

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE ANNUAL
APPLICATION OF COLUMBIA GAS OF
OHIO, INC. FOR AN ADJUSTMENT TO THE
CAPITAL EXPENDITURE PROGRAM RIDER
RATE.

CASE NO. 21-23-GA-RDR

FINDING AND ORDER

Entered in the Journal on August 11, 2021

I. SUMMARY

{¶ 1} The Commission approves the application of Columbia Gas of Ohio, Inc. to adjust its capital expenditure program rider, subject to the audit adjustments and recommendations, as well as Staff's recommendations.

II. DISCUSSION

{¶ 2} 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.

{¶ 3} R.C. 4929.111 provides that a natural gas company may file an application to implement a capital expenditure program (CEP) for any infrastructure expansion, improvement, or replacement program; any program to install, upgrade, or replace information technology systems; or any program reasonably necessary to comply with any rules, regulations, or orders of the Commission or other governmental entity having jurisdiction. If the Commission finds that the CEP is consistent with the applicant's statutory obligation to furnish necessary and adequate facilities, which are also found to be just and reasonable, the Commission is tasked with approving the application and authorizing the deferral or recovery of both a regulatory asset for post in-service carrying costs (PISCC) on that portion of assets of the CEP placed in service but not reflected in rates as plant in service and a regulatory asset for the incremental depreciation directly attributable to the CEP and the property tax expense directly attributable to the CEP but not reflected in rates.

{¶ 4} In Case No. 11-5351-GA-UNC, et al., the Commission modified and approved Columbia's application to implement a CEP for the period October 1, 2011, through December 31, 2012. Under the approved CEP, Columbia was authorized to begin deferring the related PISCC, depreciation, and property tax expenses (CEP Deferral) for capital investments that were not part of its accelerated infrastructure replacement program (IRP) up to the point where the deferred amount, if included in customer rates, would exceed \$1.50 per month for the Small General Service class of customers. In approving the application, the Commission noted that the prudence and reasonableness of Columbia's CEP-related regulatory assets and associated capital spending would be considered in any future proceeding seeking cost recovery, at which time Columbia would be expected to provide detailed information regarding the expenditures for the Commission's review. *In re Columbia Gas of Ohio, Inc.*, Case No. 11-5351-GA-UNC, et al., Finding and Order (Aug. 29, 2012), Entry on Rehearing (Oct. 24, 2012).

{¶ 5} Subsequently, in Case No. 12-3221-GA-UNC, et al., the Commission modified and approved Columbia's application to continue its CEP, including deferral of the related PISCC, depreciation expense, and property tax expense, in 2013 and succeeding years. Once again, the Commission noted that the prudence, reasonableness, and magnitude of the deferrals and capital expenditures would be examined in a future cost-recovery proceeding. *In re Columbia Gas of Ohio, Inc.*, Case No. 12-3221-GA-UNC, et al., Finding and Order (Oct. 9, 2013).

{¶ 6} On November 28, 2018, the Commission approved and adopted a stipulation and recommendation (Stipulation) resolving all issues relating to Columbia's application for an alternative rate plan to establish a new rider mechanism (CEP Rider) to recover the CEP costs, including the CEP Deferral and the corresponding assets to which those expenses are directly attributable. *In re Columbia Gas of Ohio, Inc.*, Case No. 17-2202-GA-ALT (*Alt. Reg. Case*), Opinion and Order (Nov. 28, 2018). In approving the Stipulation, the Commission permitted Columbia to apply to adjust the CEP Rider rates on a yearly basis to collect from customers the prior calendar year's non-IRP capital expenditures and related deferrals.

Under the Stipulation, each year's application is to contain schedules based on 12 months of actual data for the prior calendar year and the rate of return used in development of the revenue requirement is to be based on the capital structure and cost of capital authorized by the Commission in Columbia's most recent base rate case, Case No. 08-72-GA-AIR, et al. The Commission also prescribed annual rate caps by customer class per year. Finally, the Stipulation directed that Staff, or its designee, perform a review of Columbia's annual filing to determine the necessity, prudence, lawfulness, and reasonableness of the non-IRP capital expenditures and related assets for the prior calendar year.

{¶ 7} On January 27, 2021, in the above-captioned case, the Commission issued an Entry directing Staff to issue a request for proposal for audit services to review the necessity, prudence, and reasonableness of the non-IRP capital expenditures, CEP Deferral, and associated capital expenditures related to Columbia's CEP program as contemplated in Case Nos. 11-5351-GA-UNC, 12-3221-GA-UNC, and the *Alt. Reg. Case*. In the January 27, 2021 Entry, the Commission noted that this review would consist of a two-part audit. First, the audit would review and attest to the accounting accuracy and used-and-useful nature of Columbia's non-IRP capital expenditures and related assets and corresponding depreciation reserve for investments and deferrals from January 1, 2020, through December 31, 2020. Second, the audit would assess and inform on the necessity, prudence, lawfulness, and reasonableness of Columbia's non-IRP capital expenditures and related assets for the same time period.

{¶ 8} By Entry dated February 24, 2021, the Commission selected Blue Ridge Consulting Services, Inc. (Blue Ridge or auditor) to assist Staff in performing the necessary review of Columbia's CEP Rider.

{¶ 9} On February 25, 2021, Columbia filed its annual application to adjust the CEP Rider, including proposed rate schedules, a typical bill analysis, and various schedules supporting the application. On that same date, Columbia also filed the testimony of Melissa

L. Thompson in support of its application to adjust the CEP Rider rates. Columbia proposes to adjust its CEP Rider, commencing September 1, 2021, as follows:

Applicable Rate Schedule	Current Monthly Charge	Proposed Monthly Charge	Proposed Increase
SGS Rate ¹	\$5.00	\$5.93	\$0.93
GS Rate ²	\$35.24	\$41.54	\$6.30
LGS Rate ³	\$831.16	\$1,007.43	\$176.27

{¶ 10} On March 19, 2021, Interstate Gas Supply, Inc. (IGS) filed a motion to intervene which was granted by Entry issued July 7, 2021.

{¶ 11} On June 15, 2021, Blue Ridge filed its Audit of the Plant in Service and Capital Expenditure Program for the 2020 Annual Adjustment to the CEP Rider Rate of Columbia Gas of Ohio, Inc. (Audit Report). In the Audit Report, Blue Ridge recommends four adjustments. First, Blue Ridge notes that Columbia provided a revised Schedule CEP-2, to reflect a \$1,198,409 decrease in 2020 plant additions for costs properly included in the Infrastructure Development Rider (IDR) in Case No. 21-521-GA-IDR. The auditor recommends that the CEP be adjusted to reflect this revision and notes that the reduced plant additions also reduce the CEP revenue requirement by \$199,579. Second, Blue Ridge

¹ Small General Service (SGS) includes Small General Sales Service, Small General Schools Sales Service, Small General Transportation Service, Small General Schools Transportation Service, Full Requirements Small General Transportation Service, and Full Requirements Small General Schools Transportation Service.

² General Service (GS) includes General Sales Service, General Schools Sales Service, General Transportation Service, General Schools Transportation Service, Full Requirements General Transportation Service, and Full Requirements General Schools Transportation Service.

³ Large General Service (LGS) includes Large General Sales Service, Large General Transportation Service, and Full Requirements General Transportation Service.

determined that the cost of a Phase 3 retest of a transmission pipe was not prudent. The retest was necessitated by Columbia's failure to follow the Company's internal policy and should be removed from the CEP. This adjustment reduces the CEP revenue requirement by \$71,564. The third adjustment is to account for a roadway reconstruction project which was over budget by \$55,835 because of Columbia's diversion of resources to Massachusetts in September 2018. The start of the roadway reconstruction project was delayed until January 2019 and additional crews were utilized to meet the project completion deadline. Blue Ridge submits that Ohio ratepayers should not pay for cost overruns caused by the diversion of resources for work in another jurisdiction. This adjustment reduces the CEP revenue requirement by \$7,670. The fourth adjustment is to reflect that retirements to the meter installations account were greater than the additions to the meter installations account as a result of meter data not being passed from the Work Management System to PowerPlant and, therefore, reflected on the general ledger and included in the CEP filing. This adjustment reduces the CEP revenue requirement by \$21,440. (Audit Report at 8-9.)

{¶ 12} Blue Ridge also reviewed Columbia's compliance with the recommendations ordered in the Company's prior CEP Rider audit. *In re Columbia Gas of Ohio Inc.*, Case No. 20-49-GA-RDR, Finding and Order (Aug. 12, 2021). Of the seven recommendations reviewed, Blue Ridge determined that no further work was necessary as to six recommendations. However, in regard to Columbia's formal documentation of its policies and procedures for the preparation and approval of work orders, damage claims, accounting/journal entries, or allocations, Blue Ridge offers, as a part of this audit, an additional policy and practice recommendation. Lastly, in Case No. 19-438-GA-RDR, Staff recommended that Columbia track incremental revenues and reiterated the recommendation in Case No. 20-49-GA-RDR. *In re Columbia Gas of Ohio, Inc.*, Case No. 19-438-GA-RDR, Staff Review and Recommendation (July 15, 2019) at 3; *In re Columbia Gas of Ohio, Inc.*, Case No. 20-49-GA-RDR, Staff Review and Recommendation (June 30, 2020) at 4. Columbia did not recognize incremental revenue in calendar year 2020. However, Blue Ridge agrees with Staff as to the importance of incremental revenues and reiterates its

recommendation that incremental revenues be identified and tracked. Blue Ridge recommends that the inclusion of incremental revenue in the CEP be reevaluated in the Company's next base rate case. (Audit Report at 11-12, Recommendations c and f.)

{¶ 13} On July 1, 2021, Staff filed its review and recommendation regarding Columbia's application (Staff Report). In summary, Staff agrees with the adjustments and recommendations made by Blue Ridge. Staff notes that, based on the auditor's adjustments, the new rate for residential customers is \$5.91 per month per meter, subject to Columbia's final calculation. Further, the Staff Report adopts and highlights the auditor's recommendations that Columbia should formally document a process for identifying IDR assets and remove IDR-related plant additions from the CEP; remove expenditures determined to be imprudent and remove project cost overruns; reclassify misallocated costs between meter installations and house regulators; and document the issue with the Work Management System and PowerPlant and the impact on the CEP. Based on its investigation, Staff concludes, in all other respects, that Columbia supported its application with adequate data and information to ensure that the CEP Rider revenue requirement and rates are just and reasonable. Accordingly, Staff recommends that the Commission approve Columbia's application, consistent with Blue Ridge's and Staff's recommendations.

{¶ 14} Pursuant to the Stipulation adopted in the *Alt. Reg. Case*, the new CEP Rider rate will become effective by September 1 following the February application filing unless Staff finds Columbia's filing to be unjust and unreasonable or if any other party granted intervention files an objection to either Columbia's annual filing or Staff's review that is not resolved by Columbia by July 31 of each year. If Staff finds that Columbia's application is unjust or unreasonable, or if an intervening party files an objection that is not resolved by July 31, Columbia must propose an expedited hearing process in order to effectuate, to the extent practicable, the implementation of the CEP Rider rates by September 1 or the first billing cycle of the revenue month following the Commission's decision.

{¶ 15} By Entry issued July 7, 2021, a procedural schedule was established such that

motions to intervene and objections to the application and Staff Report were due by July 19, 2021, and a statement from Columbia, notifying the Commission as to the existence of any unresolved issues or objections, was due by July 22, 2021.

{¶ 16} No objections to the application or the Staff Report were filed.

{¶ 17} On July 22, 2021, Columbia filed its statement informing the Commission whether issues raised in objections have been resolved. In its statement, Columbia agrees with Staff's conclusions and recommendations filed in this proceeding. Further, Columbia states, given that no party to the proceeding filed objections to the application or Staff Report, all issues in the case have been resolved and, therefore, Columbia anticipates a hearing is not necessary.

{¶ 18} The Commission has reviewed Columbia's application, the Audit Report, the Staff Report, and Columbia's July 22, 2021 statement. Based on our review, the Commission finds that Columbia's application, as modified by the audit adjustments and recommendations in the Audit Report, as well as the recommendations in the Staff Report, is reasonable and should be approved. Furthermore, the Commission finds the application is not unjust or unreasonable and, therefore, it is not necessary to hold a hearing in this matter.

III. ORDER

{¶ 19} It is, therefore,

{¶ 20} ORDERED, That Columbia's application to adjust the CEP Rider rates, as adjusted and modified by the Audit Report, and consistent with the recommendations in the Staff Report, be approved. It is, further,

{¶ 21} ORDERED, That Columbia be 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,

{¶ 22} ORDERED, That the effective date of the new tariff shall be a date not earlier than the date upon which the final tariff page is filed with the Commission. It is, further,

{¶ 23} ORDERED, That Columbia shall notify its customers of the changes to the tariff via bill message or insert within 30 days of the effective date of the revised tariff. A copy of this 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,

{¶ 24} 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,

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

COMMISSIONERS:

Approving:

Jenifer French, Chair

M. Beth Trombold

Lawrence K. Friedeman

Daniel R. Conway

Dennis P. Deters

GNS/hac

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Case No(s). 21-0023-GA-RDR

Summary: Finding & Order approving the application of Columbia Gas of Ohio, Inc. to adjust its capital expenditure program rider, subject to the audit adjustments and recommendations, as well as Staff's recommendations electronically filed by Heather A. Chilcote on behalf of Public Utilities Commission of Ohio