

FILE

CINERGY.

Cinergy Corp.
139 East Fourth Street
Rm 25 AT II
P.O. Box 960
Cincinnati, OH 45201-0960
tel 513.287.3601
fax 513.287.3810
jfinnigan@cinergy.com

John J. Finnigan, Jr.
Senior Counsel

VIA OVERNIGHT DELIVERY

February 8, 2006

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43215

Re: In the Matter of the Application of The Cincinnati Gas & Electric Company for an Increase in Rates and In the Matter of the Application of The Cincinnati Gas & Electric Company for Approval to Change Accounting Methods
Case Nos. 01-1228-GA-AIR and 01-1539-GA-AAM

Dear Sir or Madam:

Enclosed please find an original and twenty-two copies of the testimony of Gary J. Hebbeler and William Don Wathen, Jr., for docketing in the above-referenced cases.

Please date-stamp and return the two extra copies in the enclosed envelope.

Should you have any questions, please contact me at (513) 287-3601.

Very truly yours,



John J. Finnigan, Jr.

JJF/sew

Enclosure

cc: All attorneys of record (w/encl.)

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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
The Cincinnati Gas & Electric) Case No. 01-1228-GA-AIR
Company for an Increase in Rates)

In the Matter of the Application of)
The Cincinnati Gas & Electric) Case No. 01-1539-GA-AAM
Company for Approval to Change)
Accounting Methods)

DIRECT TESTIMONY OF

WILLIAM DON WATHEN, JR.

ON BEHALF OF

THE CINCINNATI GAS & ELECTRIC COMPANY

☐ Management policies, practices, and organization
☒ Operating income
☐ Rate base
☒ Allocations
☒ Rate of return
☐ Rates and tariffs
☐ Other (Cast Iron/Bare Steel Main Replacement Program)

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February 8, 2006

**DIRECT TESTIMONY OF
WILLIAM DON WATHEN, JR.**

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE	- 1 -
II. EXPLANATION OF SCHEDULES	- 2 -
III. REASONABLENESS OF REQUESTED INCREASE.....	- 7 -

DIRECT TESTIMONY OF WILLIAM DON WATHEN, JR.

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is William Don Wathen, Jr. My business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

4 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
5 **QUALIFICATIONS.**

6 A. I received Bachelor Degrees in Business and Chemical Engineering in 1985 and
7 1986, respectively, and a Master of Business Administration Degree in 1988, all
8 from the University of Kentucky.

9 After completing graduate studies, I was employed by Kentucky Utilities
10 Company as a planning analyst. Later in 1989, I began employment with the
11 Indiana Utility Regulatory Commission (IURC) as a senior engineer. From 1992
12 until mid-1998, I was employed by SVBK Consulting Group where I held several
13 positions as a consultant focusing principally on utility rate matters. Since 1998, I
14 have been employed with Cinergy Services, Inc., and have held positions in
15 Budgets and Forecasts, Project Management, and, since August of 2003, as
16 Manager of Revenue Requirements in Rates.

17 **Q. PLEASE SUMMARIZE YOUR DUTIES AS MANAGER OF REVENUE**
18 **REQUIREMENTS.**

19 A. As Manager of Revenue Requirements, I am responsible for the preparation of
20 financial and accounting data used in the Company's wholesale and retail rate

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174783

1 filings, petitions for changes in fuel and gas cost adjustment factors, and various
2 other rate recovery mechanisms.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

4 A. Yes. I have previously testified in several cases before this Commission.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. I will explain the schedules filed by The Cincinnati Gas & Electric Company
7 (CG&E or Company) in this proceeding on November 30, 2005 and support the
8 reasonableness of CG&E's request for revised Rider AMRP rates.

II. EXPLANATION OF SCHEDULES

9 **Q. PLEASE EXPLAIN SCHEDULE 1.**

10 A. Schedule 1 provides the annualized revenue requirement for CG&E's revised Rider
11 AMRP rates, based on the Net Rate Base of the AMRP at December 31, 2004, nine
12 months actual data for January 2005 through September 2005, and projected data for
13 the remaining three months of 2005. The information on this schedule is supported
14 in Schedules 2 through 15.

15 **Q. PLEASE EXPLAIN SCHEDULES 2-A AND 2-B.**

16 A. Schedules 2-A and 2-B provide the balance of plant additions at December 31,
17 2004, actual plant additions by month through September 30, 2005, and projected
18 plant additions for the remaining three months of 2005 to calculate the estimated
19 balance at December 31, 2005.

20 **Q. PLEASE EXPLAIN SCHEDULES 3-A AND 3-B.**

21 A. Schedules 3-A and 3-B provide the balance of cost of removal at December 31,
22 2004, actual cost of removal by month through September 30, 2005, and projected

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1 cost of removal for the remaining three months of 2005 to calculate the estimated
2 balance at December 31, 2005.

3 **Q. PLEASE EXPLAIN SCHEDULES 4-A AND 4-B.**

4 A. Schedules 4-A and 4-B provide the balance of original cost retired at December 31,
5 2004, actual original cost retired by month through September 30, 2005, and
6 projected original cost retired for the remaining three months of 2005 to calculate
7 the estimated balance at December 31, 2005.

8 **Q. PLEASE EXPLAIN SCHEDULES 5-A AND 5-B.**

9 A. Schedules 5-A and 5-B provide the balance of provision for depreciation at
10 December 31, 2004, actual provision for depreciation through September 30,
11 2005, and projected provision for depreciation for the remaining three months of
12 2005 to calculate the estimated balance at December 31, 2005.

13 **Q. PLEASE EXPLAIN SCHEDULES 6-A1, 6-A2, 6-B1 AND 6-B2.**

14 A. Schedules 6-A1, 6-A2, 6-B1 and 6-B2 provide the balance of Post In-Service
15 Carrying Costs (PISCC) regulatory asset at December 31, 2004, the PISCC
16 activity by month through September 30, 2005, and projected PISCC for the
17 remaining three months of 2005 to calculate the estimated balance at December
18 31, 2005. These schedules also provide the balance of PISCC amortization at
19 December 31, 2004, actual PISCC amortization through September 30, 2005, and
20 projected PISCC amortization for the remaining three months of 2005 to calculate
21 the estimated balance at December 31, 2005. Additionally, the Net PISCC
22 Regulatory Asset for the periods is provided.

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1 **Q. PLEASE EXPLAIN SCHEDULES 7-A AND 7-B.**

2 A. Schedules 7-A and 7-B provide the balance of PISCC net deferred tax at
3 December 31, 2004, the actual PISCC net deferred tax activity and balance
4 through September 30, 2005, and the projected PISCC net deferred tax activity
5 and balance for the remaining three months of 2005.

6 **Q. PLEASE EXPLAIN SCHEDULES 8-A, 8-B AND 8-C.**

7 A. Schedules 8-A, 8-B and 8-C provide the calculation of deferred taxes on
8 liberalized depreciation for vintage years 2001 through 2004, actual for vintage
9 2005 through September 30, 2005, and a projection of deferred taxes on
10 liberalized depreciation for vintage 2005 for the remaining three months of 2005
11 to calculate the estimated balance at December 31, 2005. These deferred taxes are
12 calculated only on the plant in-service added through the AMRP since its
13 inception.

14 **Q. PLEASE EXPLAIN SCHEDULES 9-A AND 9-B.**

15 A. Schedules 9-A and 9-B provide the calculation by month of the annualized
16 depreciation expense associated with additions, based on actual AMRP additions
17 from the beginning of the program through September 30, 2005, and on projected
18 additions for the remaining three months of 2005.

19 **Q. PLEASE EXPLAIN SCHEDULES 10-A AND 10-B.**

20 A. Schedules 10-A and 10-B provide the calculation by month of the annualized
21 reduction in depreciation expense associated with retirements, based on actual
22 AMRP retirements from the beginning of the program through September 30,
23 2005, and on projected retirements for the remaining three months of 2005.

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1 **Q. PLEASE EXPLAIN SCHEDULE 11-A AND 11-B.**

2 A. Schedules 11-A and 11-B provide a calculation of the annualized amortization of
3 the PISCC accrued from the beginning of the program through September 30,
4 2005, and projected for the remaining three months of 2005. The PISCC
5 Regulatory Assets by account are in agreement with those provided on Schedules
6 6-A1, 6-A2, 6-B1, and 6-B2.

7 **Q. PLEASE EXPLAIN SCHEDULE 12.**

8 A. Schedule 12 provides actual meter relocation expenses from January through
9 September 2005, and projected meter relocation expenses for the remaining three
10 months of 2005.

11 **Q. PLEASE EXPLAIN SCHEDULE 13.**

12 A. Schedule 13 provides actual customer-owned service line expenses from January
13 through September 2005, and projected customer-owned service line expenses for
14 the remaining three months of 2005.

15 **Q. PLEASE EXPLAIN SCHEDULES 14-A AND 14-B.**

16 A. Schedules 14-A and 14-B provide the calculation of the annualized property tax
17 expense based on actual additions and retirements to plant in-service from the
18 beginning of the program through September 30, 2005, and the projected
19 additions and retirements to plant in-service for the remaining three months of
20 2005. This calculation follows the process used in CG&E's Annual Report to the
21 Ohio Department of Taxation to determine the Net Property Valuation and uses
22 the latest known average property tax rate per \$1,000 of valuation.

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1 **Q. PLEASE EXPLAIN SCHEDULE 15.**

2 A. Schedule 15 provides a calculation of the actual savings related to gas
3 maintenance accounts through September 30, 2005, and the projected savings for
4 the remaining three months of 2005, measured against the gas maintenance
5 expense allowed in base rates as approved by the Commission in Case No. 01-
6 1228-GA-AIR.

7 **Q. PLEASE EXPLAIN SCHEDULE 16.**

8 A. Schedule 16 provides an estimate of the Rider AMRP charge by rate class using
9 base revenue (excluding Gas Costs and AMRP Rider revenue) for the twelve
10 months ended October 2005; the number of customer bills for the ten months
11 actual and two months projected 2005; Mcf Sales to Interruptible Transportation
12 customers for ten months actual and two months projected 2005; and the
13 annualized revenue requirement as calculated on Schedule 1. The Rate Cap for
14 2005 by Rate Class determined in accordance with the Stipulation and
15 Recommendation is also presented.

16 **Q. PLEASE EXPLAIN SCHEDULE 17.**

17 A. Schedule 17 provides the aged survivors of mains and services as of September
18 30, 2005.

19 **Q. PLEASE EXPLAIN SCHEDULE 18.**

20 A. Schedule 18 provides a reconciliation of the Accumulated Depreciation Balance
21 for all mains and services by account from December 31, 2004 to September 30,
22 2005. The information is provided for AMRP plant and non-AMRP plant and the

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174783

1 activity is segregated between Depreciation Expense and Adjustments Due to
2 Retirement or Replacement.

III. REASONABLENESS OF REQUESTED INCREASE

3 **Q. ARE YOU FAMILIAR WITH THE STIPULATION AND**
4 **RECOMMENDATION FILED WITH THE COMMISSION ON APRIL 17,**
5 **2002, AND APPROVED BY THE COMMISSION IN ITS OPINION AND**
6 **ORDER ON MAY 10, 2002, IN THIS PROCEEDING?**

7 A. Yes.

8 **Q. HAVE YOU REVIEWED CG&E'S APPLICATION IN THIS**
9 **PROCEEDING?**

10 A. Yes.

11 **Q. DO YOU HAVE AN OPINION REGARDING WHETHER CG&E'S**
12 **REQUEST FOR NEW RIDER AMRP RATES IS REASONABLE?**

13 A. Yes.

14 **Q. PLEASE STATE YOUR OPINION.**

15 A. CG&E's rate request is fair and reasonable. I believe that the costs of service are
16 properly allocated to customer classes, and the rate design was properly performed
17 in accordance with the terms and conditions of the Stipulation and
18 Recommendation. The proposed Rider AMRP rates are within the rate caps
19 established in the Stipulation and Recommendation. Further, the Rider AMRP
20 rates reflect a flow-through to customers of an estimated savings of approximately
21 \$2.2 million in maintenance expenses due to replacement of cast iron and bare
22 steel mains and services.

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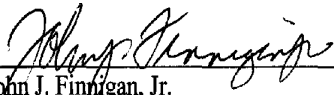
1 Q. DOES THIS CONCLUDE YOUR DIRECT PRE-FILED
2 TESTIMONY?
3 A. Yes.

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CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a copy of the foregoing Direct Testimony of William Don Wathen, Jr. was served on the following parties of record by first class, U.S. Mail, postage prepaid this 8th day of February, 2006.



John J. Finnigan, Jr.

Larry Sauer, Esq.
Ohio Consumers' Counsel
10 West Broad Street, 18th Floor
Columbus, OH 43215-3485

Gretchen Hummel, Esq.
IEU-Ohio
McNees, Wallace & Nurick
21 East State St., 7th Floor
Columbus, OH 43215

David C. Rinebolt, Esq.
Ohio Partners for Affordable Energy
337 S. Main Street
4th Floor – Suite 5
Findlay, OH 45840

M. Howard Petricoff, Esq.
The New Power Company
Vorys, Sater, Seymour and Pease
52 East Gay Street
P. O. Box 1008
Columbus, OH 43216-1008

Charles Harak, Esq.
Jerrold Oppenheim, Esq.
IUU
77 Summer Street, 10th Floor
Boston, MA 02110

Noel M. Morgan
Communities United for Action
215 East Ninth Street
Suite 200
Cincinnati, OH 45202

William Wright
Assistant Attorney General
Public Utilities Commission of Ohio
180 East Broad Street, 9th Floor
Columbus, Ohio 43215

Henry W. Eckhart, Esq.
People Working Cooperatively, Inc.
50 West Broad Street, #2117
Columbus, Ohio 43215

Lisa McAlister, Esq.
The Ohio Home Builders Association
McNees, Wallace & Nurick LLC
Fifth Third Center
21 East State Street, 17th Floor
Columbus, OH 43215-4228

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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
The Cincinnati Gas & Electric) Case No. 01-1228-GA-AIR
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DIRECT TESTIMONY OF

GARY J. HEBBELER

ON BEHALF OF

THE CINCINNATI GAS & ELECTRIC COMPANY

☒ Management policies, practices, and organization
☐ Operating income
☐ Rate base
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February 8, 2006

DIRECT TESTIMONY OF

GARY J. HEBBELER

TABLE OF CONTENTS

	<u>PAGE</u>
I. INTRODUCTION AND PURPOSE.....	- 1 -
II. DESCRIPTION OF AMRP	- 2 -
III. ITEMS FROM PREVIOUS AMRP STIPULATIONS	- 7 -

DIRECT TESTIMONY OF GARY J. HEBBELER

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Gary J. Hebbeler. My business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Cinergy Services, Inc. (Cinergy Services), an affiliate of The
6 Cincinnati Gas & Electric Company (CG&E), as Manager, Gas Engineering.

7 **Q. WHAT DUTIES AND RESPONSIBILITIES DO YOU HAVE IN YOUR**
8 **CURRENT POSITION?**

9 A. As Manager, Gas Engineering, I manage the engineering activities and the capital
10 expenditures for Gas Operations in the Cinergy gas system.

11 **Q. PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND.**

12 A. I am a graduate of the University of Kentucky where I obtained my Bachelor of
13 Science in Civil Engineering. In 1994, I obtained my licensure as a Professional
14 Engineer in the Commonwealth of Kentucky and by reciprocity later in the State
15 of Ohio.

16 **Q. PLEASE SUMMARIZE YOUR PROFESSIONAL EXPERIENCE.**

17 A. I began working for CG&E in 1987 as an engineer in the Gas Engineering
18 Department. My experience includes acting as project engineer. In that capacity
19 I have analyzed plans, designed gas mains and water lines; coordinated projects
20 with governmental agencies and consulting firms; monitored pipe calculations;
21 stress calculations on buried pipes; evaluation of stresses on exposed pipelines

GARY J. HEBBELER DIRECT

1 and company paving standards and designs. I worked for CG&E, and later for
2 Cinergy Services through 1998. I worked as Vice President for Michels Concrete
3 Construction, Inc. during 1998 and returned to Cinergy's Gas Engineering
4 Department in 1999. In 2000, I was promoted to Manager of Contractor
5 Construction. My experience includes managing the construction activities for
6 the replacement of cast iron/bare steel program, street improvements and a portion
7 of gas only main extensions in the Cinergy gas system. In 2002, I was promoted
8 to my current position of Manager of Gas Engineering.

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
10 **PROCEEDING?**

11 A. The purpose of my testimony is to explain the construction and management
12 practices of CG&E as they relate to the Accelerated Main Replacement Program
13 (AMRP) for construction activity during calendar year 2005.

II. DESCRIPTION OF AMRP

14 **Q. PLEASE GENERALLY DESCRIBE THE AMRP.**

15 A. The AMRP is designed to replace the cast iron and bare steel mains and metallic
16 service lines on CG&E's distribution system on an accelerated basis. CG&E
17 initiated this program in mid-2001. Cast iron and bare steel pipe is more
18 susceptible to leaks and breaks than other types of pipe. Prior to this program,
19 CG&E was replacing these mains on a schedule that would have taken CG&E
20 over 70 years to complete. The service lines were customer-owned and customers
21 generally only replaced the services when they leaked. Under the AMRP, CG&E
22 will replace the mains in less than 20 years, and CG&E will also replace metallic

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1 service lines. In an Opinion and Order dated May 30, 2002 in this proceeding, the
2 Commission approved an annually-adjusted cost recovery mechanism for the
3 AMRP costs, known as Rider AMRP, Sheet No. 65.

4 **Q. PLEASE DESCRIBE THE PROGRESS CG&E HAS MADE IN**
5 **INSTALLING NEW MAIN AND SERVICE LINES SINCE INITIATING**
6 **THE AMRP.**

7 A. Prior to commencing the AMRP, CG&E had approximately 1,200 miles of cast
8 iron and bare steel main in service. Under the AMRP, CG&E has replaced
9 approximately 461.6 miles of main through the end of 2005.

10 **Q. PLEASE EXPLAIN HOW CG&E SELECTS WHICH MAINS TO**
11 **REPLACE THROUGH THE AMRP.**

12 A. CG&E selects which mains to replace by using three general methodologies: (1)
13 Cast Iron and Bare Steel Main Replacement module work; (2) the Cast Iron
14 Maintenance Optimization System (CIMOS)® and Bare Steel Maintenance
15 Optimization System (BSMOS)®; and (3) the street improvement program.

16 **Q. PLEASE EXPLAIN HOW CG&E SELECTS WHICH MAINS TO**
17 **REPLACE FOR CAST IRON AND BARE STEEL MAIN REPLACEMENT**
18 **MODULE WORK.**

19 A. Based on the operating history of the various types of cast iron and bare steel
20 pipe, CG&E established the following prioritization for replacing the cast iron and
21 bare steel mains: (1) cast iron intermediate pressure main with mechanical joints,
22 installed after 1947; (2) bare steel standard pressure main; (3) cast iron
23 intermediate pressure main with mechanical joints, installed in or before 1947; (4)

GARY J. HEBBELER DIRECT

1 cast iron medium pressure main; (5) bare steel intermediate pressure, medium
2 pressure and 60-pound pressure main and feeder lines; (6) cast iron intermediate
3 pressure main with bell and spigot joints, installed after 1947; (7) cast iron
4 intermediate pressure main with bell and spigot joints, installed in or before 1947;
5 (8) cast iron standard pressure main with mechanical joints; and (9) cast iron
6 standard pressure main with bell and spigot joints. In the Cast Iron and Bare Steel
7 Main Replacement module work, CG&E uses these replacement priorities to
8 design a "module," which is a grouping of cast iron and/or bare steel main
9 between two and five miles in total length, and located within the same
10 geographic area. Approximately 88% of the cast iron and bare steel main that
11 CG&E replaced under the AMRP in 2005 was done through such module work.

12 There are two principal benefits to using this module approach. First,
13 CG&E is able to replace the cast iron and bare steel mains in a systematic manner
14 where the specific types of main with the highest propensity for breaks and leaks
15 are replaced at the earliest point in time. Second, this approach tends to keep
16 costs low by capturing economies of scale, by using lower-cost directional drilling
17 techniques and by avoiding frequent and costly re-mobilizing of construction
18 equipment and work crews.

19 **Q. PLEASE EXPLAIN HOW CG&E SELECTS WHICH MAINS TO**
20 **REPLACE USING THE CAST IRON MAINTENANCE OPTIMIZATION**
21 **SYSTEM (CIMOS)® AND BARE STEEL MAINTENANCE**
22 **OPTIMIZATION SYSTEM (BSMOS)® METHODOLOGIES.**

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1 A. CIMOS® and BSMOS® are two computer software programs that CG&E utilizes
2 to help determine whether a specific segment of cast iron or bare steel main
3 should be replaced, based on the probability that future leaks will occur on that
4 segment of main. The models use a variety of factors to determine the probability
5 of future leaks, such as break history, pending leaks, type of material, year
6 installed, pipe diameter, operating pressure, earth loading and soil type.

7 In 2005, approximately 10% of the AMRP work was identified using the
8 CIMOS® and BSMOS® programs. The benefit of using this approach is that it
9 enables CG&E to replace individual segments of cast iron and bare steel main that
10 have a high propensity for future breaks and leaks, based on consideration of
11 numerous factors relating to the particular circumstances under which the main
12 was originally installed and is currently operating.

13 **Q. PLEASE EXPLAIN HOW CG&E SELECTS WHICH MAINS TO**
14 **REPLACE USING THE STREET IMPROVEMENT PROGRAM.**

15 A. At various times during the year, local governments will notify CG&E that they
16 intend to perform street improvements that require CG&E to re-locate its gas
17 mains. When this occurs and when the main is cast iron or bare steel, CG&E will
18 replace the main. In 2005, approximately 2% of the AMRP work was performed
19 through street improvement projects. The benefit of using this approach is that it
20 avoids duplicating costs that CG&E would otherwise incur if CG&E were to
21 simply re-locate the existing main to accommodate the current street improvement
22 project, then return at a later date to replace the main.

GARY J. HEBBELER DIRECT

1 **Q. DID CG&E CONDUCT THE AMRP CONSTRUCTION IN 2005 AT A**
2 **REASONABLE COST?**

3 **A.** Yes. The management policies that CG&E followed to select which mains to
4 replace, as discussed above, allowed CG&E to perform the work at a reasonable
5 cost, based on the costs incurred for the program in 2005, which are only
6 available on a preliminary basis. CG&E will provide the full twelve months
7 actual cost information through the end of 2005 in its filing in February.

8 **Q DID THE AMRP PRODUCE ANY SIGNIFICANT BENEFITS FOR**
9 **CUSTOMERS IN 2005?**

10 **A.** Yes. CG&E has replaced a significant amount of cast iron and bare steel main as
11 a result of the program, as discussed above. The leak rate for cast iron and bare
12 steel main is approximately 1.3 leaks per mile versus a leak rate of approximately
13 0.05 leaks per mile for plastic and coated steel main. CG&E prioritized the
14 replacement projects so as to replace mains that had the greatest potential for
15 resulting in reportable incidents. This has resulted in a lower incidence of leaks.
16 This lower number of leaks results not only in maintenance savings but also in
17 less gas purchased by CG&E customers than would have occurred without the
18 AMRP. CG&E passes through the maintenance savings to customers via a net
19 reduction in approved maintenance costs in the AMRP's annual revenue
20 requirement mechanism, as discussed in more detail in the testimony of CG&E
21 witness Mr. William Don Wathen, Jr. Reductions in gas purchases are
22 automatically passed on to customers through the GCR mechanism (for sales

GARY J. HEBBELER DIRECT

1 customers) or through reduced gross-up of city-gate deliveries (for transportation
2 customers).

III. ITEMS FROM PREVIOUS AMRP STIPULATIONS

3 **Q. AT PARAGRAPH 6 OF THE 2004 AMRP STIPULATION, CG&E**
4 **AGREED TO COMPETITIVELY BID AT LEAST 80% OF THE WORK**
5 **FOR THE AMRP PROGRAM. HOW MUCH OF THE WORK WAS**
6 **COMPETITIVELY BID IN 2005?**

7 A. Of the work performed by contractors, over 99% was competitively bid based on
8 construction costs incurred through December 31, 2005.

9 **Q. AT PARAGRAPH 7 OF THE 2004 AMRP STIPULATION, CG&E**
10 **COMMITTED TO USE UNIT-BASED PRICES FOR THE AMRP**
11 **PROGRAM, EXCEPT IN SITUATIONS OUTLINED IN THE**
12 **STIPULATION. DID CG&E FOLLOW THIS PRACTICE IN 2005?**

13 A. Yes, CG&E used unit-based prices for the contracts and paid contractors the unit-
14 based prices specified in the contracts, except for the types of situations outlined
15 in stipulation: (a.) in the case of unanticipated conditions, such as unusual field
16 conditions not contemplated by the parties; (b.) where a governmental entity
17 imposed additional construction requirements for work within the right-of-way;
18 (c.) where a greater number of units was required for the actual work versus the
19 number of units contemplated in the plan drawings; or (d.) for certain types of
20 construction activities where CG&E determined that it would result in lower costs
21 for the contractor to perform the work under other price methods such as on a
22 time and materials basis.

GARY J. HEBBELER DIRECT

1 Q. CG&E STATED AT PARAGRAPH 8 OF THE 2004 AMRP STIPULATION
2 THAT IT WOULD ONLY AWARD AMRP WORK TO ANY AFFILIATE
3 IF IT WAS ECONOMIC TO DO SO, AND THAT IT WOULD REPORT
4 THE FOLLOWING INFORMATION ON ANY CG&E-AFFILIATED
5 AMRP CONTRACTOR: THE NAME OF THE CONTRACTOR; THE
6 COSTS PAID TO THE AFFILIATE AND AN EXPLANATION WHY
7 SUCH WORK WAS AWARDED TO THE AFFILIATE. WHAT
8 INFORMATION DOES CG&E HAVE TO REPORT FOR THE 2005
9 AMRP?

10 A. Miller Pipeline Corporation (Miller Pipeline) is an affiliate of CG&E and was
11 awarded AMRP construction work in 2005. All jobs awarded to Miller Pipeline
12 for 2005 except for one were competitively bid. Competitively bid jobs
13 represented 99.6% of the total contractor bid price for Miller Pipeline. Miller
14 Pipeline was awarded these jobs because they were the lowest and best bidder. In
15 2005, for the 2005 AMRP Construction Program, CG&E paid Miller Pipeline
16 \$9,302,809.71.

17 The one job awarded to Miller Pipeline other than through a competitive
18 bidding process was for Baywood Lane. This job was given to Miller Pipeline
19 because deterioration of the main allowed water to infiltrate our system causing
20 outages. We elected not to use a competitive bidding process for this work
21 because of the lack of available resources in the time frame required to complete
22 the project. The price negotiated for Baywood Lane was equivalent to the
23 competitively bid pricing on Miller's 2005 module work. The dollar value of this

GARY J. HEBBELER DIRECT

1 work in 2005 was \$33,314.86, which is included in the total work awarded to
2 Miller Pipeline as reported in the preceding paragraph.

3 In addition, Reliant Services, LLC (Reliant Services) is an affiliate of
4 CG&E that provided locating services related to the AMRP in 2005. Reliant
5 Services provides these services to CG&E at cost pursuant to the terms of the
6 utility-non-utility service agreement, as approved by the SEC, FERC and the
7 Commission. In 2005, for the 2005 AMRP Construction Program, CG&E paid
8 Reliant Services \$95,345.95.

9 **Q. AT PARAGRAPH 9 OF THE 2004 AMRP STIPULATION, CG&E**
10 **AGREED TO REPORT THE NUMBER OF CUSTOMER SERVICE**
11 **LINES REPLACED, INCLUDING THE NUMBER OF SERVICE LINES**
12 **REPLACED OVER 70-FEET LONG. WHAT INFORMATION DOES**
13 **CG&E HAVE TO REPORT FOR THE 2005 AMRP?**

14 **A.** In 2005, 7,581 customer service lines were replaced, which includes 180 customer
15 service lines over 70 feet long.

16 **Q. AT PARAGRAPH 11 OF THE 2004 AMRP STIPULATION, CG&E**
17 **AGREED TO EXPLAIN WHY IT SELECTED THE AREAS SCHEDULED**
18 **FOR MODULE WORK UNDER THE AMRP IN 2005, INCLUDING THE**
19 **REASONS WHY CG&E SELECTED EACH AREA, BASED ON SAFETY,**
20 **RELIABILITY AND PERMITTING CONSIDERATIONS. PLEASE**
21 **EXPLAIN HOW CG&E SELECTED THE MODULES FOR THE AMRP**
22 **FOR 2005 BASED ON THESE CONSIDERATIONS.**

GARY J. HEBBELER DIRECT

1 A. The module work is divided into nine categories ranked from the highest potential
2 for reportable incidents first. We also consider system integrity, permit
3 requirements, and public safety. System integrity is taken into account when a
4 large portion of a system is under construction. We evaluate system integrity
5 factors such as location of tie-ins, flow, system pressures and the time of year the
6 tie-ins will be performed. Permitting agencies require an orderly construction
7 methodology so an entire municipality will not be directly affected causing
8 hardship throughout for municipal residents and employees. Finally, flow of
9 traffic must be considered for the traveling public. Seven of the modules
10 constructed in 2005 were in the priority one category. Two of the modules were
11 constructed as a result of street improvements, where scheduling with the
12 communities ahead of the road work was essential. The remaining modules were
13 in the priority two, four or eight category, which spread the work over more of the
14 system to reduce the hardship on particular communities. This enabled CG&E to
15 address safety considerations, maintain system integrity, abide by permitting
16 requirements and maintain safety to the traveling public for all construction
17 activities.

18 **Q. DURING THE RIDER AMRP FOR CALENDAR YEAR 2004, THE OCC**
19 **REQUESTED THAT CG&E SUBMIT A REPORT FOR THE CURRENT**
20 **YEAR'S RIDER AMRP CASE ON THE COMPETITIVE BIDDING**
21 **PROCESS FOR UNDERGROUND LOCATING SERVICES PERFORMED**
22 **BY RELIANT SERVICES, WHICH IS CG&E'S AFFILIATE. HAS CG&E**
23 **SUBMITTED THIS INFORMATION TO OCC?**

GARY J. HEBBELER DIRECT

1 A. CG&E conducted a competitive bidding process in 2005, in which Reliant
2 Services was selected to continue performing this work. CG&E is in the process
3 of entering into a confidentiality agreement with OCC for the confidential
4 information related to this bidding process. When the confidentiality agreement is
5 finalized, CG&E will submit the confidential information to OCC.

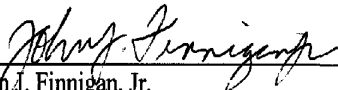
6 **Q. DOES THIS COMPLETE YOUR DIRECT PRE-FILED TESTIMONY?**

7 A. Yes.

GARY J. HEBBELER DIRECT

CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that a copy of the foregoing Direct Testimony of Gary J. Hebbeler was served on the following parties of record by first class, U.S. Mail, postage prepaid this 8th day of February, 2006.


John J. Finnigan, Jr.

Larry Sauer, Esq.
Ohio Consumers' Counsel
10 West Broad Street, 18th Floor
Columbus, OH 43215-3485

Gretchen Hummel, Esq.
IEU-Ohio
McNees, Wallace & Nurick
21 East State St., 7th Floor
Columbus, OH 43215

David C. Rinebolt, Esq.
Ohio Partners for Affordable Energy
337 S. Main Street
4th Floor – Suite 5
Findlay, OH 45840

M. Howard Petricoff, Esq.
The New Power Company
Vorys, Sater, Seymour and Pease
52 East Gay Street
P. O. Box 1008
Columbus, OH 43216-1008

Charles Harak, Esq.
Jerrold Oppenheim, Esq.
IUU
77 Summer Street, 10th Floor
Boston, MA 02110

Noel M. Morgan
Communities United for Action
215 East Ninth Street
Suite 200
Cincinnati, OH 45202

William Wright
Assistant Attorney General
Public Utilities Commission of Ohio
180 East Broad Street, 9th Floor
Columbus, Ohio 43215

Henry W. Eckhart, Esq.
People Working Cooperatively, Inc.
50 West Broad Street, #2117
Columbus, Ohio 43215

Lisa McAlister, Esq.
The Ohio Home Builders Association
McNees, Wallace & Nurick LLC
Fifth Third Center
21 East State Street, 17th Floor
Columbus, OH 43215-4228

GARY J. HEBBELER DIRECT