

FILE

November 7, 2019

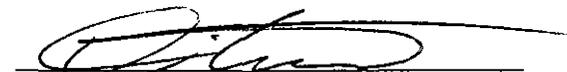
Docketing Division  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus OH 43215

RE: *In the Matter of the Application of Ohio Gas Company for Approval of an Alternative Rate Plan, Case No. 19-1354-GA-ALT*

Dear Docketing Division:

Enclosed please find the Staff Recommendation in the Matter of Ohio Gas Company for Approval of an Alternative Rate Plan, Case No. 19-1354-GA-ALT.

  
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Tamara S. Turkenton  
Director, Rates and Analysis Department  
Public Utilities Commission of Ohio

  
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David Liphtratt  
Chief, Research and Policy Division  
Public Utilities Commission of Ohio

Enclosure  
Cc: Parties of Record

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**Ohio Gas Company**  
**Case No. 19-1354-GA-ALT**

**SUMMARY**

On August 29, 2019, Ohio Gas Company (Company) filed an application in Case No. 19-1354-GA-ALT for an alternative rate plan to authorize a Geographical Information System Cost Recovery Rider (GIS Rider). This application was filed subsequent to Case No. 15-222-GA-AAM (Deferral Case), which in that case, the Commission authorized Ohio Gas to defer expenses associated with the first phase of the GIS project, up to a pre-interest cap of \$925,000. The Commission also authorized Ohio Gas to defer the phase one expenses with a carrying cost rate of four percent.

As of December 31, 2019, the Company had a total deferred asset, including carrying costs, of \$947,281. The Company proposes that the phase one GIS deferral be amortized over a two-year period resulting in a fixed charge of \$0.82 per month, excluding gross receipts tax. Additionally, the Company has proposed that carrying charges continue to accrue throughout the amortization period.

**STAFF REVIEW**

Staff has historically considered the criteria listed below when determining authority to defer expenses.

- Whether the current level of costs included in the last rate case is insufficient
- Whether the costs requests to be deferred are material in nature
- Whether the problem was outside of the Company's control
- Whether the expenditures are atypical and infrequent
- Whether the costs would result in financial harm to the Company
- Whether the Commission could encourage the utility to do something it would not otherwise do through the granting of the deferral authority

In the Deferral Case, Staff found that the implementation of the GIS program was not outside of the control of the Company, but otherwise, Staff found that the Company's request to defer expenses to be reasonable for the following reasons. The costs deferred were incurred either prior to the most recent rate case or specifically excluded from expenses in the most recent rate case<sup>1</sup>. The deferred costs of \$947,281 are material to a Company of this size and are atypical and infrequent because the Company will not be implementing a new GIS system in the foreseeable future. Implementation of this system will allow the Company to better serve its customers through more effective maintenance and monitoring of its system.

In the Deferral Case, Staff applied the criteria listed above and recommended to the Commission that the deferral was reasonable. The Commission approved the deferral allowing the Company to

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<sup>1</sup> Case No. 17-1139-GA-AIR

record the costs in a Regulatory Asset account. The Commission emphasized that recovery is not guaranteed for all deferred costs.

In this proceeding, Staff reviewed the Company's application to ensure the costs were consistent with the criteria for which the Commission initially approved the deferral authority. Except for the adjustments listed below, Staff found that recovery of the deferred costs are reasonable and consistent with the rationale for which the deferral was originally granted.

## **FINANCIAL AUDIT**

In its review, Staff examined the as-filed schedules for consistency with the Commission Order granting the GIS deferral to ensure proper accounting and regulatory treatment was applied. The audit consisted of a review of the financial statements for completeness, occurrence, presentation, valuation, allocation and accuracy. Staff conducted this audit through a combination of document review, interviews, and interrogatories.

During the course of the review, Staff and the Company identified expenses totaling \$385<sup>2</sup>, including carrying charges, which were determined to be incorrectly charged to the GIS deferral account.

## **CONCLUSION**

Staff recommends that the GIS deferral be approved for recovery subject to Staff's recommended adjustments of \$385 as described above. In addition, Staff recommends that the Commission reject the Company's proposal to accrue carrying charges throughout the duration of the amortization period. Instead, Staff recommends that the accrual of carrying charges should cease at the time the rider becomes effective. The recommended adjustments do not impact the proposed rates. Staff recommends that the Commission approve the deferral resulting in a fixed charge of \$0.79 per month excluding gross receipts tax.

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<sup>2</sup> Staff Data Request 5