

## PUCO EXHIBIT FILING

Date of Hearing: 8/8/16Case No. 16-552-GA-AAMPUCO Case Caption: Columbia Gas of  
Ohio, Inc.

List of exhibits being filed:

Joint Ex-1Columbia Ex-1Reporter's Signature: Michael J. Jones  
Date Submitted: 8/8/16

2016 AUG 19 PM 12:25

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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :  
Application of Columbia : Case No.  
Gas of Ohio, Inc. for : 16-552-GA-AAM  
Approval to Change :  
Accounting Methods. :

- - -

PROCEEDINGS

Before Sarah Parrot, Attorney Examiner, held at  
the Public Utilities Commission of Ohio, 180  
East Broad Street, Room 11-D, Columbus, Ohio, on  
Thursday, August 18, 2016, at 10:30 A.M.

- - -

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- - -

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Co- )  
lumbia Gas of Ohio, Inc. for Approval to ) Case No. 16-0552-GA-AAM  
Change Accounting Methods. )

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STIPULATION AND RECOMMENDATION

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Rule 4901-1-30, Ohio Administrative Code (O.A.C.) provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding and agreement of Columbia Gas of Ohio, Inc. ("Columbia") and the Staff of the Public Utilities Commission of Ohio ("Staff"). Columbia and Staff<sup>1</sup> are ("Parties") to this Stipulation and Recommendation ("Stipulation"), and recommend that the Public Utilities Commission of Ohio ("Commission") approve and adopt this Stipulation, which resolves all of the issues in this case.

This Stipulation is supported by adequate data and information; represents a just and reasonable resolution of the issues raised in this proceeding; violates no regulatory principle or precedent; and is the product of lengthy, serious bargaining among knowledgeable and capable Parties to resolve the issues. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission. For purposes of resolving certain issues raised by this proceeding, the Parties stipulate, agree and recommend as set forth below. Except for dispute resolution purposes in this proceeding, neither this Stipulation, nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against either Party, or the Commission itself. This Stipulation is a reasonable compromise involving a balancing of competing positions and it does not necessarily reflect the position that either Party would have taken if these issues had been fully litigated.

The Signatory Parties fully support this Stipulation and urge the Commission to accept and approve the terms found below.

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<sup>1</sup> Pursuant to O.A.C. 4901-1-10(C) and 4901-1-30, Staff is deemed a party for purposes of entering into this Stipulation.

1. The Signatory Parties hereby recommend that the Commission approve Columbia's Application to Change Accounting Methods ("Application") as filed on March 11, 2016, with the following modifications:

a. Columbia filed the Application requesting authority to increase the Pipeline Safety Program ("PSP") by \$10 million to provide Columbia the adequate resources to address the emerging risks on its system. Columbia agrees that the additional \$10 million will be used exclusively to accelerate implementation of its Damage Prevention Technology Initiative ("DPTI") under the PSP while not increasing the overall spend for the DPTI. In the Application, Columbia requested similar accounting treatment as that approved by the Commission in Case No. 14-1615-GA-AAM. The Signatory Parties agree that, for purposes of settling this proceeding, the interest rate to determine carrying charges for the \$10 million authority increase, prior to recovery in a rider in a separate proceeding or Columbia's next general rate case, should be set at three percent (3%) per annum.

b. In Case No. 14-1615-GA-AAM and in the Application filed in this docket, Columbia proposed to defer non-capital related PSP expenses. At the time when Columbia seeks to recover the deferred PSP costs, the Signatory Parties agree that recovery of these deferred expenditures will be limited to the recovery of the deferred asset reflected on its books with no return on the asset being provided through rate base recognition.

c. The deferral authority for the additional \$10 million annual dollars will expire not later than January 1, 2024. Recovery of the additional \$10 million in conjunction with amounts deferred pursuant to the Commission's December 17, 2014 Order in Case No. 14-1615-GA-AAM shall be collected as determined by the Commission.

2. This Stipulation constitutes a compromise resolution by the Parties of all issues raised by the Parties in this case. The Parties agree that if the Commission rejects all or any part of this Stipulation, or otherwise materially modifies its terms, either Party shall have the right, within thirty (30) days after the date of the Commission's Order, either to file an application for rehearing or to terminate and withdraw from the Stipulation by filing a notice of termination and withdrawal with the Commission in this proceeding. If an application for rehearing is filed and if the Commission does not, on rehearing accept the Stipulation without material

modification, Columbia may terminate and withdraw from the Stipulation by filing a notice of termination and withdrawal with the Commission in this proceeding within ten (10) business days after the date of the Commission's Entry on Rehearing. Upon filing of a notice of termination and withdrawal by Columbia, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward and the parties shall be afforded the opportunity to present evidence through witnesses, cross-examine all witnesses, present rebuttal testimony, file briefs on all issues, and to have this proceeding decided on the record and briefs as if this Stipulation had never been executed.

3. The Parties understand and agree that while this Stipulation is not binding on the Commission, it is entitled to the Commission's careful consideration. The Parties agree that the Stipulation promotes sound regulatory policy and the public interest and they urge the Commission to adopt this agreement.

The undersigned hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation this 24th day of June, 2016.

**COLUMBIA GAS OF OHIO, INC.**

**THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO**

By: /s/ Stephen B. Seiple

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**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**6/24/2016 1:47:00 PM**

**in**

**Case No(s). 16-0552-GA-AAM**

Summary: Stipulation and Recommendation electronically filed by Mr. Stephen B Seiple on behalf of Columbia Gas of Ohio, Inc.

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Co- )  
lumbia Gas of Ohio, Inc. for Approval to ) Case No. 16-0552-GA-AAM  
Change Accounting Methods. )

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APPLICATION OF  
COLUMBIA GAS OF OHIO, INC.

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On December 17, 2014, pursuant to Rev. Code § 4905.13, the Commission approved Columbia Gas of Ohio, Inc.'s ("Columbia") application in Case No. 14-1615-GA-AAM to establish a regulatory asset to defer up to \$15 million annually to increase customer safety through the Pipeline Safety Program ("PSP"). The PSP, comprised of four safety initiatives, is designed to target the emerging risks on Columbia's system and provide funding to mitigate these risks and enhance pipeline and distribution system safety.

During the first year of implementation, Columbia's system risk declined through the roll out of an enhanced public awareness campaign by educating Columbia's customers to call 811 before digging and to call Columbia and 911 when they smell natural gas. Columbia revised its training curriculum for service technicians and implemented it in November 2015 through its training program. Columbia also hired on-the-job coaches to ensure that all apprentices within the Columbia operations system would receive targeted and more comprehensive on-the-job training. Columbia also launched its program to obtain global positioning system ("GPS") coordinates of all facilities within its system, locating over 6.2 million feet of facilities in calendar year 2015. Columbia also successfully launched a targeted cross bore inspection program, working with local municipalities within Central Ohio to clear sewer systems of cross bores.

The PSP is designed to ensure community safety is continually improving in a targeted and accelerated manner, while enhancing and maintaining system integrity. Successfully implementing the program's safety measures enables Columbia to address the emerging risks on its system. Columbia's customers deserve crucial education around gas infrastructure safety, whether it is working on customer-owned natural gas house lines, identifying and inspecting sewer laterals for

cross bores, or preparing appliances to be relit after an outage. This education goes beyond the general public—Columbia must also educate municipalities, first responders, public officials, excavation partners, professional plumbers, and other utilities. Without these parties' partnership, Columbia will not be able to execute a holistic approach to encourage safe natural gas service and safeguard its utility infrastructure.

Such education is also provided through advanced training of Columbia's workforce. Columbia must accelerate its efforts to revise its curriculum to incorporate the lessons learned in the first year of the PSP, as well as the lessons it continues to gain through a changing environment with municipalities and first responders. It is incumbent upon Columbia to be proactive leading this training effort. Columbia cannot rely upon public education alone to achieve change—it must actively seek out opportunities with municipalities, public officials and first responders to train these safety stakeholders about preserving the integrity of gas infrastructure and ensuring the safety of the community. Columbia also must accelerate the collection of infrastructure location data to ensure it is capturing and maintaining accurate facility records to reap an appreciable safety benefit. Incorporating this data will lead to more accurate underground facility locates, better and more timely customer service, and a more thorough and robust knowledge of Columbia's system.

The existing PSP, as approved, does not provide Columbia with adequate resources to take advantage of the safety opportunities currently available to address these emerging risks. Therefore, Columbia files this application to ensure that it may further enhance customer education and awareness, and reduce risk within its territory. In support of this application Columbia states as follows:

1. Columbia is a natural gas company within the meaning of Rev. Code § 4905.03(E), and, as such, is a public utility subject to the jurisdiction of the Commission.

2. Rev. Code § 4905.13 authorizes the Commission to establish a system of accounts to be kept by public utilities and to prescribe the manner in which these accounts shall be kept. In Ohio Admin. Code 4901:1-13-13, the Commission adopted the Uniform System of Accounts ("USOA") for gas utilities established by the Federal Energy Regulatory Commission ("FERC") for use in Ohio. For Ohio regulatory purposes, the system of accounts is only applicable to the extent that it has been adopted by the Commission. Therefore, the Commission may modify the USOA prescribed by FERC as it applies to utilities within the state of Ohio.



3. The PSP currently consists of four initiatives to target threats and reduce risks to Columbia's system. These programs are the Cross Bore Safety and Remediation Initiative; Damage Prevention Technology Initiative; Advanced Workforce Training Initiative; and Enhanced Public Awareness Initiative. The programmatic descriptions of each safety initiative are detailed in Columbia's Application in Case No. 14-1615-GA-AAM.

4. The costs of implementing the PSP are prudent and necessary business expenses incurred by Columbia in compliance with PHMSA regulations. PHMSA amended 49 CFR 192 to include a new subpart, Subpart P "Gas Pipeline Integrity Management," which required operators to develop a gas distribution integrity management program ("DIMP"). DIMP is designed to promote continuous improvement of pipeline safety by requiring operators to identify and implement appropriate system risk control measures and initiatives. Therefore, to support its continuous improvement efforts, as prescribed by PHMSA regulations, Columbia files this application to improve the PSP—a core program used to comply with 49 CFR 192.

5. Recognizing that Columbia's PSP sought "to implement a program to minimize unnecessary risk and increase safety pursuant to a federal requirement," the Commission approved Columbia's PSP deferral.<sup>1</sup> The costs associated with the PSP have been recorded as a regulatory asset on Columbia's balance sheet in Account 182, Other Regulatory Assets. Such deferred expenses will remain in Account 182 until a new rider can be established in a separate proceeding or in Columbia's next general rate case proceeding, and recovery of the prudently-incurred deferred expenses commences. At that time, Columbia will reduce the approved regulatory asset and charge the applicable expense account. This application requests approval to modify the requested annual increase in Account 182 beyond the level approved in Case No. 14-1615-GA-AAM. Beginning with approval of this application, the annual increase in Account 182 will not exceed \$25 million per calendar year for activities directly associated with PSP initiatives.

6. The establishment of a rider in a separate proceeding or in Columbia's next general rate case, will provide for recovery of these prudent and necessary expenses on a dollar-for-dollar basis with no possibility of over-recovery from customers. This rider will be applicable to customers served under all rate sched-

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<sup>1</sup> *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods*, Case No. 14-1615-GA-AAM, Finding and Order (December 17, 2014) ("the 2014 Order") at ¶52.

ules. When Columbia seeks to recover the deferred funds, it will propose an amortization period that results in a rider not to exceed \$0.50 per month to its Small General Service ("SGS") rate schedule customers, unless Staff and Columbia determine that a greater customer charge is appropriate. This approach ensures that Columbia is able to further provide a safer distribution system and additional infrastructure safety education to customers while balancing the rate impact to those most affected by these initiatives. Columbia's proposed application and proposed annual increase in Account 182 will continue the \$0.50 SGS rate parameter to ensure customer impact is mitigated on a monthly basis, which can be determined by Columbia and Staff at the appropriate time rate recovery is requested.

7. Pursuant to the 2014 Order, Columbia will be filing an annual report for its PSP by June 1 of each year, beginning in 2016 for calendar year 2015 expenditures.<sup>2</sup> Columbia continues to support this schedule and the annual reports will set forth the monthly PSP expenditures deferred by Columbia. Columbia also agrees that the report's inclusion of an audit report prepared by Columbia's external auditor summarizing its findings with respect to the accuracy of Columbia's accounting for PSP-related expenditures is a prudent and reasonable practice that should continue with approval of this application.

8. Columbia also proposes a procedure endorsed by Commission Staff, and approved by the Commission, that Staff annually review all reported program expenses, with a Staff Report to be filed no later than 90 days subsequent to Columbia's annual PSP-deferred expenditure report. The Staff Report should set forth the expenditures, if any, that it recommends should not be deferred for future recovery. Columbia further proposes that the Staff Report include a detailed examination and determination of whether PSP-deferred costs are properly recorded on Columbia's books. In response to the Staff Report, Columbia requests 30 days to accept Staff's recommendations or to object thereto. In the event Columbia objects to Staff's findings, Columbia requests that the Commission establish a procedural schedule for filing testimony and conducting an evidentiary hearing.

9. As was the case with its application in Case No. 14-1615-GA-AAM, the PSP is being used by Columbia to accelerate and enhance risk reduction efforts across its distribution system. Such activities represent prudent and necessary business expenses to enhance safety throughout the communities Columbia serves. These activities contribute to Columbia's compliance with PHMSA integrity management program guidance, advising utilities to continually monitor and

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<sup>2</sup> *Id.* at ¶¶ 11, 32, 59.

reduce gas distribution system risk. Ensuring a safe and reliable natural gas system is paramount to Columbia's operation, and the approval of this application is integral to support Columbia's goal to maintain and enhance the safety of its customers and pipeline system. Moreover, with the recent incidents on Columbia's system resulting from customers' actions to fix house lines, Columbia must take expedited action to broaden the PSP to further educate the public. In order to accelerate the review process to support Columbia's continued development and implementation of these important safety measures, Columbia proposes the following procedural schedule:

April 15, 2016 – Staff Comments Due

April 29, 2016 – Reply Comments Due

June 1, 2016 – Final Opinion and Order

10. The requested accounting procedure does not result in an increase in any rate or charge,<sup>3</sup> and the Commission can therefore approve this application without a hearing.<sup>4</sup>

For the reasons stated above, Columbia respectfully requests that the Commission approve this application in order to further enhance customer and pipeline system safety in Columbia's service area.

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<sup>3</sup> See, *Elyria Foundry Co. v. Pub. Util. Comm.*, 114 Ohio St. 3d 305, 2007-Ohio-4164 at ¶19.

<sup>4</sup> See, e.g., *In the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods*, PUCO Case No. 14-1615-GA-AAM, Opinion and Order (December 17, 2014) at ¶60.

Respectfully submitted by,

**COLUMBIA GAS OF OHIO, INC.**

/s/ Stephen B. Seiple

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**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**3/11/2016 4:52:15 PM**

**in**

**Case No(s). 16-0552-GA-AAM**

Summary: Application for Approval to Change Accounting Methods electronically filed by Cheryl A MacDonald on behalf of Columbia Gas of Ohio, Inc.