

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
COLUMBIA GAS OF OHIO, INC. FOR
APPROVAL TO CHANGE ACCOUNTING
METHODS ASSOCIATED WITH ITS PIPELINE
SAFETY PROGRAM.

CASE NO. 16-552-GA-AAM

OPINION AND ORDER

Entered in the Journal on August 26, 2016

I. SUMMARY

{¶ 1} The Commission adopts the stipulation and recommendation submitted by Columbia Gas of Ohio, Inc. and Staff regarding the deferral of expenses associated with the Pipeline Safety Program.

II. PROCEDURAL BACKGROUND

{¶ 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 the Commission.

{¶ 3} R.C. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts will be kept. Pursuant to Ohio Adm.Code 4901:1-13-13, the Commission adopted the Uniform System of Accounts (USOA), which was established by the Federal Energy Regulatory Commission, for gas and natural gas companies in Ohio, except to the extent that the provisions of the USOA are inconsistent with any outstanding orders of the Commission. Additionally, the Commission may require the creation and maintenance of such additional accounts as may be prescribed to cover the accounting procedures of gas or natural gas companies operating within the state.

{¶ 4} On December 17, 2014, in Case No. 14-1615-GA-AAM, the Commission approved Columbia's application to establish a regulatory asset to defer up to \$15 million

annually as part of its Pipeline Safety Program (PSP). *In re Columbia Gas of Ohio, Inc.*, Case No. 14-1615-GA-AAM (*PSP Case*), Finding and Order (Dec. 17, 2014). The PSP is intended to increase customer safety by targeting emerging risks on Columbia's system and providing funding to mitigate these risks and enhance pipeline and distribution system safety.

{¶ 5} On March 11, 2016, in the above-captioned case, Columbia filed an application for approval to change accounting methods. More specifically, Columbia states that the costs of implementing the PSP have been recorded as a regulatory asset on its balance sheet in Account 182, Other Regulatory Assets. Columbia reports that such deferred expenses will remain in Account 182 until a new rider can be established in a separate proceeding or in its next general rate case proceeding. Columbia states that, at that time, it will reduce the approved regulatory asset and charge the applicable expense account. Consequently, Columbia states that it seeks approval to modify the requested annual increase in Account 182 beyond the level approved in the *PSP Case*. Columbia further asserts that, 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. Columbia concludes by emphasizing that the PSP is being used to accelerate and enhance risk reduction efforts across the distribution system, specifically noting that recent incidents on the Company's system resulting from customer actions to fix house lines necessitate an expedited expansion of the PSP to further educate the public.

{¶ 6} On June 24, 2016, a stipulation and recommendation (stipulation) was filed by Columbia and Staff that would resolve all of the issues in this case.

{¶ 7} A hearing on the stipulation was held on August 18, 2016.

III. STIPULATION OF THE PARTIES

{¶ 8} As noted above, on June 24, 2016, Columbia and Staff filed a stipulation that, if adopted, would resolve all of the issues in this proceeding. The following is a summary of the stipulation and is not intended to supersede or replace the stipulation.

{¶ 9} Columbia and Staff recommend that the Commission approve the Company's application, as filed on March 11, 2016, with the following modifications:

- (1) Columbia filed the application requesting authority to increase the PSP by \$10 million to provide the Company 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 the *PSP Case*. 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 per annum.
- (2) In the *PSP Case* 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.
- (3) The deferral authority for the additional \$10 million in 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

Finding and Order in the *PSP Case* shall be collected as determined by the Commission.

(Joint Ex. 1 at 2.)

IV. COMMISSION CONCLUSION

{¶ 10} Ohio Adm.Code 4901-1-30 authorizes parties to Commission proceedings to enter into a stipulation. Although not binding on the Commission, the terms of such an agreement are afforded substantial weight. *Consumers' Counsel v. Pub. Util. Comm.*, 64 Ohio St.3d 123, 125, 592 N.E.2d 1370 (1992), citing *Akron v. Pub. Util. Comm.*, 55 Ohio St.2d 155, 157, 378 N.E.2d 480 (1978). This concept is particularly valid where the stipulation is unopposed by any party and resolves all issues presented in the proceeding in which it is offered.

{¶ 11} The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. See, e.g., *In re Cincinnati Gas & Elec. Co.*, Case No. 91-410-EL-AIR, Order on Remand (Apr. 14, 1994); *In re Western Reserve Telephone Co.*, Case No. 93-230-TP-ALT, Opinion and Order (Mar. 30, 1994); *In re Ohio Edison Co.*, Case No. 91-698-EL-FOR, et al., Opinion and Order (Dec. 30, 1993); *In re Cleveland Elec. Illum. Co.*, Case No. 88-170-EL-AIR, Opinion and Order (Jan. 31, 1989); *In re Restatement of Accounts and Records*, Case No. 84-1187-EL-UNC, Opinion and Order (Nov. 26, 1985). The ultimate issue for our consideration is whether the agreement, which embodies considerable time and effort by the signatory parties, is reasonable and should be adopted. In considering the reasonableness of a stipulation, the Commission has used the following criteria:

- (1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?
- (2) Does the settlement, as a package, benefit ratepayers and the public interest?

- (3) Does the settlement package violate any important regulatory principle or practice?

{¶ 12} The Ohio Supreme Court has endorsed the Commission's analysis using these criteria to resolve issues in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St.3d 559, 629 N.E.2d 423 (1994), citing *Consumers' Counsel* at 126. The Court stated in that case that the Commission may place substantial weight on the terms of a stipulation, even though the stipulation does not bind the Commission.

{¶ 13} During the hearing, Columbia offered the testimony of Melissa L. Thompson, Director of Regulatory Policy, in support of the stipulation. Ms. Thompson testified that the stipulation presented in this case is the product of serious bargaining among capable, knowledgeable parties, as evidenced by the stipulation's amendment of the terms proposed in Columbia's application. Next, Ms. Thompson testified that the stipulation benefits ratepayers and is in the public interest, because the stipulation provides for additional funding in the deferral authority for Columbia's PSP. Ms. Thompson explained that the PSP includes customer education and other measures intended to mitigate emerging risks on the Company's distribution system. Finally, Ms. Thompson testified that the stipulation does not violate any important regulatory principle or practice. (Tr. at 9-10.)

{¶ 14} Based on the Commission's three-part standard of review, we find that the first criterion, which requires that the settlement process involve serious bargaining by capable and knowledgeable parties, is met for the stipulation in this case. Columbia and Staff have been involved in many cases before the Commission, including the *PSP Case*, and both parties are knowledgeable with respect to accounting policies and practices. The stipulation also meets the second criterion. As a package, the stipulation advances the public interest by efficiently resolving all of the issues related to the review of Columbia's application. As Ms. Thompson testified, the stipulation provides for additional funding in the deferral authority for Columbia's PSP, which includes safety initiatives related to public awareness,

stakeholder education, and other measures that target emerging risks on the Company's distribution system. Specifically, the stipulation benefits ratepayers and the public interest by providing that Columbia's additional PSP deferral authority will be used exclusively to accelerate implementation of the DPTI, which addresses the significant risk associated with excavation damage. The stipulation also fixes the interest rate used to determine carrying charges on the additional deferred PSP costs, prior to recovery in a future proceeding, at three percent. Finally, the stipulation meets the third criterion, because it does not violate any important regulatory principle or practice. (Joint Ex. 1 at 1-2; Tr. at 9-10.) Accordingly, we find that the stipulation should be adopted and approved.

V. FINDINGS OF FACT AND CONCLUSIONS OF LAW

{¶ 15} Columbia 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 the Commission.

{¶ 16} In the *PSP Case*, the Commission approved Columbia's application to establish a regulatory asset to defer up to \$15 million annually as part of the PSP.

{¶ 17} On March 11, 2016, in the above-captioned proceeding, Columbia filed an application seeking approval to modify the requested annual increase in Account 182 to \$25 million per calendar year for activities directly associated with PSP initiatives.

{¶ 18} On June 24, 2016, Columbia and Staff filed a stipulation that would resolve all of the issues in this proceeding.

{¶ 19} A hearing on the stipulation was held on August 18, 2016.

{¶ 20} The stipulation is reasonable, meets the criteria used by the Commission to evaluate stipulations, and should be adopted.

VI. ORDER

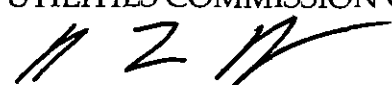
{¶ 21} It is, therefore,

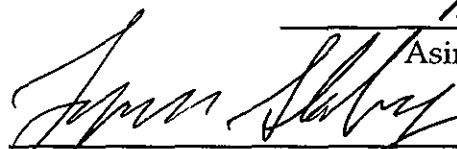
{¶ 22} ORDERED, That the stipulation of the parties be approved and adopted. It is, further,

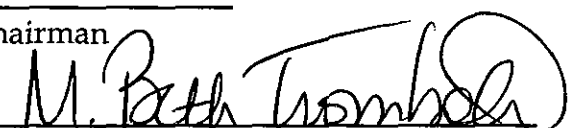
{¶ 23} ORDERED, That nothing in this Opinion and Order shall be binding upon this Commission in any future investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

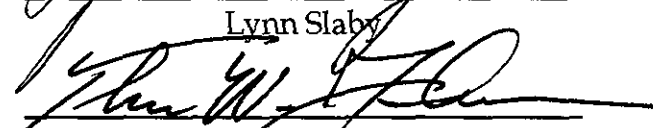
{¶ 24} ORDERED, That a copy of this Opinion and Order be served upon all parties of record.

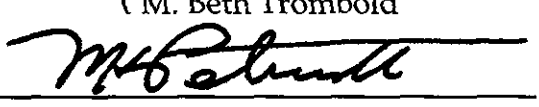
THE PUBLIC UTILITIES COMMISSION OF OHIO


Asim Z. Haque, Chairman


Lynn Slaby

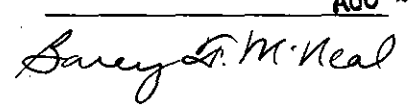

M. Beth Trombold


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M. Howard Petricoff

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Barcy F. McNeal
Secretary