

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
THE EAST OHIO GAS COMPANY D/B/A
DOMINION ENERGY OHIO TO ADJUST ITS
PIPELINE INFRASTRUCTURE
REPLACEMENT PROGRAM COST
RECOVERY CHARGE AND RELATED
MATTERS.

CASE No. 18-1587-GA-RDR

FINDING AND ORDER

Entered in the Journal on April 24, 2019

I. SUMMARY

{¶ 1} The Commission approves the application of The East Ohio Gas Company d/b/a Dominion Energy Ohio to adjust its pipeline infrastructure replacement program cost recovery charge, consistent with Staff's recommendations.

II. DISCUSSION

{¶ 2} The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO 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.

{¶ 3} 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.

{¶ 4} By Opinion and Order issued October 15, 2008, in *In re The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 07-829-GA-AIR, et al. (*DEO Distribution Rate Case*), the Commission, inter alia, approved the joint stipulation and recommendation (stipulation) filed by DEO and the other parties in the *DEO Distribution Rate Case*. Included in the stipulation approved by the Commission was a provision adopting, with some modifications, Staff's recommendations set forth in the Staff Report filed in the *DEO*

Distribution Rate Case on May 23, 2008. The Staff Report set forth procedures to be followed for the annual updates to DEO's pipeline infrastructure replacement (PIR) program cost recovery charge.

{¶ 5} By Opinion and Order issued August 3, 2011, in *In re The East Ohio Gas Company d/b/a Dominion East Ohio*, Case No. 11-2401-GA-ALT (2011 PIR Case), the Commission approved a stipulation and recommendation that modified DEO's PIR program. As part of the modified program, DEO would transition its PIR cost recovery charge filings from a fiscal-year basis to a calendar-year basis. In accordance with the approved modified process, DEO is to submit a prefiling notice by November 30 each year, and an updated filing with actual data by February 28, with the goal of the revised PIR charge becoming effective as of the first billing cycle in May of each year.

{¶ 6} On September 14, 2016, the Commission approved a stipulation that extended DEO's PIR program and Rider PIR through 2021. *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 15-362-GA-ALT, Opinion and Order (Sept. 14, 2016).

{¶ 7} The current Rider PIR charge is: \$10.23 per month for General Sales Service (GSS) and Energy Choice Transportation Service (ECTS) customers; \$59.66 per month for Large Volume General Sales Service (LVGSS) and Large Volume Energy Choice Transportation Service (LVECTS) customers; \$378.04 per month for General Transportation Service (GTS) and Transportation Service for Schools (TSS) customers; and \$0.0633 per thousand cubic feet (Mcf) for Daily Transportation Service (DTS) customers, capped at \$1,000.00 per month. *In re The East Ohio Gas Co. d/b/a Dominion Energy Ohio*, Case No. 17-2177-GA-RDR, Finding and Order (Apr. 18, 2018) at ¶ 9.

{¶ 8} In accordance with the procedure approved by the Commission in the 2011 PIR Case, DEO filed a prefiling notice in the current proceeding on November 30, 2018.

{¶ 9} On February 28, 2019, DEO filed an application requesting an adjustment to its current Rider PIR for costs incurred between January 1, 2018, and December 31, 2018.

Along with its application, DEO also filed the direct testimony of Vicki H. Friscic and Schedules 1 through 18 in support of its application.

{¶ 10} In its February 28, 2019 application, DEO requests that the Commission approve an adjustment to Rider PIR reflecting costs associated with capital investments made during the period January 1, 2018, through December 31, 2018. As reflected in Schedule 1 of the application, DEO submits that the total annual revenue requirement for Rider PIR would be \$192,828,070.87.

{¶ 11} In her testimony, Ms. Friscic states that DEO's customers are realizing several benefits from the PIR program including: enhanced service reliability and safety well into the future resulting from the replacement of aging infrastructure; reduced operations and maintenance (O&M) costs that have occurred to date and will continue to occur over time resulting from a lower leak repair rate as compared to the O&M costs that would have been incurred if DEO had not accelerated the replacement of its pipelines; and lower service line costs because DEO now installs and maintains the curb-to-meter service lines that were previously the responsibility of customers. Ms. Friscic provides an overview of the process for adjusting Rider PIR and an explanation for how the calculations were determined in the accompanying schedules, necessitating a total annualized revenue requirement of \$192,828,070.87. Ms. Friscic asserts that Rider PIR allows DEO to continue to provide safe and reliable service through the replacement of dated infrastructure in an accelerated manner. (DEO App., Att. C at 2-18.)

{¶ 12} Motions to intervene in this proceeding were filed by the Ohio Consumers' Counsel (OCC) and Ohio Partners for Affordable Energy (OPAE) on January 3, 2019, and January 9, 2019, respectively. No memoranda contra were filed. The Commission finds that OCC's and OPAE's motions are reasonable and should be granted.

{¶ 13} By Entry issued March 8, 2019, the attorney examiner required that Staff and intervenor comments on the application be filed by March 25, 2019, and that DEO file, by

March 29, 2019, a statement informing the Commission whether all issues raised in the comments had been resolved.

{¶ 14} Staff filed comments on DEO's application on March 25, 2019. No other parties filed comments.

{¶ 15} In its comments, Staff states that it reviewed and analyzed all of the documentation filed by DEO and traced it to supporting work papers and to source data. As part of its review, Staff issued data requests, conducted investigative interviews, and performed independent analyses when necessary. Staff notes that, according to DEO, the Company replaced, in 2018, 165.6 miles of bare steel and cast iron (BS/CI) pipelines and 36,145 service lines (including both main-to-curb and curb-to-meter service lines) and moved 278 inside customer meters outside. Staff further notes that, including the 2018 replacements and move-outs, the Company reports that, since inception of the PIR program in July 2008, it has replaced a total of 1,731.6 miles of BS/CI pipelines, replaced 391,497 service lines, and moved 1,894 meters outside.

{¶ 16} Staff notes that DEO's recommended PIR cost recovery charge includes the Company's proposal to recognize the federal income tax rate reduction pursuant to the Tax Cuts and Jobs Act of 2017 (TCJA). Staff explains that DEO has reduced the pre-tax rate of return used in the PIR cost recovery charge revenue requirement calculation from 11.36 percent to 9.91 percent, in order to recognize the federal income tax rate reduction from 35 percent to 21 percent.

{¶ 17} Staff adds that, as a result of the TCJA, DEO has also recognized excess accumulated deferred income taxes (EDIT) associated with liberalized depreciation as a regulatory liability and reduced its rate base by the balance. Staff states that DEO will begin amortizing and refunding the EDIT associated with liberalized depreciation when rates go into effect. Staff indicates that DEO asserts that the EDIT associated with the Net Regulatory Asset - Post-in-Service Carrying Costs (PISCC) does not need to be refunded to customers

and that DEO has excluded this EDIT balance from the computation of the revenue requirement. Lastly, Staff states that DEO has included an adjustment of \$304 to reconcile the difference between the over-collection of tax expense from January – April 2018 and the actual amount refunded to customers.

{¶ 18} Staff states that it has reviewed the schedules attached to DEO's application to verify the accuracy of the TCJA impacts and has determined that the pre-tax rate of return and EDIT associated with liberalized depreciation were appropriately reflected in the determination of the revenue requirement. However, Staff rejects DEO's assertion that the EDIT associated with PISCC does not need to be refunded. Staff believes the deferred taxes associated with PISCC represent amounts that have been funded by customers. Therefore, Staff argues that customers are entitled to receive the EDIT associated with PISCC. Furthermore, Staff points out that, as part of Case No. 18-47-AU-COI, the Commission ordered utilities to return to customers *all* benefits resulting from the TCJA. *In re the Commission's Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI, Finding and Order (Oct. 24, 2018) at ¶ 27. Staff, consequently, recommends that DEO include the entire PISCC-related EDIT balance, as of December 31, 2017, as an offset to rate base, and that the balance be amortized over a period of 72 months unless otherwise required to be amortized in accordance with the Average Rate Assumption Method. Staff further recommends that the amortization of PISCC-related EDIT be grossed up at the prevailing federal tax rate.

{¶ 19} Staff states that, with adoption of the above-noted recommendations, it has no other objections to DEO's application to adjust the Company's PIR cost recovery charge. Consequently, Staff recommends that the Commission approve DEO's application, as modified by the recommendations stated above.

{¶ 20} On March 29, 2019, DEO filed its statement to inform the Commission whether the issues raised in the comments have been resolved. In its statement, DEO indicates that, while it does not necessarily agree with Staff's position regarding the treatment of PISCC-

related EDIT, for purposes of resolving this proceeding, the Company is not opposing Staff's recommendations. DEO also notes that Staff did not recommend a specific revision to the PIR cost recovery charge. DEO states that it is determining the rate impact of implementing Staff's modification and, after consulting with Staff, intends to file revised tariffs reflecting an updated charge prior to the issuance of a Commission Order.

{¶ 21} On April 12, 2019, DEO filed revised tariff schedules implementing Staff's modification. Rider PIR would be adjusted as follows:

Rate Class	Current Rates	Proposed Rates	Proposed Increase	Proposed Decrease
GSS/ECTS	\$10.23 per month	\$11.74 per month	\$1.51 per month	
LVGSS/LVECTS	\$59.66 per month	\$65.01 per month	\$5.35 per month	
GTS/TSS	\$378.04 per month	\$469.38 per month	\$91.34 per month	
DTS	\$0.0633 per Mcf	\$0.0573 per Mcf		\$0.0060 per Mcf

{¶ 22} Upon consideration of the application, the comments filed by Staff, and DEO's revised schedules, the Commission finds that DEO's application to adjust its PIR cost recovery charge is reasonable and should be approved, consistent with Staff's recommendations regarding the treatment of the PISCC-related EDIT.

III. ORDER

{¶ 23} It is, therefore,

{¶ 24} ORDERED, That OCC's and OPAE's motions to intervene in this proceeding be granted. It is, further,

{¶ 25} ORDERED, That DEO's application to adjust Rider PIR, consistent with Staff's recommendations, is approved. It is, further,

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

{¶ 27} 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,

{¶ 28} ORDERED, That DEO 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 ten days prior to its distribution to customers. It is, further,


{¶ 29} 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,

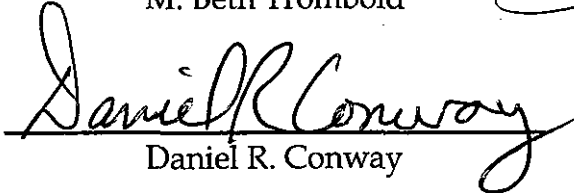
{¶ 30} ORDERED, That a copy of this Finding and Order be served upon each party of record.

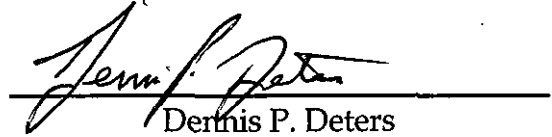
THE PUBLIC UTILITIES COMMISSION OF OHIO


Sam Randazzo, Chairman


M. Beth Trombold

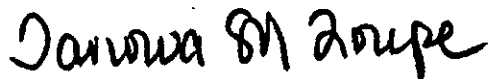

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