

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Co-)
lumbia Gas of Ohio, Inc. for Authority)
to Amend its Filed Tariffs to Increase the) Case No. 21-637-GA-AIR
Rates and Charges for Gas Services and)
Related Matters.)

In the Matter of the Application of Co-)
lumbia Gas of Ohio, Inc. for Approval of) Case No. 21-638-GA-ALT
an Alternative Form of Regulation.)

In the Matter of the Application of Co-)
lumbia Gas of Ohio, Inc. for Approval of)
a Demand Side Management Program) Case No. 21-639-GA-UNC
for its Residential and Commercial Cus-)
tomers.)

In the Matter of the Application of Co-)
lumbia Gas of Ohio, Inc. for Approval to) Case No. 21-640-GA-AAM
Change Accounting Methods.)

PREPARED SUPPLEMENTAL DIRECT TESTIMONY OF
CONNOR MCGRATH
ON BEHALF OF COLUMBIA GAS OF OHIO, INC.

- Management policies, practices, and organization
- Operating income
- Rate base
- Allocations
- Rate of return
- Rates and tariffs
- Other

Joseph M. Clark, Asst. Gen. Counsel
(0080711)

John R. Ryan, Sr. Counsel (0090607)

P.O. Box 117

290 W. Nationwide Blvd.

Columbus, Ohio 43216-0117

Telephone: (614) 813-8685

(614) 285-2220

E-mail: josephclark@nisource.com

johnryan@nisource.com

Eric B. Gallon (0071465)

Mark S. Stemm (0023146)

L. Bradfield Hughes (0070997)

Devan K. Flahive (0097457)

Porter, Wright, Morris & Arthur LLP

41 South High Street

Columbus, OH 43215

Telephone: (614) 227-2000

Email: egallon@porterwright.com

mstemm@porterwright.com

bhughes@porterwright.com

dflahive@porterwright.com

(Willing to accept service by e-mail)

Attorney for

COLUMBIA GAS OF OHIO, INC.

May 13, 2022

**PREPARED SUPPLEMENTAL DIRECT TESTIMONY
OF <CONNOR MCGRATH**

1 **I. INTRODUCTION**

2
3 **Q. Please state your name and business address.**

4 A. My name is Connor McGrath and my business address is 290 W Nation-
5 wide Blvd, Columbus OH 43215.

6
7 **Q. By whom are you employed?**

8 A. I am employed by NiSource Corporate Services Company.
9

10 **Q. Are you the same Connor McGrath who submitted Prepared Direct**
11 **Testimony in this proceeding?**

12 A. Yes, I am.
13

14 **Q. On whose behalf are you appearing in this proceeding?**

15 A. I am appearing on behalf of Columbia Gas of Ohio (“Columbia”) in this rate
16 proceeding.
17

18 **II. PURPOSE OF TESTIMONY**

19
20 **Q. What is the purpose of your Supplemental Direct Testimony in this**
21 **proceeding?**

22 A. The purpose of my Supplemental Testimony is to support the following is-
23 sues presented in Columbia’s Objections to the Staff Report that was filed
24 in this case on April 6, 2022:

25
26 Objection 6.3: Alternative Rate Plan. Sheet No. 78, Federally Mandated In-
27 vestment Rider

28 Objection 6.2.1.6: Alternative Rate Plan. Sheet No. 75, Capital Expenditure
29 Program Rider, Staff-Proposed Modifications – Alternative Rate Caps
30

31 **III. Federally Mandated Investment Rider (FMI)**

32
33 **Q. Please reiterate what prompted the need for the FMI.**

34 A. In October 2019, the Pipeline and Hazardous Materials Safety
35 Administration (“PHMSA”) promulgated its Transmission Rule which is

1 commonly referred to as the “Mega Rule.”¹ The Mega Rule enhances safety
2 regulations for onshore gas transmission pipelines and establishes required
3 actions by pipeline operators. The rule comprises three parts:
4

5 Part 1: This section sets requirements for maximum allowable operating
6 pressure (“MAOP”) reconfirmation and verification of pipeline materials.
7 The Mega Rule provides guidance to operators regarding records
8 requirements for all transmission pipelines newly installed after July 1,
9 2020. It also describes requirements for reconfirming the MAOP of
10 pipelines and facilities installed before July 1, 2020, that are in certain class
11 locations or high consequence areas (“HCAs”) and lack certain traceable,
12 verifiable, and complete (“TVC”) records such as material attributes and
13 sufficient pressure test records. Operators will have until 2035 to comply
14 with these measures, but 50% of the work in scope must be completed by
15 2028.
16

17 Part 2: This section includes enhanced repair requirements for HCAs and
18 non-HCAs. There are post assessment requirements following installation
19 of new or replacement transmission pipeline segments as well as additional
20 operational assessment requirements by operators when cathodic
21 protection deficiencies are identified during inspections. This is to address
22 external and internal corrosion threat issues along with threat detection
23 monitoring equipment. Threat Analysis data requirements for operators
24 are also expected to be enhanced when promulgated. Management of
25 Change requirements will also be expanded.
26

27 Part 3: This section focuses on gas gathering lines, including enhancements
28 to definitions and appropriate safety regulations. Part 3 also includes new
29 requirements for emergencies, enhancing PHMSA’s authority to issue
30 emergency orders and address imminent hazards.
31

32 **Q The Staff Report indicates that Columbia is currently finalizing the**
33 **details for the scope of all Mega Rule compliance investments.**
34 **Compliance with the Mega Rule will span almost a decade and a half.**
35 **Are there any large Mega Rule-related projects that are certain for the**
36 **next few years?**

¹ *Pipeline Safety: Safety of Gas Transmission Pipelines: MAOP Reconfirmation, Expansion of Assessment Requirements, and Other Related Amendments*, 84 Fed. Reg. 52180, 52247 (October 1, 2019).

1 Yes. Columbia is certain about its need to reconfirm the MAOP on several
2 facilities in accordance with 49 CFR 192.624:

- 3 • The North Columbus High Pressure system: Columbia will replace
4 33 miles of pipeline with inadequate pressure test records and mate-
5 rial verification. Total cost is estimated to be \$400M+.
- 6 • Southern Supply Line (SSL) retest: Columbia will pressure test 11
7 miles of the SSL system in segments due to inadequate pressure test
8 records. Total cost is likely to cost approximately \$20M+.
- 9 • There are at least 16 large M&R stations known to lack adequate
10 pressure test records that will require replacement, starting in 2022.
11 Total estimated cost is approximately \$160M.

12
13 In addition to the known 16 M&R stations stated above, Columbia owns
14 and operates 321 other M&R stations that are under review for applicability
15 to the new MAOP reconfirmation requirements, resulting in a total of 337
16 M&R stations. Of the 337 total M&R stations either confirmed or under
17 review for applicability, roughly 126 (37%) are legacy TCO/CPG facilities
18 transferred to COH as part of a of companies in 2015. The documentation
19 Columbia possesses on these facilities would likely not meet the TVC
20 requirements of 49 CFR 192.624.

21
22 **Q. Did PHMSA mandate timelines for compliance with the Mega Rule?**

23 A. Yes. Columbia is required to verify 50% of its pipeline mileage by July 3,
24 2028, and verify 100% of pipeline mileage by July 2, 2035. Columbia has
25 already incurred both O&M and capital expenditures in order to fulfill its
26 obligations. For these reasons, Staff’s conclusion about prematurity is
27 inaccurate. Further, because the Mega Rule's compliance period spans
28 almost a decade and a half, it is unreasonable for Staff to expect Columbia
29 to have a precise lower bound to its estimate of compliance costs. Given the
30 number of variables, accurately budgeting beyond a five-year horizon is
31 incredibly difficult.

32
33 **Q. What consequences would Columbia face if it failed to meet its
34 obligations under the Mega Rule?**

35 A. R.C. 4905.95 permits the Commission to assess a forfeiture of “not more
36 than one hundred thousand dollars for each day of each violation or
37 noncompliance.” This amount may be as high as one million dollars for
38 related violations. Additionally, the Mega Rules was adopted for good
39 reason. The compliance efforts require pipeline operators to have
40 confidence in the material properties and pressure testing records of its

1 transmission class pipelines. These requirements create a material safety
2 benefit to Columbia’s customers. Without a dedicated funding mechanism
3 for compliance with the Mega Rule, Columbia will very challenged to take
4 these important safety steps.
5

6 **Q. Did Columbia substantiate reasonably-anticipated costs for compliance**
7 **with the Mega Rule?**

8 A. Yes. Columbia provided cost estimates to become compliant with the Mega
9 Rule in a response to data request Set 1, No. 44. Columbia described cost
10 estimates to replace 337 measurement and regulation (M&R) stations that
11 have a high likelihood of requiring MAOP reconfirmation, a core principle
12 of the PHMSA Mega Rule; combined, these facilities equate to capital
13 investments in excess of \$2 billion. Columbia also outlined required
14 replacement projects associated with transmission pipelines including the
15 North Columbus High Pressure system (approximately \$400M investment)
16 and the Mansfield North system (approximately \$500K investment).
17

18 In addition to these pipeline projects shared in DR Set 1, No. 44, Columbia
19 recognizes a project on its Southern Supply Pipeline system that will
20 require MAOP reconfirmation for approximately 11 miles of the system.
21 This project is anticipated to cost approximately \$20M.
22

23 Additionally, of the 337 M&R stations with a high likelihood of requiring
24 MAOP reconfirmation, Columbia recognizes 16 stations in its anticipated
25 capital program that will certainly require replacement. As described
26 below, 11 of those are currently either underway in construction or in
27 design and planning stages. The total anticipated capital expenditures for
28 these 16 stations is approximately \$160M.
29

30 Columbia’s capital cost estimates related to the PHMSA Mega Rule, and
31 more specifically its MAOP reconfirmation requirements, are as follows:
32

Year	2023	2024	2025	2026	2027
FMI	\$184M	\$176M	\$220M	\$218M	\$226M

33
34
35 **Q. What was Staff’s interpretation of the details and costs that Columbia**
36 **provided during Staff’s investigation?**

1 A. In its Report, staff stated that because Columbia was only able to provide
2 the potential upper bounds of what Mega Rule compliance might cost, and
3 actual spend could be less than what is stated above, Staff recommended
4 the Commission deny the request to create the FMI Rider. Staff went on to
5 state that it “has determined a much narrower level of capital investment
6 to be appropriate.” However, Staff did not provide any investigative data
7 to support this position. Ultimately, Staff’s position is that while Mega Rule
8 compliance could cost up to \$2.25 billion, it could also be something less
9 than that amount; therefore the Company should not be granted this
10 recovery mechanism. Staff ends its analysis with a statement that FMI-
11 qualifying investments “would otherwise be eligible for inclusion in the
12 Capital Expenditure Program.”
13

14 **Q. Do you agree with Staff’s assessment?**

15 A. No. As stated above, Columbia has known and measurable planned
16 expenses of \$400 million for the replacement of the North Columbus High
17 Pressure System; \$20M for reconfirmation of eleven miles of the Southern
18 Supply Pipeline System; and \$160 million for the replacement of 16 M&R
19 stations. Even if Staff’s assessment was accepted, it is inappropriate to deny
20 the creation of the rider for a lack of an estimated lower bound of
21 investment. Under the proposed FMI, Columbia will only be permitted to
22 recover its actual compliance costs. Staff would be auditing the rider
23 annually to ensure that no expenditures are inappropriately recovered. The
24 rider, by design, does not provide Columbia with a blank check. Finally,
25 and as outlined below, Staff’s proposed CEP caps are grossly insufficient to
26 support Columbia’s required capital investments.
27

28 **Q. Is Columbia currently incurring capital and O&M expenses for Mega
29 Rule compliance-related projects?**

30 A. Yes. Columbia is actively replacing three M&R stations that are driven by
31 MAOP reconfirmation requirements, with expected completion dates in
32 2022. Furthermore, Columbia is planning the replacement of eight
33 additional M&R stations driven by MAOP reconfirmation requirements
34 with anticipated expenditures in 2022 and project execution in 2023 or 2024.
35 Finally, Columbia is actively planning the first three phases of its North
36 Columbus High Pressure replacement, driven by MAOP reconfirmation
37 requirements, with anticipated expenditures starting in 2022.
38

39 Columbia’s capital expenditures associated with the PHMSA Mega Rule
40 from January 1, 2021 through March 31, 2022 total \$18.1M.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40

Q. Did Staff address the O&M component of the proposed FMI Rider?

A. No. Staff did not address the O&M component of the proposed rider. Further, these expenses are not eligible for inclusion in the CEP, as opined by Staff, because the CEP does not currently provide for the recovery of O&M expenditures.

Q. What kinds of O&M costs does Columbia anticipate recovering through the FMI Rider?

A. Below is a list of some, but not all, of Columbia’s planned O&M spend that would be eligible for the FMI Rider:

- 1. TVC analysis of all transmission assets installed prior to 7/1/2020
 - a. Evaluation of all pressure tests completed
 - b. Evaluation of all material attributes required for all materials
 - c. Development of a system of record to capture this evaluation and store the material attribution and status along with development of a process to update non-TVC records as information is obtained over time
- 2. Evaluation of all transmission assets for MCA (Moderate Consequence Areas: an annual process to be incorporated into the annual class location and HCA determination processes.
- 3. Performing required assessments on applicable non-HCA areas per 192.710

III. CEP Caps

Q. Why has Columbia objected to Staff’s proposed \$0.75 cap on the CEP?

A. A \$0.75 cap on the CEP is grossly insufficient to cover the capital required in order to fulfill its obligations under federal law and regulations, to improve the safety and reliability of its system, and to react to requests for growth to the system.

Q. What do you mean by “react to requests for growth”?

A. Periodically, Columbia receives requests to supply natural gas to new economic development projects. In these instances, the Company utilizes the CEP to fund the capital investments required to ensure these job creators can operate in the State of Ohio, including service to the newly announced Intel project in Licking County.

1 **Q. What are Columbia’s capital expenditure projections for IRP, CEP, and**
2 **FMI?**

3 A. In my direct testimony, I indicated that Columbia planned to spend the
4 following amounts on capital projects over the next five years:

Year	2023	2024	2025	2026	2027
Total	\$807M	\$896M	\$881M	\$964M	\$1.02B

5
6
7

These projections are based on IRP, CEP, and FMI forecasts as follows:

Year	2023	2024	2025	2026	2027
IRP	\$257M	\$267M	\$282M	\$346M	\$351M
CEP	\$366M	\$454M	\$379M	\$400M	\$447M
FMI	\$184M	\$175M	\$220M	\$218M	\$226M

8
9

Q. If the Commission were to adopt Staff’s proposed CEP caps, what will
10 **that translate to in terms of the estimated CEP-collected funding**
11 **Columbia will have available for capital projects?**

12
13

A.

Year	2023	2024	2025	2026
CEP	\$128M	\$131M	\$137M	\$143M

14
15

Q. What would this mean for Columbia’s capital budget?

17 A. It will significantly constrict spending for other components of Columbia’s
18 capital program, which includes several core commitments:

19
20
21
22
23
24
25
26
27
28
29
30
31

- Growth, which includes fulfilling its obligation to serve new customers and providing service for economic development opportunities across its service territories;
- Compliance requirements, which enhance safety and reliability of its system and conform to safety related codes and standards;
- Capacity betterment, which ensures reliability of its systems and the ability to maintain service to all customers served;
- Infrastructure modernization, which includes Columbia’s commitment to abandon all priority pipe by 2032 and replacement of aging measurement and regulation infrastructure;
- Public improvement, which ensures responsiveness to and enablement of public roadway and infrastructure improvement

1 projects for customers and municipalities which are increasing as
2 federal aid is distributed across Ohio, and;

- 3 • Support services, which provides the tools and system visibility
4 required to execute this capital program and safely manage and
5 monitor Columbia's systems.

6
7 If Columbia's capital program is constrained to the caps proposed by Staff,
8 Columbia will be forced to make decisions about which core commitments
9 it will prioritize (such as required compliance work) and which it will
10 inadequately serve or miss entirely. All core commitments simply cannot
11 be upheld with annual capital targets as low as what Staff propose.

12
13 Columbia's capital expenditures from 2019 through 2021 have been as
14 follows:

15

Year	2019	2020	2021
IRP	\$239.7M	\$225.5M	\$273.3M
CEP	\$168.9M	\$171.8M	\$206.2M
Total	\$408.6M	\$397.3M	\$479.5M

16
17 Based on these historical expenditures and their consistent, upward trend;
18 increased compliance requirements related to the PHMSA Mega Rule;
19 inflationary influences on project efficiency and spend; increased
20 permitting fees levied on Columbia's projects; safety-related enhancements
21 planned to Columbia's infrastructure and systems; and unpredictable
22 economic development requests to serve, Columbia is requesting that its
23 submitted capital plan estimates be enabled so that all core commitments
24 can be sustained.

25
26 **Q. Has Columbia experienced increased an upward trend in costs for capital
27 projects?**

28 **A.** Yes. Columbia has witnessed increased costs for all of its capital projects,
29 including both CEP and IRP projects. These increased costs were detailed
30 in part in my direct testimony and result from spikes in material costs,
31 inflationary pressure, increases in permitting fees, and additional
32 restoration requirements. These costs are continuing to trend upward. For
33 more information on market conditions contributing to these increases,
34 please refer to the Supplemental Testimony of Paul Moul. These increased
35 costs coupled with Columbia's requirements for safety, compliance and

1 customer service create further pressure on its capital program. Staff's
2 proposed cap on the CEP does not take this fact into account.

3

4 **IV. CONCLUSION**

5

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

7 **A. Yes, it does.**

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 13th day of May, 2022, upon the persons listed below.

/s/ Joseph M. Clark

Joseph M. Clark

Attorney for

COLUMBIA GAS OF OHIO, INC.

SERVICE LIST

Citizens' Utility Board of Ohio	Trent Dougherty trent@hubaydougherty.com
Environmental Law & Policy Center	Janean R. Weber jweber@elpc.org
Industrial Energy Users-Ohio	Matthew R. Pritchard Bryce A. McKenney McNees Wallace & Nurick LLC mpritchard@mcneeslaw.com bmckenney@mcneeslaw.com
Interstate Gas Supply, Inc.	Michael Nugent Evan Betterton Joseph Oliker Stacie Cathcart michael.nugent@igs.com evan.betterton@igs.com joe.oliker@igs.com stacie.cathcart@igs.com

The Kroger Company	Angela Paul Whitfield Carpenter Lipps & Leland LLP paul@carpenterlipps.com
Northeast Ohio Public Energy Council	Devin D. Parram BRICKER & ECKLER LLP dparram@bricker.com Glenn S. Krassen gkrassen@nopec.org
Office of the Ohio Consumers' Counsel	Angela D. O'Brien William J. Michael Assistant Consumers' Counsel angela.obrien@occ.ohio.gov william.michael@occ.ohio.gov
Ohio Energy Group (OEG)	Michael L. Kurtz, Esq. Kurt J. Boehm, Esq. Jody Kyler Cohn, Esq. BOEHM, KURTZ & LOWRY mkurtz@BKLawfirm.com kboehm@BKLawfirm.com jkylercohn@BKLawfirm.com
Ohio Manufacturers' Association Energy Group	Kimberly W. Bojko Jonathan Wygonski Carpenter Lipps & Leland LLP Bojko@carpenterlipps.com Wygonski@carpenterlipps.com
Ohio Partners for Affordable Energy	Robert Dove Kegler Brown Hill + Ritter Co., L.P.A. rdove@keglerbrown.com

<p>Ohio School Council</p>	<p>Glenn S. Krassen BRICKER & ECKLER LLP gkrassen@bricker.com</p> <p>Dane Stinson BRICKER & ECKLER LLP dstinson@bricker.com</p>
<p>Retail Energy Supply Association</p>	<p>Michael J. Settineri Gretchen L. Petrucci Vorys, Sater, Seymour and Pease LLP mjsettineri@vorys.com glpetrucci@vorys.com</p>

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on
5/13/2022 3:12:05 PM**

in

**Case No(s). 21-0637-GA-AIR, 21-0638-GA-ALT, 21-0639-GA-UNC, 21-0640-GA-
AAM**

Summary: Testimony Prepared Supplemental Direct Testimony of Connor McGrath on behalf of Columbia Gas of Ohio, Inc. electronically filed by Ms. Melissa L. Thompson on behalf of Columbia Gas of Ohio, Inc.