

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Columbia Gas of Ohio, Inc. for)	Case No. 17-2202-GA-ALT
Approval of an Alternative Form of)	
Regulation)	
)	
)	

**OBJECTION TO THE STAFF REPORT OF INVESTIGATION, INCLUDING
THE PRUDENCE REPORT OF BLUE RIDGE CONSULTING SERVICES,
INC. THAT IS ADOPTED BY REFERENCE, AND SUMMARY OF MAJOR
ISSUES OF INDUSTRIAL ENERGY USERS-OHIO**

Frank P. Darr (Reg. No. 0025469)
(Counsel of Record)
Matthew R. Pritchard (Reg. No. 0088070)
McNees Wallace & Nurick LLC
21 East State Street, 17th Floor
Columbus, OH 43215
Telephone: (614) 469-8000
Facsimile: (614) 469-4653
fdarr@mwncmh.com
(willing to accept service *via* email)
mpritchard@mwncmh.com
(willing to accept service *via* email)

OCTOBER 15, 2018

COUNSEL FOR INDUSTRIAL ENERGY USERS-OHIO

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Columbia Gas of Ohio, Inc. for)	Case No. 17-2202-GA-ALT
Approval of an Alternative Form of)	
Regulation)	
)	
)	

**OBJECTION TO THE STAFF REPORT OF INVESTIGATION, INCLUDING
THE PRUDENCE REPORT OF BLUE RIDGE CONSULTING SERVICES,
INC. THAT IS ADOPTED BY REFERENCE, AND SUMMARY OF MAJOR
ISSUES OF INDUSTRIAL ENERGY USERS-OHIO**

Under R.C. 4909.19, R.C. 4929.05, R.C. 4929.111, and Rule 4901:1-19-07(F), Ohio Administrative Code ("OAC"), and the Attorney Examiner's Entry dated September 19, 2018, Industrial Energy Users-Ohio ("IEU-Ohio") hereby files its Objection to the Staff Report of Investigation ("Staff Report"), including the Prudence Report of Blue Ridge Consulting Service, Inc. ("Blue Ridge Report"), in the above-captioned matter. In this proceeding, Columbia Gas of Ohio ("COH") seeks authorization to begin to amortize a deferred asset for plant additions for which it received accounting authority in *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Implement a Capital Expenditure Program*, Case Nos. 11-5351-GA-UNC, *et al.*, ("CEP I") and *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Implement a Capital Expenditure Program*, Case Nos. 12-3221-GA-UNC, *et al.* ("CEP II"). Blue Ridge Consulting, Inc. ("Blue Ridge") issued its report on September 4, 2018. The Staff filed the

Staff Report incorporating the findings of Blue Ridge with the Public Utilities Commission of Ohio ("Commission") on September 14, 2018. The Staff Report provides the findings of the Commission Staff ("Staff") regarding the application for authority to increase rates for distribution service filed by Columbia on December 1, 2017, as amended and supplemented.

IEU-Ohio submits the following objection to the Staff Report. In submitting the Objection listed below, IEU-Ohio specifically reserves the right to contest, through presentation of documentary evidence, testimony, or cross examination, issues on which the position of Staff or Blue Ridge Consulting, Inc., changes or which are newly raised, between the issuance of the Staff Report and the Blue Ridge Report and the closing of the record.

I. OBJECTION

The Staff Report's recommendation that the Commission adopt a rate of return based on a return on equity of 10.39% violates Ohio law and proper rate making practices. Instead of the recommended return on equity of 10.39%, the Commission should incorporate a return on equity of no more than 8.8% to 9.8%.

In its Amended Application, COH seeks recovery for its CEP deferral as well as the corresponding assets to which the deferral expenses are attributable by computing a revenue requirement based on cumulative net investment through December 31, 2017. Amended Application, Exhibit A at 5 (Apr. 2, 2018). As part of the revenue requirement, COH seeks to include a grossed-up rate of return on the Net CEP investment of 10.95%, which would be adjusted to 9.52% to account for a reduction of federal corporate income tax rate. *Id.* The proposed rate of return is based on the rate of return approved in COH's

last rate case. The approved rate of return includes a return on equity of 10.39%. *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Authority to Amend Filed tariffs to Increase the Rates and Charges for Gas Distribution Service*, Case Nos. 08-72-GA-AIR, at al., Opinion and Order at 7 (Dec. 3, 2008).

The Staff Report adopts COH's rate of return, adjusted for the change in the federal income tax rate. Staff Report at 8 and Attachment, page 1 at line 16.

The recommended return on equity of 10.39% is unreasonable because it far exceeds the level necessary to compensate COH investors as demonstrated by returns on equity for comparable companies, the levels recommended recently by Commission staff, and the lowered risk associated with current recovery of the cost of assets. Based on these considerations, a return on equity in the range of 8.8% to 9.8% is reasonable. If the return on equity is adjusted to 8.8% to 9.8%, the revenue requirement is reduced to \$67,199,740 to \$69,628,931.

1. STATEMENT OF MAJOR ISSUES

1. Should the return on equity used to determine the revenue requirement be in the range of 8.8% to 9.8%?

2. Should the revenue requirement be reduced to \$67,199,740 to \$69,628,931?

Respectfully submitted,

/s/ Frank P. Darr

Frank P. Darr (Reg. No. 0025469)

(Counsel of Record)

Matthew R. Pritchard (Reg. No. 0088070)

MCNEES WALLACE & NURICK LLC

21 East State Street, 17TH Floor

Columbus, OH 43215

fdarr@mwncmh.com

mpritchard@mwncmh.com

COUNSEL FOR OHIO GAS COMPANY

CERTIFICATE OF SERVICE

In accordance with Rule 4901-1-05, Ohio Administrative Code, the PUCO's e-filing system will electronically serve notice of the filing of this document upon the following parties. In addition, I hereby certify that a service copy of the foregoing *Objection to the Staff Report of Investigation, Including the Prudence Report of Blue Ridge Consulting Services, Inc. that is Adopted by Reference, and Summary of Major Issues of Industrial Energy Users-Ohio* was sent by, or on behalf of, the undersigned counsel for Ohio Gas Company, to the following parties of record this 15th day of October 2018, *via* electronic transmission.

/s/ Frank P. Darr

Frank P. Darr

Eric B. Gallon (0071465)

(Counsel of Record)

Mark Stemm (0023146)

Emily Taylor (0095947)

PORTER WRIGHT MORRIS & ARTHUR LLP

41 South High Street

Columbus, OH 43215

egallon@porterwright.com

mstemm@porterwright.com

etaylor@porterwright.com

Stephen B. Seiple (0003809)

Joseph M. Clark (0081179)

COLUMBIA GAS OF OHIO, INC.

290 W. Nationwide Blvd.

P.O. Box 117

Columbus, OH 43216-0117

sseiple@nisource.com

josephclark@nisource.com

COUNSEL FOR COLUMBIA GAS OF OHIO, INC.

Colleen L. Mooney (0015668)
Ohio Partners for Affordable Energy
PO Box 12451
Columbus, OH 43212-2451
cmooney@ohiopartners.org

**COUNSEL FOR OHIO PARTNERS FOR
AFFORDABLE ENERGY**

Angela Paul Whitfield
(Counsel of Record)
Stephen E. Dutton
Carpenter Lipps & Leland LLP
280 North High Street, Suite 1300
Columbus, Ohio 43215
paul@carpenterlipps.com
dutton@carpenterlipps.com

ON BEHALF OF THE KROGER CO.

Kimberly W. Bojko (00694024)
Brian W. Dressel (0097163)
Carpenter Lipps & Leland LLP
280 North High Street, Suite 1300
Columbus, OH 43215
bojko@carpenterlipps.com
dressel@carpenterlipps.com

**ON BEHALF OF OHIO MANUFACTURERS'
ASSOCIATION ENERGY GROUP (OMAEG)**

Michael Nugent (0090408)
(Counsel of Record)
Joseph E. Olikier (0086088)
ISG Energy
6100 Emerald Parkway
Dublin, OH 43016
mnugent@igsenergy.com
joliker@igsenergy.com

ON BEHALF OF IGS ENERGY

Michael J. Settineri (0073369)

(Counsel of Record)

Gretchen L. Petrucci (0046608)

Vorys, Sater, Seymour and Pease LLP

52 East Gay Street

Columbus, OH 43215

mjsettineri@vorys.com

glpetrucci@vorys.com

**ON BEHALF OF RETAIL ENERGY SUPPLY
ASSOCIATION**

Jodi Bair

Robert Eubanks

Assistant Attorneys General

30 E. Broad Street, 16th Floor

Columbus, OH 43215-3793

jodi.bair@ohioattorneygeneral.gov

Robert.eubanks@ohioattorneygeneral.gov

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

Patricia Schabo

Greta See

Attorney Examiners

PUBLIC UTILITIES COMMISSION OF OHIO

180 East Broad Street, 12th Floor

Columbus, OH 43215

Patricia.Schabo@puc.state.oh.us

Greta.See@puc.state.oh.us

ATTORNEY EXAMINERS

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

10/15/2018 2:17:23 PM

in

Case No(s). 17-2202-GA-ALT

Summary: Objection To the Staff Report of Investigation, Including The Prudence Report of Blue Ridge Consulting Services, Inc. That is Adopted by Reference, and Summary of Major Issues of Industrial Energy Users-Ohio electronically filed by Mr. Frank P Darr on behalf of Industrial Energy Users-Ohio