 baseline expenses or $2.0 million. The PUCO Staff agrees with Columbia's recommendation that the IRP O&M savings offset formula should be updated to use 2021 expenses as a baseline and that the minimum O&M offset should be $2.0 million starting in IRP investment years 2023 and going forward.[8]

It is good that Columbia and Staff recognize that the IRP should include a minimum O&M savings offset. However, by adopting a flat minimum of $2.0 million per year, Columbia and Staff fail to account for the fact that there is a cumulative effect on avoided maintenance as more old and corroded pipelines are replaced with new pipe each year. Each year as new pipelines replace old

[7] *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation*, Case No. 21-638-GA-ALT, Application (June 30, 2021) at 9-10.

[8] Staff Report at 46.

pipelines there are fewer miles of old corroded and leaky pipe that no longer need increased monitoring and maintenance and more frequent repairs. The minimum O&M savings offset should recognize this cumulative effect and should be graduated so that the minimum savings offset increases throughout the five-year renewal period for the IRP. The minimum O&M savings offset that was adopted in Case No. 16-2422-GA-ALT (the last case where the IRP was renewed for another five-year period) included a graduated minimum O&M savings offset. The reauthorization of the IRP in this case should include one as well.

Q10. WHAT MINIMUM O&M SAVINGS OFFSET SHOULD THE PUCO ADOPT IN THIS CASE?

A10. The PUCO adopted a graduated minimum O&M savings offset in Case No. 16-2422-GA-ALT for the IRP of $2.0 million for investment years 2018 and 2019, $2.25 million for investment year 2020, and $2.5 million for investment years 2021 and 2022. The PUCO should repeat these minimum savings offsets for the IRP beginning in investment year 2023 and continuing through the IRP renewal period. The minimum O&M savings offset for investment years 2023 and 2024 should be $2.0 million. For investment year 2025, the minimum O&M savings offset should be $2.25 million. And minimum O&M savings offset for investment years 2026 and 2027 should be $2.5 million.

OCC/NOPEC Objection No. 33

Q11. IN OBJECTION NO. 33 OCC/NOPEC DOES NOT AGREE WITH THE STAFF REPORT THAT ANY FUTURE REQUESTS TO RENEW THE CEP CAN BE MADE IN AN ALTERNATIVE RATEMAKING CASE. WHY?

A11. Unlike the IRP, Columbia's CEP is open ended in the sense that the IRP has a defined scope whereas the CEP does not. The IRP principally involves replacing approximately 4,100 miles of bare steel and cast-iron mains and related service lines over a 25-year period. This makes monitoring the success and effectiveness of the IRP relatively straightforward. The progress of the IRP can be tracked by miles replaced per year and insights into operational improvements can be gained by monitoring improvements in measures such as leak rates and lost and unaccounted for gas and the other promised consumer and safety benefits that are supposed to accrue as a result of the IRP. And the cost performance and effectiveness of the IRP can be relatively straightforwardly monitored by measures such as cost per mile replaced and comparing these measures to results achieved by other utilities with similar accelerated infrastructure replacement programs.

The CEP on the other hand essentially involves all other capital investment programs that are not covered by the IRP. Columbia's CEP involves capital expenditures in four broad categories:

1. Replacement/Public Improvement/Betterment - which includes replacement of facilities due to physical deterioration; requirements of government authorities to support street, road, and highway construction projects; requests by existing customers to support facility relocations; and improving system operating conditions, ensuring adequate capacity, and improving reliability. The category includes installation and improvements to mains and service lines, measuring and regulation stations, district regulator stations, excess pressure measuring stations, meters, meter sets, automated meter reading devices, house regulators, and associated buildings and land.
2. Growth - which includes installation of new facilities to serve new customers and upgrades and/or replacement of existing infrastructure to increase capacity for existing customers. The category includes spending for installation and/or improvements to mains and service lines, district regulator stations, excess pressure measuring stations, meters, meter sets, automated meter reading devices, house regulators, and associated land and land rights.
3. Support Services - which includes costs for the purchase of or improvements to buildings and structures, environmental remediation, office furniture and equipment, motorized equipment and trailers, power operated equipment, and other miscellaneous equipment.

4. Information Technology - which includes capital expenditures for technology and communications infrastructure including purchase and installation of communications equipment, data processing equipment, data processing software, and software licenses.[9]

Capital spending in the four broad CEP categories and the CEP itself are not bound by identifiable objectives (such as replacing 4,100 miles of pipe) or time restraints (e.g., completed in 2033). The CEP is undefined and lacks identified consumer safety and other benefits arising from CEP capital expenditures. Therefore, it is much more difficult to track the progress or efficacy of the Program because there are no identifiable goals or milestones associated with the CEP. It is much more difficult to determine if consumers are gaining any meaningful or measurable benefits or value in exchange for higher CEP Rider rates.

In fact, as Chart KJA-1 below shows, Columbia's CEP capital expenditures increased dramatically (by 320% in 2021) since the first full year of the Program in 2012. And as Chart KJA-2 shows CEP Rider rates for residential and other SGS consumers have risen substantially as well.

[9] Prepared Direct Testimony of Melissa L. Thompson on Behalf of Columbia Gas of Ohio, Inc. (July 14, 2021) (Thompson Direct"), at 21-22.

Chart KJA-1[10]

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross Plant Additions	$60,372,513	$72,867,694	$128,819,142	$135,095,385	$115,080,721	$128,664,291	$121,672,839	$185,111,735	$177,176,687	$253,453,945
% Increase over 2012		21%	113%	124%	91%	113%	102%	207%	193%	320%

Chart KJA-2[11]

CEP Investment Year	10/2011-2017	2018	2019	2020	2021
SGS Rate	$3.51	$4.09	$5.00	$5.91	$7.33
% Increase	-	16.5%	22.2%	18.2%	24.0%

As advocated by OCC witness Costello, capital-cost riders such as the CEP should contain provisions for customer protection. They can and should include (1) duration and cap limits – for example, sunset provisions, (2) annual rate increase limits, (3) investment caps, (4) deferrals/carrying charge limitations (investments in excess of rate impact or investment cap), (5) Operating and Maintenance cost offsets (e.g., replaced pipes should have less maintenance because of newer, more corrosive resistant pipes) or productivity offsets or specific cost savings associated with such capital spending and any other charges in its revenue requirements, (6) reduced rate of returns (from lower utility financial risk), (7) performance benchmarks (e.g., "pipeline leaks" targets, schedule milestones).[12] Because the CEP contains only a few of these measures and because of the CEP's undefined scope and its rapidly increasing costs, the

[10] Source: Columbia Application in Case No. 22-621-GA-RDR, Schedule CEP-11 (February 25, 2022).

[11] Sources: 10/2011-2017 – Case No. 17-2202-GA-ALT, Opinion and Order (November 28, 2018), at 19 and 30; 2018 – Case No. 19-438-GA-RDR, Finding and Order (August 28, 2019); 2019 – Case No. 20-049-GA-RDR, Finding and Order (August 12, 2020); 2020 – Case No. 21-023-GA-RDR, Finding and Order (August 11, 2021); the 7.33 rate shown for 2021 is proposed by Columbia in its Application in Case No. 22-621-GA-RDR that is currently pending at the PUCO.

[12] Costello Direct at 32-33.

CEP should only be considered for renewal as part of a base rate case where all of Columbia's capital expenditures, revenues, expenses, rate of return, depreciation rates, cost allocations, and other matters are considered simultaneously.

OCC/NOPEC Objection No. 34

Q12. IN OBJECTION NO. 34, OCC/NOPEC OBJECTS THAT THE PUCO STAFF SHOULD HAVE RECOMMENDED THAT THE CEP SHOULD INCLUDE AN O&M SAVINGS OFFSET. PLEASE EXPLAIN WHY THE CEP RIDER RATES SHOULD INCLUDE AN O&M SAVINGS OFFSET.

A12. As I described earlier in my testimony, Columbia's IRP correctly includes an O&M savings offset to recognize that as older pipelines and related infrastructure is replaced by new pipelines and associated infrastructure monitoring, maintenance, and repair costs built into the base rates that consumers pay will be avoided. If the avoided O&M costs are not recognized, then consumers end up paying for both the new and upgraded infrastructure and facilities while continuing to pay for maintenance of the old infrastructure and facilities that were replaced or upgraded in their base gas distribution rates.

The same is true for the CEP. Based on the descriptions of the CEP capital expenditure categories described in Columbia's testimony in this case, all four categories include at least some replacement or upgrade of existing infrastructure and facilities. Therefore, there should be avoided O&M costs generated as the older infrastructure has been upgraded or replaced and no longer needs as frequent monitoring, maintenance, or repair. These savings should be recognized and passed back to consumers in the form of an annual offset in the revenue requirement calculation as the CEP Rider rate is being determined.

Q13. HOW WOULD YOU STRUCTURE THE CEP O&M SAVINGS OFFSET AND WHAT OFFSET AMOUNT WOULD YOU RECOMMEND?

A13. I recommend that the CEP O&M savings offset should be patterned after the IRP O&M savings offset. The offset should use the same formula and categories of expenses that is used for the IRP savings offset (i.e., the IRP O&M savings offset uses avoided leak inspection, leak repair, and general/other, and one-half savings from supervision and engineering) with expenses incurred in 2021 serving as the baseline year. Then the greater of Columbia's actual annual O&M savings or a minimum savings amount should be used to reduce the CEP revenue requirement.

I recommend that the minimum O&M savings offset should be $1.0 million for CEP investment years 2023 and 2024, $1.125 million for CEP investment year 2025, and $1.25 million for CEP investment years 2026 and 2027. These amounts are 50% of the minimum O&M savings that I recommend for the IRP to recognize that not all CEP expenditures are likely to generate O&M savings. For example, new facilities built to serve new consumers or purchase of new software would likely not generate O&M savings.

OCC/NOPEC Objection No. 35

Q14. IN OBJECTION NO. 35, OCC/NOPEC MAINTAINS THAT THE STAFF ERRED BY RECOMMENDING THAT COLUMBIA CAN COLLECT CEP AUDIT COSTS IN BASE RATES. WHY DO YOU DISAGREE WITH THIS?

A14. On page 47 of the Staff Report, the PUCO Staff states that "Staff does not agree with the inclusion of audit costs in the annual [CEP] rider. Staff confirmed during the course of the investigation that audit cost for the CEP have properly been included in test year expenses. Including audit costs for [collection from consumers] in the rider would result in double [collection] and therefore should not be permitted." OCC agrees 100% with Staff that Columbia should not be permitted to double collect CEP audit costs from consumers through both base rates and CEP Rider charges.

However, OCC/NOPEC disagrees with the Staff Report that it is okay that Columbia collect CEP audit costs from consumers via base gas distribution rates. Columbia should not be allowed to collect CEP audit costs from consumers at all. In my experience, when determining who should pay for utility expenses and related costs, the PUCO evaluates the primary beneficiary or beneficiaries of the services that led to the costs and attempts to apportion the costs to the cost causers. This is known as the cost-causation principle.

For the CEP audit costs in question here, Columbia is the cost-causer and primary beneficiary of the CEP Audits. It was and continues to be Columbia's choice to seek collection of CEP costs from consumers through alternative rate proceedings under Revised Code 4929.05. Columbia has other mechanisms to seek collection of its CEP capital investments such as a base rate case under Chapter 4909 of the Revised Code. But Columbia chooses to seek collection of CEP costs via alternative ratemaking cases. And Revised Code 4929.05(A) provides that the PUCO can approve an alternative rate plan filing if:

1. The natural gas company is in compliance with section 4905.35 of the Revised Code and is in substantial compliance with the policy of this state specified in section 4929.02 of the Revised Code .
2. The natural gas company is expected to continue to be in substantial compliance with the policy of this state specified in section 4929.02 of the Revised Code after implementation of the alternative rate plan.
3. The alternative rate plan is just and reasonable.[13]

And Revised Code 4929.05(B) provides that "[t]he Applicant shall have the burden of proof under this section."[14]

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[13] Revised Code 4929.05(A).

[14] Revised Code 4929.05(B).

So, under the alternative rate plan statutes, the PUCO must find that Columbia's CEP alternative rate plan applications are and will continue to be in compliance with the state's policies specified in sections 4905.33 and 4929.02 of the Revised Code and are just and reasonable. And Columbia has the burden of proof. Therefore, Columbia is the cost-causer for an investigation to determine if the plan that it voluntarily filed is in compliance with state policies and is just and reasonable.

Similarly, Columbia is the primary beneficiary of the CEP and annual CEP rate applications because it can collect the CEP-related costs from consumers sooner than it can collect them through the filing of a base rate case. Columbia's consumers get no added benefit if Columbia recovers CEP investments via the CEP Rider or in a base rate case. Only Columbia benefits from collection of CEP costs via the CEP Rider. And because Columbia is the cost-causer for the CEP audits and the primary beneficiary of the CEP and annual Rider applications, it should directly pay the entire costs for audits designed to confirm that it is in compliance with state policies and its costs are just and reasonable. Columbia's consumers should not bear any of the CEP audit costs either in base rates or in the CEP Rider.

Q15. DO YOU SUPPORT ANY RECOMMENDATIONS IN THE STAFF REPORT RELATED TO COLUMBIA'S EXISTING RIDER PROGRAMS AND NEW RIDERS AND DEFERRALS?

A15. Yes. I agree with many of Staff's recommendations pertaining to the IRP and CEP programs that are not specifically objected to in OCC/NOPEC's Objections. In addition, I support the Staff Report's recommendations that the Federally Mandated Investment Rider ("FMIR") and the Picarro deferral request, the deferral of COVID-19 Expenses, and MGP Environmental Remediation Expenses ("MGP Deferral") deferral be rejected.

Q16. CAN YOU BRIEFLY SUMMARIZE PUCO STAFF RECOMMENDATIONS PERTAINING TO THE IRP THAT OCC/NOPEC IS SUPPORTING?

A16. Yes. PUCO Staff made several recommendations regarding the IRP that OCC/NOPEC supports. These recommendations include:

1. PUCO Staff properly recommends that the PUCO reject Columbia's proposals to expand the scope of the IRP. Staff avers that Columbia should keep its focus on the original intent of the IRP which was the accelerated replacement of bare steel and cast-iron mains and services.[15] Subject to OCC/NOPEC's objection regarding conditions for continuation of the IRP, OCC/NOPEC agrees with Staff. The PUCO should require Columbia to keep its

[15] Staff Report at 45.

focus on the original mission of the IRP and protect consumers against "mission creep," – that is where unnecessary provisions that only benefit Columbia are added to the IRP scope.

2. PUCO Staff correctly recommends that Columbia should be required to provide updated totals "Anticipated Totals to be Replaced" for the pipeline categories being replaced under the IRP and annual progress reports to allow Staff to more effectively track the milestones of the IRP program in future IRP rate filings.[16] OCC/NOPEC concurs. It is important that PUCO, Staff, and others are able to accurately track Columbia's progress towards completing the IRP on schedule, both to make sure that Columbia stays on track to complete the IRP in 2033 as originally scheduled and to ensure that it does not improperly accelerate the already accelerated replacement program.

3. PUCO Staff correctly recommends that Columbia should exclude all compensation related to achievement of financial performance metrics from the IRP ("Financial Performance Incentives") going forward. Staff states that "payments related to financial performance metrics should be funded by a utility's shareholders, not its ratepayers."[17] OCC/NOPEC agrees. OCC and NOPEC have argued in several proceedings that added costs in riders for

[16] Staff Report at 45.

[17] *Id.*

Financial Performance Incentives should not be collected from consumers. Such incentives benefit only the utility and its shareholders and employees. They provide no benefit to consumers and, therefore, should not be charged to consumers.

4. PUCO Staff correctly recommends reducing Columbia's proposed caps on annual IRP Rider increases by $0.48 per year.[18] Staff's proposed reductions strike an appropriate balance between providing Columbia sufficient funds to keep the IRP on pace to be completed in 2033 while not permitting improper further acceleration of the Program and recognizing Columbia's past ability to stay on track while staying below the applicable annual IRP rate caps.

5. PUCO Staff correctly rejects Columbia's transition plan for rolling the existing IRP Rider/assets into base rates and continuing the IRP Rider for collection of IRP investments during the pending rate case. Staff correctly recommends a transition plan that calls for IRP assets for 2021 to continue to be recovered as approved in the prior alternative regulation case (Case No. 16-2422-GA-ALT). And then upon PUCO approval of new base rates, the IRP rider will be adjusted to remove the revenue requirement associated with all assets being rolled into and recovered within base rates. And

[18] *Id.*

Staff recommends all other aspects of the IRP rider, such as but not limited to rate of return, allocations, depreciation, and O&M cost savings be updated with the 2023 application, which corresponds to plant investment made in 2022.[19] This transition plan is reasonable and should be adopted.

Q17. CAN YOU BRIEFLY SUMMARIZE PUCO STAFF RECOMMENDATIONS PERTAINING TO THE CEP THAT OCC/NOPEC IS SUPPORTING?

A17. Yes. PUCO Staff made several recommendations regarding the CEP that OCC supports. These recommendations include:

1. PUCO Staff correctly recommends that if Columbia does not file a base rate case within five years of the PUCO's Order in this case, then Columbia should be required to reimplement the depreciation offset that is currently in place for the CEP under the same terms and formula that is now in place.[20] Columbia should be required to file a base rate case no more than five years after the PUCO's Order in this case to avoid issues such as an outdated and potentially inflated rate of return being used to set CEP Rider rates and stale depreciation rates.
2. PUCO Staff correctly recommends that, going forward, incremental revenue generated by CEP assets should be used to

[19] Staff Report at 46.

[20] Staff Report at 47.

offset the CEP Rider. Staff correctly notes that the original formula for determining CEP Rider rates that was adopted in Case No. 11-5351-GA-UNC included a provision for reducing the CEP Rider by any incremental revenues generated by the CEP assets. Staff notes that the incremental revenue provisions were omitted in formula adopted in Case No. 17-2202-GA-ALT and recommends that they be restored.[21] OCC/NOPEC concurs. If incremental revenues are not recognized, then Columbia's consumers unfairly and unreasonably end up making accelerated payments for CEP assets and Columbia keeps the added revenue generated by the assets that consumers pay for.

3. PUCO Staff correctly rejects Columbia's proposed caps on annual CEP Rider increases in favor of $0.75 annual Rider Caps with no deferrals for CEP plant assets that exceed the cap.[22] Staff's proposed caps offer reasonable controls on Columbia's CEP capital investments, whereas Columbia's proposed caps would increase CEP Rider rates to as much as $15.89 per month for SGS consumers in 2027. Such CEP Rider rates are unreasonable and unaffordable for many consumers served by Columbia. And Columbia is always able to file a base rate case to begin collection

[21] *Id.*

[22] Staff Report at 47.

from consumers for plant additions that exceed Staff's proposed caps.

Q18. PLEASE BRIEFLY DESCRIBE THE PUCO STAFF RECOMMENDATIONS REGARDING THE FEDERALLY MANDATED INVESTMENT RIDER AND WHY OCC/NOPEC IS SUPPORTING THE PUCO STAFF'S RECOMMENDATIONS.

***A18*.** PUCO Staff correctly recommends that the PUCO reject Columbia's proposed Federally Mandated Investment Rider (FMIR). Staff averred that based on Columbia's responses to its data requests and its knowledge of Columbia's system, it was unable to identify the upper bound of the scope of the proposed FMIR and that Columbia's FMIR request is premature, not well developed, and would not be just and reasonable if implemented.[23]

OCC/NOPEC agrees. Revised Code 4929.05(B) provides that Columbia has the burden of proof to establish that its proposed FMIR is just and reasonable in accordance with Revised Code 4929.05(A).[24] And, as Staff aptly demonstrates, Columbia failed to carry this burden. Staff is correct. The PUCO should reject Columbia's proposed FMIR.

[23] Staff Report at 48-49.

[24] Revised Code 4929.05(B) and 4929.05(A).

Q19. PLEASE BRIEFLY DESCRIBE THE PUCO STAFF RECOMMENDATIONS REGARDING THE PROPOSED PICARRO DEFERRAL AND WHY OCC/NOPEC IS SUPPORTING THE PUCO STAFF'S RECOMMENDATIONS.

A19. PUCO Staff correctly recommends that the PUCO reject Columbia's proposed deferral of expenses related to the Picarro mobile leak detection system that is currently being used by Columbia on a trial basis. Staff avers that, based on its investigation, Columbia's deferral request fails all six parts of the Staff's six-part test for evaluating deferral requests. [25]Therefore, Staff recommends that the PUCO reject Columbia's deferral request for the Picarro leak detection system. [26] OCC/NOPEC agrees.

However, it is important to point out that the six-part test for evaluating deferral requests is not just the Staff's. It is also the PUCO's test. For example, in its April 18, 2018 Finding and Order in Case No. 17-2118-GA-AAM, the PUCO stated that:

> The Commission evaluates applications for authority to establish a regulatory asset and to defer incurred expenses based primarily on a utility's demonstration of the following factors: whether the utility's current rates or revenues are sufficient to cover the costs associated with the requested deferral; whether the costs are material; whether the reason

[25] Staff Report at 52-53.

[26] *Id.*

> for requesting the deferral is outside the utility's control; whether the expenses are atypical and infrequent; and whether the financial integrity of the utility will be significantly and adversely affected, if the deferral is not granted.[27]

And the PUCO stated that "[f]urther, the Commission may, at its discretion, grant a deferral to incent a utility."[28] Significantly, the PUCO cited at least eight prior cases in support of its use of its six-part test for evaluating deferrals.[29]

In this case, the burden of proof is on Columbia to demonstrate that its deferral request meets the PUCO's test for evaluating deferrals. And, as Staff points out, Columbia's Picarro request fails all six parts of the test. The PUCO should reject Columbia's request to defer the Picarro expenses.

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[27] *In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Change Accounting Methods*, Finding and Order (April 18, 2018), at 8.

[28] *Id.*

[29] *Id.*

Q20. BRIEFLY DESCRIBE THE PUCO STAFF RECOMMENDATIONS REGARDING THE COLLECTION OF THE COVID-19 EXPENSES DEFERRAL AND WHY OCC/NOPEC IS SUPPORTING THE PUCO STAFF'S RECOMMENDATIONS.

A20. PUCO Staff correctly recommends that the PUCO reject Columbia's proposed collection of $5.2 million for deferred expenses and lost revenue resulting from its response to the COVID-19 emergency.[30] Staff avers that along with deferral authority granted in Case No. 20-1104-GA-AAM, the PUCO also required Columbia to track and report avoided costs during the emergency.[31] As Staff notes, Columbia's avoided costs during the emergency, at $6.2 million, exceeded the $5.2 million that Columbia is requesting to collect from consumers in this case for expenses and forgone revenue during the emergency. Therefore, Staff recommends that the PUCO reject Columbia's proposed collection of 5.2 million for deferred expenses and lost revenue during the COVID emergency.[32]

OCC/NOPEC agrees. It would be patently unfair and unreasonable to require consumers to pay an additional amount to Columbia for expenses incurred and revenue lost during the COVID emergency when costs that Columbia avoided and consumers continued to pay in rates exceeded Columbia's expenses and forgone revenue.

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[30] Staff Report at 13-14.

[31] *Id.*

[32] *Id.*

Q21. PLEASE BRIEFLY DESCRIBE THE PUCO STAFF'S RECOMMENDATIONS REGARDING THE COLLECTION OF MGP DEFERRAL AND WHY OCC/NOPEC IS SUPPORTING THE PUCO STAFF'S RECOMMENDATIONS.

A21. The PUCO Staff correctly recommends that all MGP environmental remediation costs presented in this case be offset by insurance proceeds resulting in no additional costs to ratepayers.[33] And Staff recommends that insurance proceeds should be applied to all future costs that may be incurred at the former MGP sites.[34] In addition, Staff recommends that deferral authority granted to Columbia in Case No. 08-606- GA-AAM is no longer necessary and should be terminated. Finally, Staff recommends that Columbia should be required to request new authority for collection of future MGP remediation expenses if or once insurance proceeds are depleted.[35] OCC/NOPEC agrees.

In Case No. 12-1685-GA-AIR the PUCO unambiguously set forth its policy regarding how insurance proceeds from historic insurance policies at former MGP sites should be treated relative to MGP costs and consumer payments for those costs.[36] The PUCO determined that all insurance proceeds are to be used to reimburse consumers.[37] Specifically, the PUCO determined that "[w]e find that

[33] Staff Report at 15.

[34] *Id.*

[35] Staff Report at 14-16.

[36] *See* Case No. 12-1685-GA-AIR, Opinion and Order, (November 13, 2013) at 67.

[37] *Id.*

any proceeds paid by insurers or third parties for MGP investigation and remediation should be used to reimburse the ratepayers. The Commission also concludes that any proceeds returned to ratepayers should be net of the costs to achieve those proceeds, e.g., litigation costs."[38] Consistent with its prior policy, the PUCO should make the same determination in this case.

IV. CONCLUSION

Q22. DOES THIS CONCLUDE YOUR TESTIMONY?

A22. Yes. However, I reserve the right to incorporate new information that may subsequently become available through outstanding discovery or otherwise, or to supplement my testimony in response to testimony filed by the PUCO Staff or other parties to this case.

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[38] *Id.*

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Direct Testimony of Kerry J. Adkins on behalf of Office of the Ohio Consumers' Counsel* has been served upon those persons listed below via electronic service this 13th day of May 2022.

/s/ Angela D. O'Brien
Angela D. O'Brien
Assistant Consumers' Counsel

The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

SERVICE LIST

kyle.kern@OhioAGO.gov
werner.margard@OhioAGO.gov
thomas.shepherd@OhioAGO.gov
mjsettineri@vorys.com
glpetrucci@vorys.com
stacie.cathcart@igs.com
michael.nugent@igs.com
evan.betterton@igs.com
joe.oliker@igs.com
rdove@keglerbrown.com
jweber@elpc.org
mpritchard@mcneeslaw.com
bmckenney@mcneeslaw.com

Attorney Examiners:
jacqueline.st.john@puco.ohio.gov
gregory.price@puco.ohio.gov

mkurtz@bkllawfirm.com
kboehm@bkllawfirm.com
jkylercohn@bkllawfirm.com
josephclark@nisource.com
mlthompson@nisource.com
johnryan@nisource.com
egallon@porterwright.com
mstemm@porterwright.com
bhughes@porterwright.com
dflahive@porterwright.com
dparram@bricker.com
gkrassen@nopec.org
dstinson@bricker.com
gkrassen@bricker.com
bojko@carpenterlipps.com
paul@carpenterlipps.com
wygonski@carpenterlipps.com
trent@hubaydougherty.com

Testimony of Kerry J. Adkins
Filed at the Public Utilities Commission of Ohio

1. *In the Matter of the Complaint and Appeal of the Cleveland Electric Illuminating Company from Ordinance 21-1994 of the Council of the City of Garfield Heights, Ohio Passed March 10, 1994, entitled "An Emergency Ordinance to Establish and Fix a Schedule of Rates, Terms and Conditions for Electric Service Being Provided by the Cleveland Electric Illuminating Company to its Electric Customers in the City of Garfield Heights, Ohio,* Case No. 94-578-EL-CMR (March 20, 1995).

2. *In the Matter of the Application of The Toledo Edison Company for Authority to Amend and Increase Certain of Its Rates and Charges for Electric Service,* Case No. 95-299-EL-AIR (January 22, 1996).

3. *In the Matter of the Application of The Cleveland Electric Illuminating Company for Authority to Amend and Increase Certain of Its Rates and Charges for Electric Service,* Case No. 95-300-EL-AIR (January 22, 1996)

4. *In the Matter of the Conjunctive Electric Guidelines Proposed by Participants of the Commission Roundtable on Competition in the Electric Industry,* Case No. 96-406-EL-COI (February 10, 1998).

5. *In the Matter of the Application Not for an Increase in Rates of The Dayton Power and Light Company for Approval to Modify Its Existing Alternative Generation Supplier (AGS) Tariff Sheet No. G8.,* Case No. 03-2341-EL-ATA (September22, 2004)

6. *In the Matter of the Commission Staff's Investigation into the Alleged MTSS Violations of Buzz Telecom.,* Case No. 06-1443-TP-UNC (February 7, 2007).

7. *In the Matter of the Application of The East Ohio Gas Company dba Dominion East Ohio to Adjust Its Pipeline Infrastructure Replacement (PIR) Cost Recovery Charge and Related Matters,* Case No. 09-458-GA-UNC (October 14, 2009)

8. *In the Matter of the Application of Vectren Energy Delivery of, Inc. for Authority to Adjust its Distribution Replacement Rider Charges,* Case No. 11-2776-GA-RDR (August 10, 2011).

9. *In the Matter of Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Adjust its Automated Meter Reading Cost Recovery Charge and Related Matters.,* Case No. 11-5843-GA-RDR (April 27,2012)

10. *In the Matter of the Application of Vectren Energy Delivery of, Inc. for Authority to Adjust its Distribution Replacement Rider Charges,* Case No. 12-1423-GA-RDR (August 28, 2012).

11. *In the Matter of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates,* Case No. 12-1682-EL-AIR (March 20, 2013).

12. *In the Matter of Duke Energy Ohio, Inc., for an Increase in Gas Rates.,* Case No. 12-1685-GA-AIR (April 22, 2013).

13. *In the Matter of the Application of Duke Energy Ohio Inc., for Approval of an Alternate Rate Plan Pursuant to Section 4929.05, Revised Code, for an Accelerated Service Line Replacement Program,* Case No. 14-1622-GA-ALT (November 6, 2015).

14. *In the Matter of the Application of Northeast Natural Gas Corp. for an Increase in Gas Distribution Rates,* Case No. 18-1720-GA-AIR (July 25, 201Q).

15. *In the Matter of the Application of Duke Energy Ohio, Inc. for Implementation of the Tax Cuts and Jobs Act of 2017,* Case No. 18-1830-GA-UNC (July 31, 2019).

16. *In the Matter of the Commission's Investigation into PALMco Power OH, LLC d/b/a Indra Energy's Compliance with the Ohio Administrative Code and Potential Remedial Actions for Non-Compliance,* Case No. 19-957-GE-COI (September 4, 2019).

17. *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio re: Implementation of the Tax Cuts and Jobs Act of 2017,* Case No. 18-1908-GA-UNC (September 10, 2019).

18. *In the Matter of the Application of Duke Energy Ohio, Inc. for an Adjustment to Rider MGP Rates,* Case No. 14-375-GA-RDR (Confidential) (October 8, 2019).

19. *In the Matter of the East Ohio Gas Company d/b/a Dominion Energy Ohio for Approval of an Alternative Form of Regulation*, Case No. 19-468-GA-ALT (September 11, 2020).

20. *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of an Alternative Form of Regulation to Establish a Capital Expenditure Program Rider Mechanism*, Case No. 19-791-GA-ALT (January 13, 2021).

21. *In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion Energy Ohio for Authority to Adjust Its Capital Expenditure Program Rider Charges*, Case No. 21-619-GA-RDR (September 14, 2021).

22. *In the Matter of the Annual Application of Duke Energy Ohio, Inc. for an Adjustment to the Capital Expenditure Rider Rate,* Case No. 21-618-GA-RDR (January 25, 2022).