

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of **The** :
East Ohio Gas Company d/b/a :
Dominion East Ohio to Adjust its : Case No. 15-1987-GA-RDR
Pipeline Infrastructure Replacement :
Program Cost Recovery Charge and :
Related Matters. :

COMMENTS AND RECOMMENDATIONS

INTRODUCTION

Pursuant to the Stipulations adopted in Case Nos. 11-2401-GA-ALT, 07-829-GA-AIR, 07-830-GA-ALT, 07-831-GA-AAM, 08-169-GA-ALT, and 06-1453-GA-UNC, the Staff of the Public Utilities Commission of Ohio (Staff) has conducted an investigation of the East Ohio Gas Company's d/b/a Dominion East Ohio (DEO or Company) application to adjust its pipeline infrastructure replacement program cost recovery charge and submits its conclusions and recommendations to the Public Utilities Commission of Ohio (Commission) in these Comments. Staff's Comments were prepared by the Commission's Rates and Analysis Department. Included are financial reviews of DEO's proposed additions to plant-in-service, revenue requirement, and other matters. The Comments are the results of Staff's investigation and do not reflect the views of the Commission, nor is the Commission bound by Staff's representations or recommendations.

BACKGROUND

DEO is an Ohio Corporation engaged in the business of providing natural gas service to approximately 1.2 million customers in northeast, western, and southeast Ohio communities.

The Company's Pipeline Infrastructure Replacement Program (PIR Program or Program) was authorized by Commission Opinion and Order on October 15, 2008 in Case No. 07-829-GA-AIR, *et al* (Rate Case Order). DEO's PIR Program initially called for replacement of 4,122 miles of bare steel, cast iron, and other metallic (BS/CI) pipe-lines in its distribution system over a 25 year period and provided that DEO would assume ownership and ongoing responsibility for all customer-owned service lines when such lines were separated from service in order to replace associated mainlines or to repair leaks. The Rate Case Order also authorized DEO to establish a PIR Cost Recovery Charge (PIR Rider) to recover its PIR investments from customers, adopted a process for Staff and intervenor review of DEO's annual applications to increase the PIR Rider, and established a cap on annual PIR Rider increases. The PIR Program was initially authorized for a five-year period.

By an Opinion and Order dated August 3, 2011, the Commission approved a stipulation reached by the parties in Case No. 11-2401-GA-ALT. In that case, the parties agreed, among other things, that (1) DEO would add 1,450 miles of pre-1955 ineffectively coated pipe to the scope of its replacement program; (2) DEO would test field coated pipe that was installed after 1955 and replace any pipe found to be ineffectively coated under the Program; (3) the Program would be reauthorized for another five-year

period; (4) specified caps would be placed on annual increases to the PIR Rider; and (5) DEO would modify the schedule for filing its annual applications to adjust the PIR Rider to be consistent with the schedules used for other utilities' gas infrastructure replacement programs. This revised schedule provides that DEO shall submit a pre-filing notice (PFN) with nine months of actual data and three months of estimated data in support of its PIR Rider applications by November 30 each year. The Company is then to file an updated application by February 29 of the succeeding year that includes 12 months of actual data in support of new PIR Rider rates to be effective with the first billing cycle in May.

In accordance with this schedule, on November 30, 2015, DEO filed a PFN in this case indicating its intent to file an application to adjust existing PIR Rider rates to recover PIR Program costs incurred during the period January 1, 2015 through December 31, 2015. The PFN included Schedules 1 through 16A, which provided an estimated PIR revenue requirement based on nine months of actual data from the period January 1, 2015 through September 30, 2015, and three months of projected data for the period October 1, 2015 through December 31, 2015. On February 29, 2016, DEO filed its Application in this case, which included updated Schedules 1 through 16A, 12 months of actual data through 2015, and supporting testimony.

On March 7, 2016, the Attorney Examiner in this case issued an Entry establishing a procedural schedule for the case as follows:

- (a) March 25, 2016 – Deadline for filing motions to intervene.
- (b) March 25, 2016 – Deadline for Staff and intervenors to file comments on the application.
- (c) March 31, 2016 – Deadline for DEO to file a statement informing the Commission whether the issues raised in the comments have been resolved.
- (d) April 1, 2016 – Deadline for the parties and Staff to file expert testimony.
- (e) April 6, 2015, 9:00 a.m. – Deadline for some or all parties to the case to file a stipulation resolving some or all issues raised by the parties.
- (f) April 7, 2016 –Hearing date if some or all issues raised in the comments are not resolved.

PIR PROGRAM PROGRESS AND DEO’S APPLICATION

DEO reports that in 2015 it replaced 157.53 miles of BS/CI pipelines and 41,387 service lines (includes both main-to-curb and curb-to-meter service lines). Including the 2015 replacements, the Company reports that, since inception of the PIR Program in July 2008, it has replaced a total of 1,181.44 miles of BS/CI pipelines, replaced 271,432 service lines, and moved 1,559 inside customer meters outside. To recover its 2015 PIR investments, DEO’s Application and supporting schedules propose a revenue requirement of \$131,226,679.71. In testimony filed with the Application, Company witness Vicki Friscic notes that Application Schedule 4 and other schedules affected by plant retirements include adjustments for retirements that should have been recognized in 2013 and

2014.¹ When the proposed revenue requirement is allocated to the customer rate classes established in the cost of service study used in DEO's last base rate case, the Company recommends that the Commission approve the following PIR Rider rates:

Rate Class	Proposed Rates	Current Rates
GSS/ECTS	\$8.12/month	\$6.70/month
LVGSS/LVECTS	\$53.49/month	\$46.56/month
GTS/TSS	\$253.28/month	\$212.94/month
DTS	\$0.0564/Mcf	\$0.0497/Mcf

STAFF'S INVESTIGATION, CONCLUSIONS, AND RECOMMENDATIONS

The purpose of Staff's investigation was to determine if the Company's Application and supporting documentation justify the requested PIR revenue requirement and can be used as a reliable basis for DEO's proposed increases to the PIR Rider rates. As part of its investigation, the Staff reviewed and analyzed all of the documentation filed by the Company and traced it to supporting work papers and to source data. In addition, Staff issued data requests, conducted investigative interviews, and performed independent analyses when necessary.

¹ *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Adjust its Pipeline Infrastructure Replacement Program Cost Recovery Charge and Related Matters*, Case No. 15-1987-GA-RDR (Direct Testimony of Vicki H. Friscic at 6-7) (Feb. 29, 2016).

Based on this investigation, Staff recommends that the Commission direct DEO to file revised schedules to its Application in order to remove the proposed adjustments to account for plant retirements and related cost that should have been recorded in 2013 and 2014 and to implement the resulting PIR Rider rates accordingly. Consistent with prior Commission rulings, Staff historically has not supported adjustments to pending rider applications in order to reflect out-of-period adjustments.² In Staff's opinion, rider rates set in prior proceedings were subject to audit during those proceedings and specifically approved by the Commission. Utilizing electronic copies of the Application schedules provided by the Company, Staff recalculated DEO's proposed PIR Rider rates with the proposed adjustments removed and determined that Dominion's revised revenue requirement will be \$131,239,387.54 and the resulting changes to the PIR Rider Rates will be:

Rate Class	DEO's Proposed Rates	Staff Adjusted Rates	Difference
GSS/ECTS	\$8.12/month	\$8.12/month	No change
LVGSS/LVECTS	\$53.49/month	\$53.47/month	\$0.02/month
GTS/TSS	\$253.28/month	\$253.22/month	\$0.06/month
DTS	\$0.0564/Mcf	\$0.0564/Mcf	No change

² *In the Matter of the Long-Term Forecast Report of the Cincinnati Gas & Electric Company and Related Matters, et al.*, Case Nos. 03-118-GA-FOR and 03-218-GA-GCR (Entry) (Dec. 10, 2004).

Staff has no other objections to DEO's Application. Therefore, subject to the adoption of Staff's modification described above, Staff recommends that the Commission approve DEO's Application.

Respectfully submitted,

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Ohio Attorney General

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/s/ Robert A. Eubanks

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**On Behalf of the Staff of the
Public Utilities Commission of Ohio**

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Staff Comments was served via electronic mail upon all parties of record this 25th day of March, 2016.

/s/ Robert A. Eubanks

Robert A. Eubanks
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Summary: Comments submitted by Assistant Attorney General Robert Eubanks on behalf of the Staff of the Public Utilities Commission of Ohio. electronically filed by Kimberly L Keeton on behalf of Public Utilities Commission of Ohio