

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 16, 2018

I. SUMMARY

{¶ 1} The Commission finds that Columbia Gas of Ohio, Inc.'s motion for waiver of certain standard filing requirements should be granted.

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.¹ 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 property tax expense deferred under the CEP, as well as a return of and return on corresponding assets directly attributable to the CEP (collectively, CEP Investment).

{¶ 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 may contest Staff's determination, withdraw its application, or amend its application.

¹ 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.

{¶ 10} On March 21, 2018, Columbia notified Staff 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) through (D) and certain schedules required by the Commission's Standard Filing Requirements in Ohio Adm.Code 4901-7-01 (SFRs).

{¶ 11} On April 2, 2018, as supplemented on April 16, 2018, Columbia filed its amended application for an alternative rate plan to establish a CEP Rider along with amended testimony pursuant to R.C. 4929.111, 4929.05, and 4909.18 (Amended Application). Simultaneously, Columbia filed a combined motion for waiver of certain SFRs and notice of test year and date certain. As to the latter, Columbia notifies the Commission that Columbia is using a test year of the 12 months ending December 31, 2017, and a date certain of December 31, 2017, in order to standardize the schedules submitted in accordance with Chapter II, Section A and Chapter II, Section B. Columbia represents that the proposed dates reflect the final year for which Columbia's Amended Application is requesting recovery of the CEP Investment.

{¶ 12} Under Ohio Adm.Code 4901:1-19-06(C), a natural gas company applying for an alternative rate plan that is an increase in rates must submit the exhibits described in R.C. 4909.18(A) through (D) and the SFRs prescribed in Ohio Adm.Code 4901-7-01 unless otherwise waived by Ohio Adm.Code 4901:1-19-02. For reference, Ohio Adm.Code 4901:1-19-02 provides that the Commission may, upon application or motion of a party, waive any requirement of the chapter that is not required by statute.

{¶ 13} Columbia requests that the Commission waive the applicable SFRs in Chapter II of Ohio Adm.Code 4901-7-01, Appendix A, except those found at Chapter II, Section A; Chapter II, Section B; and the newspaper notice contained in the supplemental filing requirements in Chapter II(B)(7). Columbia contends that the requirements from which it requests waivers seek information that is not necessary for Staff to effectively and efficiently review an alternative rate plan application under R.C. 4929.111 and

4929.05. Columbia further submits that, although such a showing is not required by Ohio Adm.Code 4901:1-19-02(D), its request for waivers meets the good cause standard set forth in Ohio Adm.Code 4901-7-01, Appendix A, Chapter II(A)(4) for waiving an SFR. In its motion, Columbia breaks its request down into the actual requirements sought to be waived; the Commission will follow suit in its discussion.

{¶ 14} While not included in Chapter II, Columbia first seeks release from Chapter I(B)(1)'s prefiling notice requirements. This section generally requires an applicant to provide the Commission with prior notice of the applicant's intent to file for an increase in rates, along with specified exhibits. Columbia asserts that, because it filed a prefiling letter pursuant to Ohio Adm.Code 4901:1-19-06(A) and notified municipalities and legislative authorities of its letter pursuant to R.C. 4909.35 prior to filing its Amended Application, it has provided sufficient notice. Consequently, Columbia urges that the prefiling notice requirements have been rendered moot.

{¶ 15} Columbia next requests waiver from the supplemental filing requirements found in Chapter II(B)(1) through Chapter II(B)(6), Chapter II(B)(8), and Chapter II(B)(9). The first six sections require a utility to provide its most recent five-year capital expenditures budget; most recent five-year financial forecast; the financial forecast's underlying assumptions made in projecting the results of operations; five-year projection of revenue requirements; balance sheet items to support the revenue requirement projections; and specified elements of a statement of changes in financial position. Columbia argues that, because the applied-for CEP Rider seeks a return on historic investments, the historic information already provided by Columbia should be sufficient for Staff to effectively and efficiently review the Amended Application. The latter two sections require an executive summary of the corporate process used by the utility's board of directors and corporate officers and an executive summary of the management policies, practices, and organization that the utility uses to meet its corporate goals.

Columbia essentially asserts that the limited nature of its Amended Application renders this information unnecessary to Staff's effective and efficient review of the matter.

{¶ 16} Columbia also seeks a waiver of Chapter II(C) and Chapter II(D). The former requires the applicant to give the Commission's rate case manager four copies of various workpapers and information; the latter requires the utility to make certain information available to Staff on the first day of the field audit. As to both, Columbia contends that the information already provided to Staff is sufficient for an effective and efficient review of the Amended Application.

{¶ 17} Chapter II, Section C requires large utilities such as Columbia to provide the Commission with information regarding operating income. Columbia characterizes this requirements as information typically filed in a base rate case proceeding and, given that characterization, indicates that it is merely seeking to establish a CEP Rider. Accordingly, Columbia suggests that the schedules in support of its Amended Application are sufficient.

{¶ 18} Similarly, Columbia signifies that the data required by Chapter II, Section D—information regarding an overall rate of return—is not implicated by the application for a CEP Rider. Instead, Columbia asserts that the Commission has determined that riders should be developed using the rates of return determined in a utility's most recent rate case. Therefore, Columbia also requests a waiver from Chapter II, Section D.

{¶ 19} Finally, Columbia asks that the requirements of Chapter II, Section E be waived. This part of the SFRs relates to copies of current and proposed tariff schedules, a narrative explanation of tariff schedules, customer charges, a class cost-of-service study, and revenue-related pricing schedules. Columbia states that its Amended Application includes current and proposed tariff schedules, a narrative explanation of the proposed changes, and a bill comparison and contends that the balance of Section E is only applicable for an increase in base rates.

{¶ 20} On May 3, 2018, Staff filed its review and recommendation regarding Columbia's motion for waivers. Therein, Staff indicates its agreement with the general proposition that the Amended Application provides sufficient information for Staff to conduct its investigation. Therefore, with one caveat, Staff does not object to the Commission granting the requested waivers. Specifically, Staff disagrees with Columbia's broad characterization that the information sought in the filing requirements is not necessary for Staff to conduct its investigation. Instead, while acknowledging that some of the information may relate to projections of base rates or other future projections, or ultimately prove unnecessary, Staff states that it is not willing to concede at this early stage of investigation that the information is actually unnecessary. Accordingly, Staff is amenable to the waivers being granted on the condition that Columbia—upon request from Staff—must furnish all information that Staff deems necessary to complete its investigation. Furthermore, noting that the Company requests that CEP Rider rates take effect in August 2018, Staff requests that Columbia be required to respond to Staff's formal information requests within five business days, unless a longer or shorter time is appropriate and fixed by Staff.

{¶ 21} Upon review of Columbia's motion and Staff's letter, the Commission finds that the waivers requested by Columbia are reasonable and should be granted. However, the Commission also finds that granting the waivers does not preclude Staff from obtaining any information waived through formal data requests if such information is subsequently deemed necessary to complete Staff's investigation effectively and efficiently. Columbia shall promptly and completely respond to any such data request within five business days of its receipt, unless a shorter or longer time is given or agreed to by Staff.

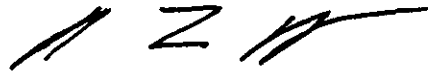
III. ORDER

{¶ 22} It is, therefore,

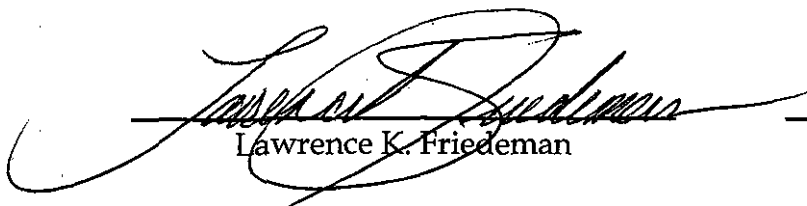
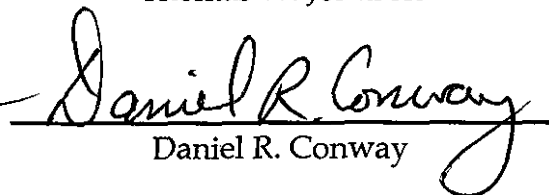
{¶ 23} ORDERED, That Columbia's request for waivers be granted subject to Staff's recommendations as stated in Paragraph 21. It is, further,

{¶ 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
Lawrence K. Friedeman
Daniel R. Conway

PAS/sc

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MAY 16 2018



Barcy F. McNeal
Secretary