

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for an) Case No. 15-1918-GA-RDR
Adjustment to Rider IRP and Rider DSM)
Rates.)

FINDING AND ORDER

The Commission finds:

- (1) Columbia Gas of Ohio, Inc. (Columbia or Company) is a natural gas company as defined in R.C. 4905.03 and a public utility as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of this Commission.
- (2) R.C. 4929.11 provides that the Commission may allow any automatic adjustment mechanism or device in a natural gas company's rate schedules that allows a natural gas company's rates or charges for a regulated service or goods to fluctuate automatically in accordance with changes in a specified cost or costs.
- (3) In *In re Columbia Gas of Ohio, Inc.*, Case No. 07-478-GA-UNC, et al. (*IRP Rider Case*), Opinion and Order (Apr. 9, 2008), the Commission approved an amended stipulation that, among other things, established an Infrastructure Replacement Program (IRP) rider. The purpose of the rider was to recover expenditures associated with the Company's three-year replacement of risers identified as prone to fail and customer service lines with potentially hazardous leaks. The stipulation provided that Columbia would file annual applications supporting proposed adjustments to its rates. Staff would review the proposed rates and report on the reasonableness of the proposed rates.
- (4) In *In re Columbia Gas of Ohio, Inc.*, Case No. 08-833-GA-UNC (*DSM Case*), Finding and Order (July 23, 2008), the Commission approved Columbia's application to implement specific Demand Side Management (DSM) programs to be recovered through a DSM rider. The DSM rider allows for the recovery of costs for several programs aimed at conservation and the reduction of customer bills.

- (5) In *In re Columbia Gas of Ohio, Inc.*, Case No. 08-72-GA-AIR, et al. (*Columbia Rate Case*), Opinion and Order (Dec. 3, 2008), the Commission approved a stipulation that expanded Rider IRP to include two additional components: Accelerated Mains Replacement Program (AMRP) and Automatic Meter Reading Devices (AMRD). The AMRP allows for recovery of costs associated with the replacement of certain iron and steel pipelines that have a greater probability of leakage. Columbia plans to replace approximately 3,770 miles of bare steel pipe, 280 miles of cast iron/wrought iron pipe, and an estimated 350,000 to 360,000 steel service lines over a period of approximately 25 years. The AMRD program allows for the recovery of costs associated with Columbia's installation of AMRDs on all residential and commercial meters over the five-year period beginning in 2009. Columbia completed the installation of AMRDs throughout its system in 2013. (Staff Comments at 4.)
- (6) In addition to expanding the scope of Columbia's Rider IRP, the *Columbia Rate Case* allowed Columbia to recover costs for programs approved in the *DSM Case*. The stipulation approved in the *Columbia Rate Case* provides that the procedure for adjusting Rider DSM be identical to the filing procedure for adjusting Rider IRP. Annually, by November 30, Columbia must file a prefiling notice to implement adjustments to the riders. Subsequently, Columbia must file its application and an update of year-end actual data by the following February 28 of each year. The Staff and other parties may then file comments. Columbia has until March 31 of each year to resolve the issues raised in the comments. If the issues raised in the comments are not resolved, the stipulation requires that a hearing be held. The goal is that the proposed amendments to the riders become effective on May 1 of each year.
- (7) In *In re Columbia Gas of Ohio, Inc.*, Case No. 11-5515-GA-ALT, Opinion and Order (Nov. 28, 2012), the Commission approved a stipulation which, among other things, continued the IRP for an additional five years, for the period January 1, 2013, through December 31, 2017.
- (8) In *In re Columbia Gas of Ohio, Inc.*, Case No. 14-2078-GA-RDR, Finding and Order (Apr. 22, 2015), the Commission approved Columbia's application to adjust its Rider IRP and Rider DSM

rates. The current rates that the Commission approved are as follows: \$6.71 per month for Small General Service (SGS) customers; \$50.37 per month for General Service (GS) customers; and \$1,314.32 per month for Large General Service (LGS) customers. The Commission also increased Rider DSM to \$0.1697 per thousand cubic feet (Mcf) to enable Columbia to recover the costs it incurred in 2014.

- (9) In accordance with the provisions of the stipulation in the *Columbia Rate Case*, Columbia filed its prefiling notice on November 25, 2015. On February 26, 2016, Columbia filed its application to adjust the rates of Rider IRP and Rider DSM. The application is based on a test year beginning January 1, 2015, and ending December 31, 2015, with a date certain of December 31, 2015, for property valuation.
- (10) On February 26, 2016, Columbia filed direct testimony in support of its application. The testimony of John A. Laverty, Manager of Demand Side Management, supports Columbia's revenue requirement calculation and monthly expenditures. The testimony of Eric T. Belle, Manager of Field Engineering, explains the management, engineering, and construction practices of Columbia that relate to Rider IRP. In his testimony, Mr. Belle discusses Columbia's performance concerning the AMRP and hazardous service line replacement program. With the testimony of Jana Croom, Director of Regulatory Affairs, Columbia seeks to support the reasonableness of Columbia's request for the proposed rate adjustments through an explanation of the various programs and schedules. Scott Pigg, a consultant hired by Columbia, supports the shared savings incentive and the reasonableness of Columbia's request for shared savings in its Rider DSM rates.
- (11) By Entry issued March 8, 2016, the attorney examiner ordered Staff and any intervenors to file comments on the application by March 24, 2016. The March 8, 2016 Entry also required that Columbia file a statement by March 29, 2016, informing the Commission whether the issues raised in the comments were resolved. Expert testimony was due to be filed by April 5, 2016. In the event that any issue raised in the comments had not been resolved, the Entry set the hearing in this matter for April 7, 2016.

- (12) On March 24, 2016, Ohio Partners for Affordable Energy (OPAE) and Industrial Energy Users-Ohio (IEU-Ohio) filed separate motions to intervene. OPAE and IEU-Ohio moved to intervene pursuant to R.C. 4903.221 and Ohio Adm.Code 4901-1-11. OPAE states that it advocates for low- and moderate-income Ohioans and some non-profit community action agencies in Columbia's service area. As an advocate for low- to moderate-income customers who may be affected by this proceeding, OPAE claims that it has a real and substantial interest in this proceeding that is not represented by any other party.

IEU-Ohio claims that it has a direct, real, and substantial interest in the issues in this proceeding. IEU-Ohio alleges that its members purchase substantial amounts of natural gas related services from Columbia. Moreover, IEU-Ohio members are served from tariffs and are subject to IRP and DSM charges. For these reasons, IEU-Ohio contends that it has a real and substantial interest in the outcome of this proceeding.

- (13) The Commission finds that OPAE and IEU-Ohio have stated good cause to intervene in this proceeding. Accordingly, the motions for intervention filed by OPAE and IEU-Ohio should be granted.
- (14) On March 24, 2016, Staff filed its comments and recommendations, in which it recommended that the Commission approve Columbia's IRP and DSM application. Staff points out in its comments that, in *In re Columbia Gas of Ohio, Inc.*, Case No. 11-5515-GA-ALT, Opinion and Order (Nov. 28, 2012), the scope of the AMRP included non-priority mains, first generation plastic mains, and ineffectively coated steel mains. Columbia included in its application the costs of retiring these portions of non-priority pipe in conjunction with its infrastructure replacement projects. In 2015, Columbia completed 361 AMRP projects involving the replacement of priority and non-priority pipe. These projects represent 995,341 feet of steel pipe, 38,510 feet of iron pipe, 147,210 feet of plastic pipe, 160,428 feet of pre-1955 unprotected coated steel pipe, and 67,450 feet of post-1954 coated steel pipe. In addition, Columbia reported that it replaced 6,030 hazardous service lines. Columbia completed AMRD deployment throughout its system in 2013 and replacement of all previously identified

prone-to-fail risers in June 2011. Staff notes that the Company will continue to include expenses, such as depreciation and taxes, in future applications to increase Rider IRP until the risers are included in the Company's base rates. (Staff Comments 7-8.)

- (15) In its comments, Staff notes that Columbia uses a competitive bidding process for work associated with its AMRP projects. Most work is performed by contractors under competitive bid "blanket" contracts. Columbia established blanket contracts based upon the expected number of contract units, such as the number of lines replaced or the number of feet of pipe replaced. If contractor costs are expected to exceed \$5 million or if the project involves installing a large amount of steel pipe greater than 12 inches in diameter, Columbia generally places the project out for a "specific" bid based on the number of contract units that are to be completed on a specific project. Generally speaking, larger diameter steel projects with a larger scope will be placed out for specific bid regardless of the contract costs. According to the Company, most hazardous service lines were replaced by Columbia employees. Sometimes employees are used to perform AMRP work, depending on employee availability and the nature of the work. (Staff Comments at 8-9.)

Staff confirmed that none of the contractors selected by Columbia were affiliated with the Company. In its bid packages, Columbia expresses a preference for the use of Ohio labor, as long as there are no negative effects in terms of price and work quality. Columbia reported that, in 2015, approximately 75 percent of the contractor labor force for AMRP projects was from Ohio. (Staff Comments at 9.)

- (16) Columbia proposes a revenue requirement of \$113,566,646 for the AMRP, \$41,402,153 for the risers, and \$7,635,803 for the AMRD program. The Company calculates that the allocation of the AMRP revenue requirement by customer class would be as follows: \$4.91 per month for SGS customers, \$51.00 per month for GS customers, and \$1,753.76 per month for LGS customers. The proposed allocation for the riser revenue requirement would be \$2.39 per month for SGS customers and \$2.67 per month for GS customers. The proposed allocation for the AMRD revenue requirement would be \$0.35 per month for

SGS customers and \$3.67 per month for GS customers. The combined IRP revenue requirement is \$162,604,602. As applied to the applicable rate classes, Columbia concludes that the total IRP rider rates to take effect in May 2016 will be as summarized below, with comparisons to the current rates:

Customer Class	Current Monthly IRP Rate	Proposed Monthly IRP Rate	Proposed Increase
SGS	\$6.71	\$7.65	\$0.94
GS	\$50.37	\$57.34	\$6.97
LGS	\$1,314.32	\$1,753.76	\$439.44

In its comments filed on March 24, 2016, Staff points out that the proposed monthly IRP charge of \$7.65 for SGS customers is below the \$8.20 per month cap established by the approved stipulation in *In re Columbia Gas of Ohio, Inc.*, Case No. 11-5515-GA-ALT. (Staff Comments at 9-10.)

- (17) In its investigation, Staff discovered an error in Columbia's Riser Schedule R-2. Specifically, Staff found that the Company inadvertently duplicated and transposed plant additions for November 2015 and December 2015. To correct the error, Staff recommends an adjustment of \$2,921 for plant additions on Schedule R-2. The correction results in a decrease in the revenue requirement on Schedule R-1 from \$41,402,153 to \$41,401,733. The decrease reduces the total IRP revenue requirement by \$420, a change from \$162,604,602 to \$162,604,182. Because of the relatively small size of the adjustment and the effects of rounding, Staff notes that the adjustment has no effect on the Company's proposed rates. With the adoption of the recommendation, Staff concludes that Columbia has supported its filing with adequate data and, therefore, recommends that the Commission find that Columbia's IRP application is just and reasonable and that it should be approved. (Staff Comments at 10-11.)
- (18) Staff reviewed Columbia's application for an increase in its Rider DSM. Rider DSM is based on the actual costs of the program for the previous calendar year. Thus, the rates proposed in this application are based on data from 2015 and will take effect on May 1, 2016. Staff audited Columbia's expenditures for each DSM program and randomly sampled invoices and payment vouchers with each program account to assure that dollars were correctly booked to the proper

program and activity code. Staff concluded that the Company used appropriate accounting procedures and methods to arrive at its proposed Rider DSM rate:

Current DSM Rate (per Mcf)	Proposed DSM Rate (per MCF)	Proposed Increase
\$0.1697	\$0.2220	\$0.0523

Therefore, Staff recommends that the Commission approve Columbia's DSM application as filed on February 26, 2016. (Staff Comments at 11-14.)

- (19) On March 28, 2016, Columbia, OP&A, and IEU-Ohio filed a statement indicating that there are no outstanding issues to be resolved and that a hearing is unnecessary. Columbia notes that it agrees to the adjustments recommended by Staff. Columbia, therefore, requests that the Commission approve its application with the minor revisions recommended by Staff.
- (20) Upon consideration of the application and Staff's comments and recommendations, the Commission finds that Columbia's application to adjust its Rider IRP and Rider DSM rates is reasonable and should be granted, subject to Staff's recommendations.

It is, therefore,

ORDERED, That the motions to intervene filed by OP&A and IEU-Ohio be granted. It is, further,

ORDERED, That Columbia's application to adjust its Rider IRP and Rider DSM rates be approved, subject to Staff's recommendations. It is, further,

ORDERED, That Columbia is authorized to file tariffs, in final form, consistent with this Finding and Order. Columbia shall file one copy in this case docket and one copy in its TRF docket. It is, further,

ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

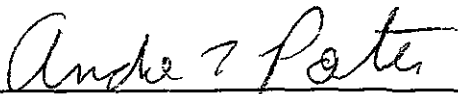
ORDERED, That Columbia notify its customers of the changes to the tariffs via bill message or bill insert within 30 days of the effective date of the revised tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring

and Enforcement Department, Reliability and Service Analysis Division at least 10 days prior to its distribution to customers. It is, further,

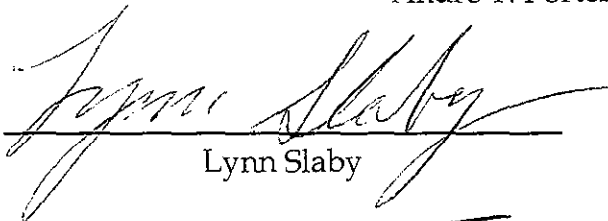
ORDERED, That nothing in this Finding and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

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

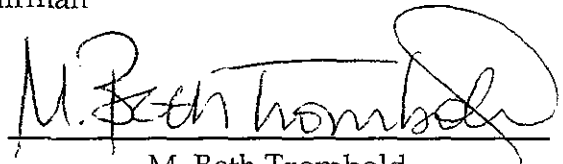
THE PUBLIC UTILITIES COMMISSION OF OHIO



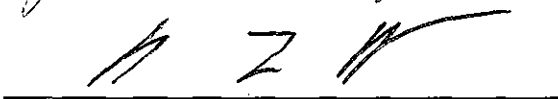
Andre T. Porter, Chairman



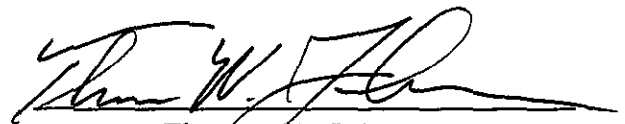
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