

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the matter of:)
)
APPLICATION OF COLUMBIA GAS) Case No. 2016-00162
OF KENTUCKY, INC. FOR AN AD-)
JUSTMENT OF RATES)

**PREPARED REBUTTAL TESTIMONY OF
KIMRA H. COLE
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

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October 21, 2016 Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

PREPARED REBUTTAL TESTIMONY OF KIMRA H. COLE

1 **Q: Please state your name and business address.**

2 A: My name is Kimra H. Cole and my business address is 2001 Mercer Road,
3 Lexington, Kentucky, 40511.

4

5 **Q: Did you file Direct Prepared Testimony in this proceeding?**

6 A: Yes, I did.

7

8 **Q: What is the purpose of your Rebuttal Testimony in this proceeding?**

9 A: To provide additional information in response to AG's Witness Kollen
10 testimony in regards to his statements concerning the discretionary
11 nature of Columbia's public safety awareness advertising dollars and the
12 capital expenditures for the purchase of the Mobile Data Terminals
13 (MDTs). Additionally, I provide additional explanation regarding
14 Witness Kollen's criticism regarding the increase in the number of
15 employees since the last rate case. Lastly, I further explain the rationale
16 for a tracker for the replacement of meter families that fail our meter
17 sampling program.

18

1 **Q. Is Columbia required as part of its utility obligation under PHMSA**
2 **DOT 192 Public Awareness Program required to provide pipeline safety**
3 **information to stakeholder audiences?**

4 A. Yes, as a part of Columbia's awareness program we provide the public
5 with information about how to recognize, respond to and report pipeline
6 emergencies. Columbia's outreach to stakeholders has included, but has
7 not been limited to, communication on the 811 One Call system to
8 excavators and the general public, information on what to do if you smell
9 gas, and how to identify a gas leak.

10

11 **Q. As part of this case is Columbia expanding its efforts to educate**
12 **stakeholders?**

13 A. Yes. As part of the cross bore initiative Columbia will be educating
14 customers, excavators, cities and the plumbing community on the dangers
15 of cross bores, how to identify cross bore situations and who to contact.

16

17 **Q. Any other examples of additional awareness outreach opportunities?**

18 A. Yes. The failure to call 811 continues to be the number one reason that
19 Columbia's facilities are damaged by a third party. Although, we have
20 been conducting educational campaigns directed at this risk to our system

1 and the communities that we serve, it still is the primary reason that our
2 pipelines are damaged. Columbia intends on expanding its public
3 awareness to the excavator segment and home owners as part of this case.

4

5 **Q. Are there any further examples?**

6 A. Yes. Columbia is expanding its outreach to the emergency responders in
7 the communities that we serve. Further enhancing this relationship will
8 improve the collective response of all emergency responders in the
9 unfortunate case of a pipeline emergency.

10

11 **Q. What other issues do you have concerning Witness Kollen's use of the**
12 **word "discretionary" on pages 30-31 of his testimony?**

13 A. Witness Kollen characterizes the purchase of MDTs as a discretionary ex-
14 penditure and as such, should be excluded from the rate base. MDTs are a
15 critical element of our system that enables field workers to perform their
16 daily work efficiently and provide customers with excellent service. Some
17 of the critical functions the MDTs are used for include: dispatch of work to
18 the field; updating our assets; providing status of work to customers; and
19 providing critical information to handle emergency situations. Each of these

1 uses are necessary for the operation of our utility to provide service to our
2 customers.

3

4 **Q. Why are they being upgraded?**

5 A. The existing machines are 5-6 years old. The expected life of these machines
6 is typically 4 years. The manufacturers do not sell these old models and our
7 current machines are out of warranty. In addition we have exhausted our
8 ability to find replacements. There is nothing discretionary about spending
9 money on this critical component of our operation.

10

11 **Q. What other issue you are including as part of your testimony?**

12 A. On pages 10 to12 of Witness Kollen's testimony, he takes issue with the
13 number of employees employed or anticipated to be employed by the Com-
14 pany from 2013 to 2017. I would like to provide some additional infor-
15 mation regarding the need for this increase.

16

17 **Q. Why were these employees necessary for Columbia?**

18 A. The bulk of these employees are in operations to support the ongoing safety
19 and customer needs of Columbia. This includes maintaining and operating a
20 safe system including, but not limited to, timely emergency response, ad-

1 dressing third party damages, the effective training of new and current em-
2 ployees, the coordination and completion of capital programs, compliance
3 and external communication with partners in the community related to con-
4 struction projects, complying with safe digging legal requirements and other
5 items.

6

7 **Q. What steps did Columbia take to meet these needs?**

8 A. In my direct testimony, I referenced “wave training”. Over the past several
9 years Columbia has been faced with a then unique situation of our employ-
10 ees exiting field operations at a more rapid rate than our capabilities to hire
11 and train employees. The reason for their exit was a combination of other
12 opportunities with NiSource or elsewhere, retirement, or unsatisfactory per-
13 formance in their role. This left Columbia without the proper resources nec-
14 essary to operate our system resulting in excessive overtime for our employ-
15 ees and the need to utilize additional contractors for basic Operations and
16 Maintenance (“O&M”) functions. This situation resulted in a solution of
17 “wave hiring” and “wave training”. Basically, we hired a group of employ-
18 ees all starting on the same date to begin the training process to replace the
19 employees that we anticipated would be exiting the operations organization
20 over the next 6 to 9 months. In order to make this model work, Columbia

1 had to anticipate the need for the future and “over hire” to meet that need.
2 This caused the headcount to increase, but didn’t have the same impact on
3 the O&M budget because Columbia didn’t budget for the “over hired” em-
4 ployees. This increase in salary was absorbed in the existing budget because
5 the entire effort was to get back to a full complement of trained field opera-
6 tions employees. This represents 15 of the headcount increase over this time
7 period.

8

9 **Q. Were there other additions to the headcount during this time period?**

10 A. Yes. As the external and internal emphasis on the safety of our employees,
11 our contractors and the communities we serve continued to drive changes in
12 our gas standards coupled with the exiting of the experienced workforce
13 that Columbia had enjoyed, the need to have more employees to support
14 Columbia’s ability to operate our pipelines in a safe manner became appar-
15 ent. This resulted in the following increases that impacted the O&M ex-
16 pense for Columbia:

17 **General Manager, Vice President of Operations**—previously this
18 was a shared position between Columbia and its sister subsidiary
19 Columbia Gas of Ohio. Upon consideration of changing and in-
20 creasingly stringent PHMSA guidelines, a robust AMRP infrastruc-
21 ture replacement program, challenges in increasing public aware-
22 ness related to safe digging laws and a need to address the increase
23 in third-party damages to our system, Columbia felt a duty to its
24 customers and its field employees to have a position solely dedicat-

1 ed to the unique needs of the Kentucky system and the communi-
2 ties served.

3
4 **State Finance Director**—this position was created to address the
5 specific financial matters related to Columbia’s capital allocations
6 and programs and the corresponding impacts on its financial
7 statements. In short, the State Finance Director acts as the chief fi-
8 nancial officer for the company coordinating, collaborating and act-
9 ing as subject matter expert with regard to all financial items relat-
10 ed to the organization.

11
12 **(2) On-the-Job Coaches**—these roles are dedicated to the training
13 of field and construction staff related to gas standards, PHMSA rul-
14 ings and general company guidelines for the safe and effective op-
15 eration of the Columbia system. As supported by Columbia wit-
16 nesses Cole, Cote, Croom and Noel, proper training of employees is
17 at the heart of the company’s operational initiatives. As the scope
18 of our work increases and standards evolve, we must keep our em-
19 ployees properly trained so that they can perform their work safely,
20 correctly and efficiently.

21
22 **Operations Front-Line Leaders**—these roles are responsible for
23 supervising front-line employees in the daily tasks of the operating
24 and maintaining the system. They oversee the successful admin-
25 istration of the work plan for items such as leak repairs, meter read-
26 ing, customer connection/disconnection, general inspection, emer-
27 gency response including response to an odor of gas or third party
28 damage to mains or distribution lines resulting in blowing gas and
29 a number of other items.

30
31 **Manager System Operations**—this role is responsible for manag-
32 ing system operations and maintenance including measurement
33 and regulation of gas coming on to the system, points of delivery
34 (POD), corrosion inspection and remediation, rights of way
35 maintenance, and verification of PHMSA related guidelines and
36 rules.

37
38 **(15) Utility B field employees**—field employees are the backbone
39 of Columbia. They are charged with the operation and mainte-
40 nance of the system include items such as leak repairs, meter read-

1 ing, customer connection/disconnection, general inspection, emer-
2 gency response and a number of other items. Additionally, field
3 employees are ambassadors in our communities, taking opportuni-
4 ties to educate excavation partners, homeowners and the general
5 public about the work we are doing to maintain a safe and effective
6 natural gas distribution system.

7
8 **External Affairs Specialist** - assists in the development and im-
9 plementation of communication plans including strategies, time-
10 lines and tools; creates materials, brochures, videos, announce-
11 ments and publications to provide additional communications to
12 the public regarding the AMRP projects in the area. Additionally,
13 the external affairs specialist provides back-up for emergency re-
14 sponse communication and additional internal and external com-
15 munication regarding employee initiatives and community safety.

16
17 **Compliance Specialist** - develops and executes the implementation
18 of operational regulatory compliance practices. This role drives
19 operational excellence through continuous improvement in all reg-
20 ulatory operations. This role facilitates, promotes and enhances col-
21 laborative relationships with industry organizations, company affil-
22 iates and the Public Service Commission in order to ensure mutual
23 understanding of the interpretation of regulations. The Compliance
24 Specialist oversees the tracking of Columbia's programs and leads
25 the efforts of the operations organization to capture and analyze
26 data associated with identifying and remediating risk in our sys-
27 tem, including that related to Columbia's DIMP program.

28
29 All of the above positions represent an increase in O&M expense to Columbia.

30
31 **Q. Were there other position increases needed during this time?**

32
33 **A.** Yes. Additionally, Columbia has added the positions noted below in sup-
34 port of its capital programs.

35
36 **(2) Construction Specialist**—these positions were created to assist
37 and act as a liaison to the construction coordinators with the expan-
38 sion of the workload created as a result of the AMRP. Construction

1 specialists also assist with all paving restoration and video camera
2 work.

3
4 **Construction Coordinator**—this role is responsible for coordinat-
5 ing the construction of planned capital programs, working with ex-
6 ternal contractors to ensure that work is being done efficiently and
7 to the specifications of the company and industry standards. Co-
8 ordinators evaluate and remediate issues related to work conduct
9 and product of our external construction partners on an on-going
10 basis.

11
12 **Leader GPS Program Support**—this role is responsible for deter-
13 mining the rollout, timing, geographic priority and execution of the
14 GPS program in Kentucky.

15
16 **Gas Survey and GPS Quality Technician**—this position is respon-
17 sible for ensuring that GPS points are correctly collected and en-
18 tered into the GIS (geographic information system). This system
19 documents and maps the distribution system.

20
21
22 **Q. Are there any other items that you want to cover as part of your rebuttal**
23 **testimony?**

24 **A.** Yes. On pages 50-51 of his testimony Mr. Kollen has questioned why Co-
25 lumbia can't accurately forecast the number of meter replacements that
26 will be required to include in our forecasted test year and has instead re-
27 quested the approval of a tracker. I would like to provide some additional
28 clarity on that subject.

29
30 **Q: Why has Columbia proposed tracked recovery for the meter replacement**
31 **program?**
32

1 A: Columbia proposes a tracker to include the cost of meter replacements
2 that are required by the Commission based upon the failure of a meter
3 family. The cost of the new meters and the associated operation and
4 maintenance expense would be separately included in the tracker. A me-
5 ter family failure, if any, is reported to the Commission in Columbia's an-
6 nual Meter Sampling Report. Pursuant to the Commission's Order in Case
7 No. 2000-429,¹ the annual report contains the results of the statistical meter
8 testing plan and identifies any meter family that fails, along with required
9 plans for removal and replacement. The ongoing cost of the meter sam-
10 pling program itself and associated meter change-outs is included in base
11 rates and would not be included.

12
13 **Q. At what point during the year are you aware that a meter family has**
14 **failed?**

15 A. It is close to the end of the year that we have all of the data available to us
16 based upon the testing results that we have compiled throughout the year.
17 We are then able to determine which families of meters have passed the
18 testing criteria and which families of meters will be required to be replaced

1 in the next 12 - 18 months depending upon whether it is a whole family or
2 a sub-family.

3

4 **Q: Why is it reasonable to include the cost of required meter replacements**
5 **in a tracker?**

6

7 A: As explained in the testimony of Columbia witnesses Miller and my origi-
8 nal testimony, the meter sampling program provides a savings to custom-
9 ers and has for many years. The performance record of meters indicates
10 that predicting the failure of a meter family to be replaced in the forecast-
11 ed test period could not accurately be expected to be included in Colum-
12 bia's planning. It is therefore reasonable to preclude the cost of replacing
13 any failed meter families in base rates and to instead provide a mechanism
14 for future recovery of such costs. Columbia proposes to provide this
15 mechanism within a tracker because it is administratively more efficient.

16

17 **Q: What is Columbia's reason for requesting tracked recovery for the meter**
18 **replacement program as part of Columbia witness Cooper's testimony?**

19 A: Since 2001 Columbia has had a meter sampling program that has been a cost
20 beneficial program for our customers. As part of this program, over the past

1 two years we have experienced the failure of several meter families during
2 the annual testing process. Our base rates include the cost of our regular me-
3 ter sampling program. Being able to predict the number of failed meter
4 families into the future is becoming uncertain. Due to this uncertainty, as
5 part of this case Columbia requests approval of tracked recovery to capture
6 the actual cost of the meter changes so that we do not overestimate or un-
7 derestimate the necessary cost in the future test year. This recovery mecha-
8 nism will ensure the appropriate level of funding without any risk for the
9 successful completion of the program, while maintaining the value for our
10 customers of the current meter sampling program.

11

12 **Q: Does this complete your Prepared Rebuttal Testimony?**

13 **A:** Yes, it does.