

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
East Ohio Gas Company d/b/a Dominion) Case No. 13-2410-GA-UNC
East Ohio for Approval to Implement a)
Capital Expenditure Program.)

In the Matter of the Application of The)
East Ohio Gas Company d/b/a Dominion) Case No. 13-2411-GA-AAM
East Ohio for Approval to Change)
Accounting Methods.)

FINDING AND ORDER

The Commission finds:

- (1) The East Ohio Gas Company d/b/a Dominion East Ohio (DEO or the Company) is a public utility as defined in R.C. 4905.02 and a natural gas company under R.C. 4905.03 and, as such, is subject to the jurisdiction of this Commission.
- (2) In Case No. 11-6024-GA-UNC, et al., the Commission modified and approved DEO's application for authority to implement a capital expenditure program (CEP) for the period of October 1, 2011, through December 31, 2012, pursuant to R.C. 4909.18 and 4929.111. *In re The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 11-6024-GA-UNC, et al. (2012 CEP Case), Finding and Order (Dec. 12, 2012). The Commission approved DEO's request to modify its accounting procedures to provide for capitalization of post-in-service carrying costs on those assets of the CEP that are placed into service, but not reflected in rates as plant in service, as well as deferral of depreciation expense and property taxes directly attributable to those assets of the CEP that are placed into service, but not reflected in rates as plant in service. The Commission authorized DEO to accrue CEP-related deferrals only up until the point where the accrued deferrals, if included in rates, would cause the rates charged to the General Sales Service (GSS) class of customers to increase by more than \$1.50 per month. At that point, accrual of all future CEP-related deferrals is required to cease, until such time as DEO files to recover the existing accrued deferrals and establish a recovery mechanism under R.C. 4909.18, 4929.05, or 4929.11. The Commission also required DEO to docket an

annual informational filing by April 30 of each year that details, inter alia, the monthly CEP investments and the calculations used to determine the associated deferrals.

- (3) In Case No. 12-3279-GA-UNC, et al., the Commission modified and approved DEO's application for a CEP for the period of January 1, 2013, through December 31, 2013, consistent with the Finding and Order and the Commission's order in the 2012 CEP Case. *In re The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 12-3279-GA-UNC, et al. (2013 CEP Case), Finding and Order (Oct. 9, 2013).
- (4) On December 19, 2013, in the above-captioned cases, DEO filed an application for authority to implement a CEP for the period of January 1, 2014, through December 31, 2014, pursuant to R.C. 4909.18 and 4929.111. Additionally, DEO seeks accounting authority to capitalize post-in-service carrying costs on program investments for assets placed in service but not yet reflected in rates; defer depreciation expense and property tax expense directly associated with the assets placed in service; and establish a regulatory asset to which post-in-service carrying costs, depreciation expense, and property tax expense will be deferred for recovery. DEO also requests ongoing authority to continue its CEP beyond 2014, including deferral of the related carrying costs, depreciation expense, and property tax expense, up until the point where the accrued deferrals, if included in rates, would cause the rates charged to the GSS class of customers to increase by more than \$1.50 per month.
- (5) In the application, DEO states that a cumulative investment of \$110 million is projected for its CEP in 2014. DEO further states that it is not requesting cost recovery as part of this application and that recovery of any approved deferrals will be requested in a separate proceeding, not more than once each calendar year, commencing no later than the point at which the accrued deferrals, if included in rates, would cause the rates charged to the GSS class of customers to increase by more than \$1.50 per month. DEO submits that approval of the application will not result in an increase in any rate or charge, and, therefore, the application should be considered as an application not for an increase in rates under R.C. 4909.18.

- (6) By Entry issued on January 13, 2014, a comment period was established in order to assist the Commission in its review of DEO's application. In accordance with the procedural schedule, comments were filed by Staff on April 24, 2014, and reply comments were filed by DEO on May 9, 2014. No other comments were filed in these proceedings.
- (7) In its comments, Staff explains that it reviewed DEO's application to determine whether the proposed CEP and associated deferrals are just and reasonable under R.C. 4929.111, as well as consistent with sound ratemaking principles and the Commission's prior orders in the *2012 CEP Case* and the *2013 CEP Case*. Staff notes that it will investigate and recommend any necessary adjustments to the CEP deferrals when DEO applies to recover the deferred assets in a future proceeding. Subject to the acknowledgements and agreements in DEO's application, as well as continued ongoing cooperation between Staff and the Company, Staff concludes that the Commission should approve the application, as filed.
- (8) In its reply comments, DEO asserts that, because there are no issues or concerns regarding its application, the Commission should approve the application without a hearing.
- (9) R.C. 4929.111(A) provides that a natural gas company may file an application with the Commission under R.C. 4909.18, 4929.05, or 4929.11 to implement a CEP for any of the following:
 - (a) Any infrastructure expansion, infrastructure improvement, or infrastructure replacement program;
 - (b) Any program to install, upgrade, or replace information technology systems;
 - (c) Any program reasonably necessary to comply with any rules, regulations, or orders of the Commission or other governmental entity having jurisdiction.

R.C. 4929.111(C) requires the Commission to approve the application, if the Commission finds that the CEP is consistent with the natural gas company's obligation under R.C. 4905.22 to furnish necessary and adequate services and facilities, which the Commission finds to be just and reasonable.

- (10) Upon review of DEO's application, Staff's comments, and the Company's reply comments, the Commission finds that the Company has demonstrated that the CEP is consistent with its obligation under R.C. 4905.22 to furnish necessary and adequate services and facilities, which the Commission finds to be just and reasonable. Further, the Commission finds that DEO's application will not result in an increase in any rate or charge. Accordingly, the application should be considered as an application not for an increase in rates under R.C. 4909.18.
- (11) With the requirements set forth below, the Commission finds DEO's proposed CEP to be both reasonable and consistent with R.C. 4929.111. Accordingly, DEO is authorized, pursuant to R.C. 4909.18 and 4929.111, to implement the CEP and modify its accounting procedures as necessary to carry out the implementation of the CEP, consistent with this Finding and Order and the Commission's orders in the *2012 CEP Case* and the *2013 CEP Case*, in 2014 and succeeding years, up until the point where the accrued deferrals, if included in rates, would cause the rates charged to the GSS class of customers to increase by more than \$1.50 per month.
- (12) While the Commission approves DEO's application for 2014 and succeeding years, we find that a process should be adopted, as proposed by the Company and clarified herein, to allow interested persons and Staff to comment on the information provided by the Company in its annual informational filings due on April 30 of each year. Therefore, the Commission directs that any comments and reply comments should be filed within 30 days and 40 days, respectively, of the date of DEO's annual informational filing. After receipt of each annual informational filing and review of any comments submitted, the Commission will determine whether there should be further review of DEO's approved deferral authority at that time. If the Commission finds such further review to be necessary, within 60 days after the filing of

each annual informational filing, an appropriate procedure for the review will be established. If such a review is initiated, DEO may continue to accrue appropriate deferrals, unless and until the Commission orders otherwise. The Commission notes that DEO's annual informational filings, as well as any comments and reply comments, should be filed in the above-captioned cases. With these requirements in place, we find that DEO's application should be approved, subject to our review of the Company's annual informational filings and any comments or reply comments filed in response. Our approval of DEO's application is contingent on the Company's commitment to adhere to the requirements and formulas adopted by the Commission in the *2012 CEP Case* and the *2013 CEP Case*.

- (13) Additionally, the Commission emphasizes that, consistent with DEO's application, we approve the Company's request for deferral authority, but do not authorize recovery of the deferred amounts at this time. The question of recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, and reasonableness, will be considered when DEO files an application to recover the deferred amounts. As we stated in the *2012 CEP Case* and the *2013 CEP Case*, the Commission has not granted cost recovery for any CEP-related items, and the prudence and reasonableness of the magnitude of DEO's CEP-related regulatory assets and associated capital spending will be considered by the Commission in any future proceedings seeking cost recovery, at which time the Company will be expected to provide detailed information regarding the expenditures for our review.

It is, therefore,

ORDERED, That DEO's application be approved, subject to the Commission's review of the Company's annual informational filings and any comments or reply comments received in response. It is, further,

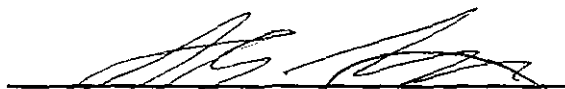
ORDERED, That DEO be granted the necessary and appropriate accounting authority to implement the CEP, consistent with this Finding and Order and the Commission's orders in the *2012 CEP Case* and the *2013 CEP Case*. It is, further,


ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

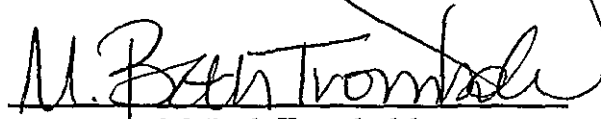
ORDERED, That a copy of this Finding and Order be served upon all parties of record.


THE PUBLIC UTILITIES COMMISSION OF OHIO


Thomas W. Johnson, Chairman


Steven D. Lesser


Lynn Slaby

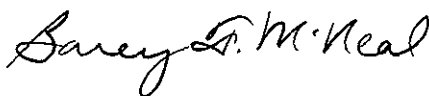

M. Beth Trombold


Asim Z. Haque

SJP/sc

Entered in the Journal

JUL 02 2014



Barcy F. McNeal
Secretary