

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
COLUMBIA GAS OF OHIO, INC. FOR AN
ADJUSTMENT TO RIDER IRP AND RIDER
DSM RATES.

CASE NO. 16-2236-GA-RDR

FINDING AND ORDER

Entered in the Journal on April 26, 2017

I. SUMMARY

{¶ 1} The Commission approves Columbia Gas of Ohio, Inc.'s application to adjust its infrastructure replacement program rider and demand side management rider, subject to 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 the Commission pursuant to R.C. 4905.04, 4905.05, and 4905.06.

{¶ 3} R.C. 4929.11 provides that the Commission may allow any automatic adjustment mechanism or device in a natural gas company's rate schedules that allows a natural gas company's rates or charges for a regulated service or goods to fluctuate automatically in accordance with changes in a specified cost or costs.

{¶ 4} In *In re Columbia Gas of Ohio, Inc.*, Case No. 07-478-GA-UNC, et al., Opinion and Order (Apr. 9, 2008), the Commission approved an amended stipulation that, among other things, established an infrastructure replacement program (IRP) rider for Columbia. The purpose of the rider was to recover expenditures associated with the Company's replacement of approximately 320,000 risers that were identified as prone to fail. The program also covered costs associated with future maintenance, repair, and replacement of customer service lines with potentially hazardous leaks. The stipulation provided that Columbia would file annual applications supporting proposed adjustments to its rates. Staff would review the proposed rates and report on the reasonableness of the proposed rates.

{¶ 5} In *In re Columbia Gas of Ohio, Inc.*, Case No. 08-833-GA-UNC (*DSM Case*), Finding and Order (July 23, 2008), the Commission approved Columbia's application to implement specific demand side management (DSM) programs to be recovered through a DSM rider. The DSM rider allows for the recovery of costs for several programs aimed at conservation and the reduction of customer bills.

{¶ 6} In *In re Columbia Gas of Ohio, Inc.*, Case No. 08-72-GA-AIR, et al. (*Columbia Rate Case*), Opinion and Order (Dec. 3, 2008), the Commission approved a stipulation that, among other things, expanded Rider IRP to include two additional components: Accelerated Mains Replacement Program (AMRP) and Automated Meter Reading Devices (AMRD). The purpose of the AMRP is to replace approximately 3,770 miles of bare steel pipe, 280 miles of cast iron/wrought iron pipe, and approximately 360,000 steel service lines over a period of 25 years. The AMRD allows for the recovery of costs for the installation of AMRD on all residential and commercial meters served by Columbia over a five-year period.

{¶ 7} In addition to expanding the scope of Columbia's Rider IRP, the *Columbia Rate Case* allowed Columbia to recover costs for programs approved in the *DSM Case*. The stipulation approved in the *Columbia Rate Case* provides that the procedure for adjusting Rider DSM be identical to the filing procedure for adjusting Rider IRP. Annually, by November 30, Columbia must file a prefiling notice to implement adjustments to the riders. Subsequently, Columbia must file its application and an update of year-end actual data by the following February 28 of each year. Staff and other parties may then file comments. Columbia has until March 31 of each year to resolve the issues raised in the comments. If the issues raised in the comments are not resolved, the stipulation requires that a hearing be held. The goal is that the proposed amendments to the riders become effective on May 1 of each year.

{¶ 8} In *In re Columbia Gas of Ohio, Inc.*, Case No. 11-5515-GA-ALT (*IRP Extension Case*), Opinion and Order (Nov. 28, 2012), the Commission approved a stipulation, which,

among other things, continued the IRP for an additional five years, for the period January 1, 2013, through December 31, 2017.

{¶ 9} In *In re Columbia Gas of Ohio, Inc.*, Case No. 15-1918-GA-RDR, Finding and Order (Apr. 20, 2016), the Commission approved Columbia's previous application to adjust its Rider IRP and Rider DSM rates. The current rates that the Commission approved are as follows: \$7.65 per month for Small General Service (SGS) customers; \$57.34 per month for General Service (GS) customers; and \$1,753.76 per month for Large General Service (LGS) customers. The Commission also increased Rider DSM to \$0.2220 per thousand cubic feet (Mcf) to enable Columbia to recover the costs it incurred in 2015.

{¶ 10} In accordance with the provisions of the stipulation in the *Columbia Rate Case*, Columbia filed, on November 28, 2016, in the above-captioned case, its notice of intent to file an application to adjust Rider IRP and Rider DSM rates to recover costs incurred during 2016. On February 27, 2017, Columbia filed its application to adjust the rates of Rider IRP and Rider DSM. The application is based on a test year beginning January 1, 2016, and ending December 31, 2016, with a date certain of December 31, 2016, for property valuation.

{¶ 11} On February 27, 2017, Columbia filed direct testimony in support of its application. The testimony of Diana M. Beil, Regulatory Programs Manager, addresses the reasonableness of Columbia's request for the proposed rate adjustments in Rider IRP. The testimony of Eric Slowbe, Principal Engineer, explains the management, engineering, and construction practices of Columbia as they relate to the various components of Rider IRP. He also discusses Columbia's performance with respect to the AMRP and the hazardous service line replacement program. The testimony of John A. Laverty, Manager of Demand Side Management, addresses the reasonableness of Columbia's request for the proposed rate adjustments in Rider DSM, explains the DSM programs, and explains the supporting schedules. The testimony of Scott Pigg, a consultant hired by Columbia, addresses the shared savings incentive and the reasonableness of Columbia's request for shared savings in its Rider DSM rates.

{¶ 12} By Entry issued March 1, 2017, the attorney examiner ordered Staff and any intervenors to file comments on the application by March 23, 2017. The March 1, 2017 Entry also required that Columbia file a statement by March 28, 2017, informing the Commission whether the issues raised in the comments were resolved. Expert testimony was due to be filed by April 4, 2017. In the event that any issue raised in the comments had not been resolved, the Entry set the hearing in this matter for April 6, 2017.

{¶ 13} No motions to intervene have been filed in this proceeding.

{¶ 14} On March 23, 2017, Staff filed its comments and recommendations, in which it recommended that the Commission approve Columbia's IRP application. Staff believes that the Company has supported its application with adequate data and information to ensure that the IRP revenue requirement and resulting rider rates are just and reasonable. Staff points out in its comments that, in the *IRP Extension Case*, the scope of the AMRP was clarified to include interspersed non-priority mains, first generation plastic mains, and ineffectively coated steel mains. Staff notes that Columbia included in its application the costs of retiring these portions of non-priority pipe in conjunction with its infrastructure replacement projects. Staff further notes that, in 2016, Columbia completed 421 AMRP projects involving the replacement of priority and non-priority pipe, with these projects representing 1,003,778 feet of steel pipe, 52,923 feet of iron pipe, 169,876 feet of plastic pipe, 152,404 feet of pre-1955 unprotected coated steel pipe, and 76,817 feet of post-1954 coated steel pipe. In addition, Staff states that Columbia reported that it replaced 5,617 leaking and hazardous service lines. According to Staff, Columbia completed AMRD deployment throughout its system in 2013 and replacement of all previously identified prone-to-fail risers in June 2011. Staff notes that the Company will continue to include expenses, such as depreciation and taxes, in future applications to adjust Rider IRP until the risers are included in the Company's base rates. (Staff Comments at 7-8.)

{¶ 15} Staff notes that Columbia proposes a revenue requirement of \$144,045,691 for the AMRP, \$43,491,760 for the risers, and \$7,375,714 for the AMRD program, with a

combined IRP revenue requirement of \$194,913,165. Staff further notes that, as applied to the applicable rate classes, the total IRP rider rates to take effect in May 2017 would be as summarized below, with comparisons to the current rates:

Customer Class	Current Monthly IRP Rate	Proposed Monthly IRP Rate	Proposed Increase
SGS	\$7.65	\$8.96	\$1.31
GS	\$57.34	\$77.72	\$20.38
LGS	\$1,753.76	\$2,249.48	\$495.72

In its comments, Staff points out that the proposed monthly IRP charge of \$8.96 for SGS customers is below the \$9.20 per month cap established by the approved stipulation in the *IRP Extension Case*. Staff concludes that Columbia has supported its application with adequate data and, therefore, recommends that the Commission find that Columbia's IRP application is just and reasonable and that it should be approved. (Staff Comments at 9-10.)

{¶ 16} Staff also reviewed Columbia's application to adjust its Rider DSM. Staff's audit revealed \$5,994.14 in reimbursed employee expenses that were not shown to be reasonable and related to the Company's DSM program. Staff discovered many instances where Columbia employees were reimbursed for meals and incidental expenses above what is reasonably expected to be recovered from its customers. For future reimbursements, Staff recommends that the Company adhere to the United States General Services Administration's Continental United States per diem rates. Staff also recommends that Columbia eliminate reimbursement for personal mileage within a two-mile radius of its Columbus, Ohio office and that the Company create a standard form to record personal mileage reimbursement. To account for these inappropriate expenses, Staff recommends an adjustment of \$5,994.14, plus any applicable carrying charges, be removed from Columbia's proposed Rider DSM rate, which is shown below:

Current DSM Rate (per Mcf)	Proposed DSM Rate (per Mcf)	Proposed Decrease
\$0.2220	\$0.2101	\$0.0119

Staff also reserves the right to examine the last three months of 2016 revenues and expenditures during the next DSM audit. (Staff Comments at 12.)

{¶ 17} On March 24, 2017, Columbia filed a statement advising the Commission that all issues have been resolved. Columbia states that it agrees with Staff's recommendations and conclusions, thus resolving all issues. Columbia, therefore, requests that the Commission approve its application, subject to Staff's recommendations.

{¶ 18} Upon consideration of the application and Staff's comments and recommendations, the Commission finds that Columbia's application to adjust its Rider IRP and Rider DSM rates is reasonable and should be granted, subject to Staff's recommendations.

III. ORDER

{¶ 19} It is, therefore,

{¶ 20} ORDERED, That Columbia's application to adjust its Rider IRP and Rider DSM rates be approved, subject to Staff's recommendations. 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 tariffs shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

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

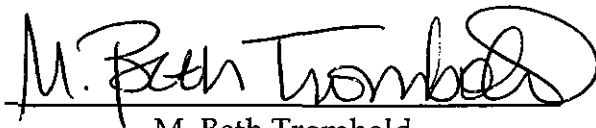
{¶ 24} ORDERED, That nothing in this Finding and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

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

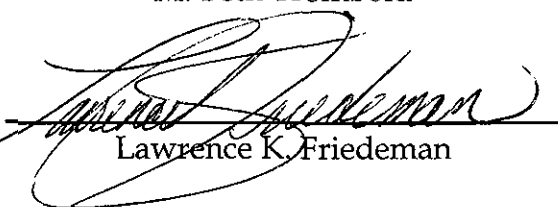
THE PUBLIC UTILITIES COMMISSION OF OHIO



Asim Z. Haque, Chairman

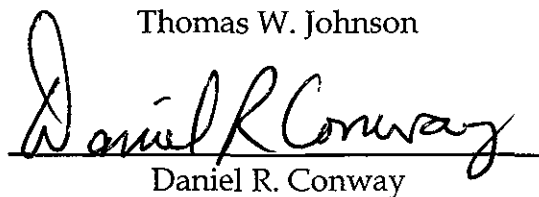


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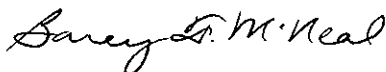


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