

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's Review of)
the Standard Filing Requirements for Rate) Case No. 19-2103-GA-ORD
Increases in Ohio Adm. Code Chapter 4901-7.)

**INITIAL JOINT COMMENTS OF THE EAST OHIO GAS COMPANY D/B/A
DOMINION ENERGY OHIO AND VECTREN ENERGY DELIVERY OF OHIO, INC.**

I. INTRODUCTION

In accordance with the Commission's December 16, 2020 Entry in this case, The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO) and Vectren Energy Delivery of Ohio, Inc. (VEDO), collectively the Companies, hereby file these initial joint comments regarding the proposed amendments to Appendix A for Ohio Adm.Code Chapter 4901-7, the Commission's rules on the standard filing requirements for rate increases.

II. COMMENTS

As a general upfront comment, the Companies note that, in certain sections of Appendix A, the proposed deletion or addition of subsections, if approved by the Commission, will require the renumbering or relettering of certain sections in the final, amended Appendix A.¹

A. Chapter II, Paragraph A

1. Chapter II, Paragraph (A)(9)(d) (Appx. A at 16.)

The revised rule for Chapter II, Paragraph (B)(9), (Appx. A at 19-20), proposes to delete the list of examples of functional areas, three of which would be identified by Staff for discussion by the utility as part of the Commission's supplemental filing requirements. If the proposed deletions to Chapter II, Paragraph (B)(9) are adopted, the first sentence in this subparagraph, Chapter II, Paragraph (A)(9)(d), appears unnecessary and can be deleted. In the

¹ See, e.g., Section II, Paragraph C and Paragraph D(3).

alternative, the sentence could be revised to read as follows: “If the activities and the functional areas specified in accordance with paragraph (B)(9) of Chapter II of this appendix do not correspond directly with the applicant utility's organization structure, the applicant should also include those functional areas and activities not specifically set forth.” (Appx. A at 16.)

B. Chapter II, Paragraph B

1. Chapter II, Paragraph (B)(9) (Appx. A at 19-22.)

A number of revisions are proposed to Chapter II, Paragraph (B)(9), which requires discussion of the “utility’s management policies, practices, and organization.” (Appx. A at 19-22.) As the Companies will explain, the intent of these changes is not clear, and for this reason the Companies are unable to support all of the revisions.

For background, the Commission adopted revisions to this portion of the SFRs in recent rulemakings that substantially relieved prior filing burdens associated with this rule. *See* Case No. 08-558-AU-ORD, Finding and Order (May 13, 2010) at pp.18-21. The rule previously required utilities to file a lengthy “summary” of dozens of functional areas listed in the rule. This summary frequently numbered in the hundreds of pages and required many weeks to prepare. But while the summary was extremely labor intensive to produce, the usefulness of such a broad-based summary to Staff or to the filing process in general was far from clear. In response to the concerns of many utilities, the Commission revised this rule to limit the “functional” summary to “three functional areas” identified by Staff. These revisions struck a sound balance—limiting the preparation of voluminous material that often proved irrelevant to the filing, while permitting Staff to review areas of interest. Moreover, this *filing* limit did not limit the scope of Staff’s *investigatory powers*—if Staff identified other areas of interest, it retained (and retains) the ability to probe into additional areas as part of its investigation.

In the current rulemaking, numerous changes have been proposed to this section. While the specific verbiage of these revisions is not necessarily objectionable, the intention behind the revisions is not clear, and the Companies strongly oppose any changes intended to expand the existing filing requirement.

First, the second subparagraph of Chapter II, Paragraph (B)(9) proposes adding a sentence that the utility must discuss “all pertinent elements of the applicant’s management practices described in (B)(8) of this appendix as well as any other areas identified by the staff.” (*Id.* at 19.) This new sentence appears duplicative of a similar, existing sentence in the prior subparagraph, which reads, “This would also include a discussion of all pertinent elements of the applicant utility’s management process described in paragraph (B)(8) of Chapter II of this appendix.” (*Id.*) The two sentences are very similar and it is not clear to the Companies whether any distinction is intended or if one of the sentences is simply redundant. The Companies recommend either clarifying the intent of these sentences or deleting one of them.

In addition, the change to “any” from “the three” in the second subparagraph makes open-ended the number of functional areas that Staff may identify in its letter. (Appx. A at 19.) As explained above, it is not clear to the Companies what is intended by this change. The limitation in the existing rule takes into account the brief period of time between the filing of the Staff letter (within ten business days of the utility’s notice of intent) and the application (no earlier than 30 days after the notice of intent). The Companies believe that in some cases, the Staff has identified less than three functional areas for discussion, and if the intent of the revision is to allow the Staff letter to designate less than three functional areas, the Companies propose the following alternative revision: “Within ten business days after an applicant files its notice of intent, the staff will file a letter in the docket setting forth ~~the~~ up to three functional areas a utility

must discuss.” (*Id.*) If the revision contemplated increasing the number of functional areas required for discussion, however, the Companies recommend that this proposed revision not be adopted for reasons explained above.

The Companies have similar concerns regarding the phrase “as well as any other areas identified by staff,” which is proposed to be added to the second subparagraph. (*Id.*) Again, the Companies do not object to the concept of providing information or addressing areas requested by Staff. But if the intention of this addition were to remove the recent limits to this filing requirement or otherwise expand it, the Companies would request this revision not be adopted.

Lastly, the proposed rules suggest deleting all but two items from the lengthy list of functional areas currently contained in the rules. (*See Appx. A at 20–22.*) The only functional areas that remain are subparagraphs (9)(a)(i) – (ii), both regarding “Plant operations and construction.” It is not clear to the Companies whether these were intended to be retained or were inadvertently not deleted. If retaining these two areas was intended, the Companies would request additional clarification.

C. Chapter II, Paragraph D

1. Chapter II, Paragraph D (Appx. A at 25.)

A number of revisions are proposed to Chapter II, Paragraph (D), which in its existing form sets forth the supplemental information that, if applicable, must be available to Staff at the time of the field audit. At the outset of Paragraph D, the revised rule deletes the phrases “provided at audit” and “must be made available to the commission staff on the first day of the field audit.” (Appx. A at 25.) These deletions, if adopted, make it unclear when the Paragraph D information must be made available. The timing embedded into the current rule helpfully spaced out the filing burden across the case timeline, and to the Companies’ knowledge did not hinder the review process. If the intent of the deletions was to make all of the items and information

listed in Paragraph D due at the time of or with the filing of the application, the revised requirement would significantly increase the burden of production on the utility at the time of filing, and the Companies do not believe that such an increased burden has been justified. The Companies do not object to providing the requested information, when relevant and appropriate, but believe that the information should instead be available at Staff's request, once Staff has had an opportunity to review the application.

For these reasons, the Companies propose that the beginning of Paragraph D be revised to read as follows: "Supplemental information ~~provided at audit~~ to be made available at Staff's request." (Appx. A at 25.)

In addition, the Companies request that the Commission's order clarify that utilities can still make certain information called for under Paragraph D, if voluminous or not readily available for electronic production, available on site for Staff's review, as has been the prior practice during Staff field audits during rate proceedings.

2. Chapter II, Paragraph (D)(3)(d)² (Appx. A at 26.)

Proposed Paragraph (D)(3)(d) adds a new supplemental information requirement that the utility produce its current "CAM." (Appx. A at 26.) The new subparagraph (d), however, does not define "CAM." At a minimum, the definition of "CAM" as "Cost Allocation Manual" should be added to Appendix A, if this proposed subparagraph is adopted, to cure the ambiguity.

More importantly, the new subparagraph (d) includes the phrases "currently authorized CAM," "seeks any changes to its currently authorized CAM, or allocation factors" "specific change requested," and "requested change," all of which suggest that the utility must seek approval from the Commission for any change to the CAM or a specific allocator factor. First, it

² With the addition of new subparagraph (D)(3), this subsection would need to be renumbered as D(4). In the revised Appendix A, the rule is currently identified as (D)(3).

is not clear but the rule could be interpreted to suggest that cost allocations require Commission approval. The Companies recognize that when appropriate under the law, the Commission has authority to review and modify ratemaking inputs, and this may include cost allocations. But the Companies are aware of no specific statutory authority that requires a gas utility or its affiliated companies to obtain approval before implementing an internal change to a cost allocation factor.

The plain language of proposed new subparagraph (d) also is not clear whether the “changes” refer to operational cost allocators used by the utility in financial accounting in the regular course of business, or test year allocation factors used in regulatory accounting in rate filings. In addition, the baseline for “changes” is not clear, whether the rule is intended to refer to proposed changes to existing cost allocators or changes in the cost allocators from those used in the utility’s last rate case. Moreover, the ambiguity of the baseline for each proposed change further obscures the additional proposed new prerequisite that the impact of each proposed change “shall” be “quantif[ied]”—an obligation that could be extremely burdensome and unhelpful in many cases, and the Companies do not believe this is necessary as a default supplementary filing requirement.

The Companies recognize that these may well be relevant issues in a given case. But rather than attempting to work through all these questions and issues in the context of the default filing requirements, the Companies propose that the rule merely require provision of “the most recent Cost Allocation Manual (CAM), including the actual allocation factors where applicable.” If a specific case or issue warrants deeper analysis of the CAM (such as changes from prior cases or approaches, quantification of specific impacts, and so forth), the Companies believe this can be addressed in the discovery process.

3. Chapter II, Paragraph (D)(11)³ (Appx. A at 27.)

Paragraph (D)(11), as revised, requires the utility to produce a description of the budget process, including a description of how the data in the budget is allocated. (*See* Appx. A at 27.) The revised subparagraph also requires the utility to submit a letter attesting to the fact that the budget was approved and identify a witness to support the budget. (*Id.*) Although the Companies do not object to making budget data available to Staff upon request, some aspects of the new revisions are not clear, while others may be too specific and thus inapplicable to given companies. For instance, the officer approving a budget may not be “the President,” and all budgets may not be directly approved by both an officer and the board of directors. Other elements of the rule seem better suited to being fleshed out in the discovery process or seem duplicative of other rules. Finally, it is not clear how the requirement to sponsor testimony fits in with the timing of supplemental requirements.

The Companies propose addressing these issues through the following revisions:

Corporate budget, approved as described herein ~~by upper management~~ and utilized to operate the company, by month for each fiscal year that is included in any part of the test year. A description of this budget’s approval process should be included along with a statement on company letterhead signed by ~~the president~~ a corporate officer with oversight over the budget process attesting to the fact that the budget used to prepare test year information is the actual budget that was approved by an appropriate corporate officer ~~the President~~ and/or the Board of Directors. ~~It should also include a description of how the data in the budget was allocated to the test year expenses and should be in such detail as to allow the staff to interview individual department managers about their use and input into the budgeted data. A witness to support the budget should be identified.~~

(Appx. A at 27.)

³ With the addition of new subparagraph (D)(3), this subsection would need to be renumbered as (D)(12). In the revised Appendix A, the rule is currently identified as (D)(11).

4. Chapter II, Paragraph (D)(12)⁴ (Appx. A at 27.)

Paragraph (D)(12), as revised, requires the utility to provide a “reconciliation” of the “corporate budget” and the “budgeted data used in the forecasted portion of the test year.” (Appx. A at 27.) The revised subparagraph also requires the utility to identify a witness to support the reconciliation and testimony to “explain and provide support for the differences.” (*Id.*) If the Commission adopts the Companies’ proposal that the supplementary information specified in Paragraph D will be made available to Staff at its request, as opposed to at the time of or with the filing, the proposed new requirements that a witness be identified and testimony be provided to support the budget reconciliation are not necessary.

Consistent with that recommendation, the Companies offer the following revision:

If budgeted data used in the forecasted portion of the test year budgeted data is different from that reflected in the corporate budget provided above, the annual budget which was used in the basis of the test year forecasted data should be provided by month for each fiscal year that is included in any part of the test year. A reconciliation of the corporate budget and the budget data used in the test year should be provided ~~and a witness to support the reconciliation should be identified. The testimony should explain and provide support for the differences.~~

(Appx. A at 27.)

5. Chapter II, Paragraph (D)(13)⁵ (Appx. A at 27.)

Paragraph (D)(13), as proposed, introduces a new supplementary filing requirement that the utility provide a “complete description” of its process to forecast test year sales. (Appx. A at 27.) The new subparagraph also requires the utility to identify a witness to support the description of the forecasted sales. (*Id.*) The Companies do not object to making such data

⁴ With the addition of new subparagraph (D)(3), this subsection would need to be renumbered as D(13). In the revised Appendix A, the rule is currently identified as (D)(12).

⁵ With the addition of new subparagraph (D)(3), this subsection would need to be renumbered as D(14). In the revised Appendix A, the rule is currently identified as (D)(13).

available to Staff upon request, but offer two comments for consideration. First, the Companies believe that the word “complete” is ambiguous and unnecessary. If a utility fails to provide sufficient information to meet this (or any other) filing requirement, this can be addressed through Staff’s review. The term is not generally included with respect to other requirements, and including it here could create unintended implications. The Companies believe this term could be removed without hindering the purpose of the rule. The Companies also propose to delete the second sentence consistent with its recommendation that the supplemental data under Paragraph D be made available to Staff upon request, as opposed to at the time of or with the filing.

The revised rule, with the Companies’ recommendations, would read as follows:

~~A complete description of the process to forecast the sales used in the forecasted portion of the test year should be available. A witness should be identified to support the description of the forecasted sales.~~

(Appx. A at 27.)

D. Section A Schedules

1. Section A Instructions, Paragraph C (Appx. A at 31.)

In the proposed revisions to this section, the Companies believe that “conversation” should read “conversion” and “expenses” should read “expense.” (Appx. A at 31.)

2. Schedule A-2, Computation of Gross Revenue Conversion Factor (Appx. A at 33.)

Separate and apart from the numerical changes made to this schedule, the Companies propose the following additional language to footnotes 2 and 3 on pages 33 and 34 to reflect the proposed changes in paragraph (C) on page 31. Footnote 2 should read: “Effective state excise tax rate, if applicable, and the actual applicable statutory income tax rate should be used.” (Appx.

A at 33.) And footnote 3 should read: “Experienced rate of uncollectible accounts not recovered through a rider may be used in the calculation.” (*Id.*)

E. Section B Schedules

1. Schedule B Instructions, Paragraph (B)(5) (Appx. A at 37.)

The proposed revision to Paragraph (B)(5) would require Schedule B-2.3 to be presented “by year, by month.” (Appx. A at 37.) This represents a significant change to the existing instructions, under which Schedule B-2.3 is to reflect beginning plant balances as of the utility’s date certain in its last rate case, plant additions, retirements, adjustments, and ending plant balances as of the utility’s date certain in its pending rate case.

The annual level of detail currently required has long been the norm in rate case filings, and the Companies are not aware of any reason to require all utilities in every case to provide plant activity from the last rate case date certain to the new date certain *by month*. In addition to being significantly burdensome, it is not clear what purpose such a monthly reporting requirement would serve. Moreover, the existing supplemental filing requirement in Paragraph (C)(16) already requires plant data on Schedule B-2.3 by year from the last date certain to the current date certain. The year by year activity already required ties to plant balances and activity in the PUCO Annual Reports, and this level of detail has been sufficient for ratemaking purposes.

If monthly detail is required to address a specific issue in an individual case, the Staff could request such detail through the DR process, but the Companies do not believe that this should be the default position of the filing requirements. The Companies recommend that the Commission decline to adopt the proposed revision to this subparagraph.

F. Section C Schedules

1. Section C, Schedules C-2 and C-3

In accordance with newly added Section C instruction (B)(4), Schedule C-2 and C-3 formats should reflect separate line items for rider revenues and expenses.

III. CONCLUSION

For the reasons identified herein, the Commission should adopt revisions to Appendix A for Ohio Adm.Code Chapter 4901-7 consistent with the Companies' joint comments.

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Respectfully submitted,

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