

## THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION  
OF COLUMBIA GAS OF OHIO, INC. FOR  
APPROVAL OF AN ALTERNATIVE FORM  
OF REGULATION TO ESTABLISH A  
CAPITAL EXPENDITURE PROGRAM  
RIDER MECHANISM.

CASE NO. 17-2202-GA-ALT

### ENTRY

Entered in the Journal on May 9, 2018

#### I. SUMMARY

{¶ 1} The Commission selects Blue Ridge Consulting Services, Inc. to conduct the audit services necessary to assist the Commission with the audit of Columbia Gas of Ohio, Inc.'s capital expenditure program.

#### II. DISCUSSION

{¶ 2} Columbia Gas of Ohio, Inc. (Columbia) is a natural gas company and a public utility as defined by R.C. 4905.03 and R.C. 4905.02, respectively. As such, Columbia is subject to the jurisdiction of this Commission.

{¶ 3} Under R.C. 4929.05, a natural gas company may seek approval of an alternative rate plan by filing an application under R.C. 4909.18, regardless of whether the application is for an increase in rates. After an investigation, the Commission shall approve the plan if the natural gas company demonstrates, and the Commission finds, that the company is in compliance with R.C. 4905.35, is in substantial compliance with the policy of the state as set forth in R.C. 4929.02, and is expected to continue to be in substantial compliance with that state policy after implementation of the alternative rate plan. The Commission must also find that the alternative rate plan is just and reasonable.

{¶ 4} Pursuant to R.C. 4929.111, a natural gas company may file an application under R.C. 4909.18, 4929.05, or 4929.11 to implement a capital expenditure program (CEP) for any of the following: any infrastructure expansion, infrastructure improvement, or infrastructure replacement program; 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. In approving the application, the Commission shall authorize the natural gas company to defer or recover both of the following: a regulatory asset for post-in-service carrying costs (PISCC) on the portion of the assets of the CEP that are 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. A natural gas company shall not request recovery of the PISCC, depreciation, or property tax expense under R.C. 4929.05 or R.C. 4929.11 more than once each calendar year.

{¶ 5} In Case No. 11-5351-GA-UNC, et al., the Commission modified and approved Columbia's application to implement a CEP for the period of October 1, 2011, through December 31, 2012, pursuant to R.C. 4909.18 and 4929.111. The Commission also approved Columbia's request to modify its accounting procedures to provide for the capitalization of PISCC on assets of the CEP placed into service but not reflected in rates as plant in service, as well as deferral of depreciation expense and property taxes directly attributable to those assets of the CEP that are placed into service but not reflected in rates as plant in service. Further, 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 proceedings seeking cost recovery, at which time Columbia would be expected to provide detailed information regarding the expenditures for Commission 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) (*CEP Order*).

{¶ 6} 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 until such point as the deferral cap established in the *CEP Order* was reached.<sup>1</sup> The Commission once again noted that, while we approved the request for deferral authority, we did not authorize recovery of the deferred amounts at that time. Instead, as before, the question of recovery of the deferred amounts, including, without limitation, issues of prudence, proper computation, proper recording, and reasonableness, would be considered when Columbia filed an application to recover the deferred amounts. *In re Columbia Gas of Ohio, Inc.*, Case No 12-3221-GA-UNC, et al., Finding and Order (Oct. 9, 2013).

{¶ 7} On October 27, 2017, in the above-captioned case, Columbia filed a notice of intent to file an application for approval of an alternative rate plan under R.C. 4929.05. Columbia noted that the application would request approval to establish a CEP rider mechanism.

{¶ 8} On December 1, 2017, Columbia filed an alternative rate plan application, along with supporting exhibits and testimony, pursuant to R.C. 4929.05, 4929.051(A), 4929.11, and 4929.111. The application seeks to establish a new rider mechanism to recover CEP costs (CEP Rider). Specifically, Columbia states that the purpose of the proposed CEP Rider is to recover the PISCC, incremental depreciation expense, and

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<sup>1</sup> The deferral cap is the point at which the accrued deferrals, if included in rates, would cause the rates charged to the Small General Service (SGS) class of customers to increase more than \$1.50 per month.

property tax expense deferred under the CEP, as well as the corresponding assets to which these expenses are directly attributable.

{¶ 9} On March 19, 2018, Staff filed a letter notifying Columbia that, upon careful consideration, Staff determined that Columbia's application is for an increase in rates and, as such, additional information must be filed unless waived. The letter further informed Columbia that it could contest Staff's determination, withdraw its application, or amend its application.

{¶ 10} On March 21, 2018, Columbia notified the Commission of its intent to amend its alternative rate plan application to be filed under R.C. 4929.111 and 4929.05 and to include the schedules set forth in R.C. 4909.18(A) to (D) and certain schedules required by the Commission's standard filing requirements in Ohio Adm.Code 4901-7-01.

{¶ 11} On April 2, 2018, as supplemented on April 16, 2018, Columbia filed its amended alternative rate plan application to establish the CEP Rider along with amended testimony pursuant to R.C. 4929.111, 4929.05, and 4909.18. Simultaneously, Columbia filed a motion for waivers of certain standard filing requirements.

{¶ 12} On March 28, 2018, the Commission directed Staff to issue a request for proposal (RFP) for audit services to assist the Commission with an audit of Columbia's CEP.

{¶ 13} After receiving an insufficient number of responses to the RFP, on April 18, 2018, the Commission directed Staff to reissue the RFP for audit services. Prospective bidders were directed to submit proposals to Staff by May 4, 2018. Bidders were directed to demonstrate their understanding of the project and the work required by showing a clear understanding of the tasks to be completed, the experience and

qualifications of the personnel who will perform the work, and the anticipated breakdown of costs and timing.

{¶ 14} The proposals received in response to the RFP have been evaluated and, after consideration of the same, the Commission selects Blue Ridge Consulting Services, Inc. (Blue Ridge). The Commission finds that Blue Ridge has the necessary experience to complete the required work.

{¶ 15} Columbia shall enter into a contract with Blue Ridge by May 25, 2018, for the purpose of providing payment for its auditing services. The contract shall incorporate the terms and conditions of the RFP, the auditor's proposal, and relevant Commission entries in this case.

{¶ 16} The Commission shall solely direct the work of the auditor. Staff will review and approve payment invoices submitted by the auditor.

{¶ 17} Blue Ridge will execute its duties pursuant to the Commission's statutory authority to investigate and acquire records, contracts, reports, and other documentation under R.C. 4903.02, 4903.03, 4905.06, 4905.15, and 4905.16. Blue Ridge is subject to the Commission's statutory duty under R.C. 4901.16, which provides:

Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities commission, no employee or agent referred to in section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the commission.

{¶ 18} Upon request of Blue Ridge or Staff, Columbia shall provide any and all documents or information requested. Columbia may conspicuously mark such documents or information "confidential" if Columbia believes the document should be deemed as such. In no event, however, shall Columbia refuse or delay in providing such documents or information.

{¶ 19} Once disclosure is permitted by R.C. 4901.16, the following process applies to the release of any document or information marked as confidential. Three days' prior notice of intent to disclose shall be provided to the party claiming confidentiality. Three days after such notice, Staff or the auditor may disclose or otherwise make use of such documents or information for any lawful purpose, unless the Commission receives a request for a protective order pertaining to such documents or information within the three-day notice period. The three-day notice period will be computed according to Ohio Adm.Code 4901-1-07.

{¶ 20} Blue Ridge shall perform its audit and investigation as an independent contractor. Any conclusions, results, or recommendations formulated by Blue Ridge may be examined by any participant to this proceeding. Further, it shall be understood that the Commission and/or its Staff shall not be liable for any acts committed by Blue Ridge or its agents in the preparation and presentation of the report.

### III. ORDER

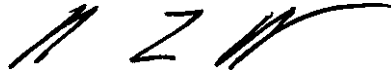
{¶ 21} It is, therefore,

{¶ 22} ORDERED, That Blue Ridge be selected to perform the consulting activities set forth above and in the RFP. It is, further,

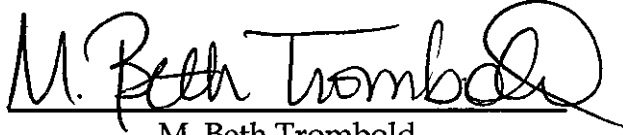
{¶ 23} ORDERED, That Columbia and Blue Ridge shall observe the requirements set forth herein. It is, further,

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

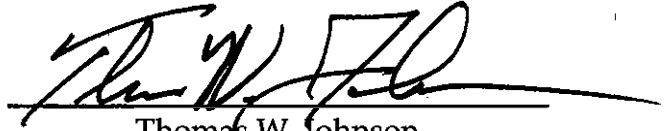
THE PUBLIC UTILITIES COMMISSION OF OHIO



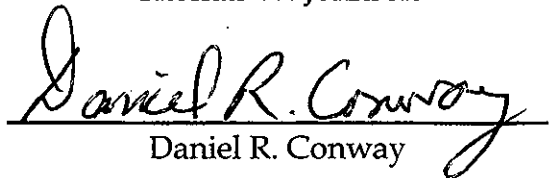
Asim Z. Haque, Chairman



M. Beth Trombold



Thomas W. Johnson



Daniel R. Conway

Lawrence K. Friedeman

PAS/GNS/sc

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**MAY - 9 2018**



Barcy F. McNeal  
Secretary