

# THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE ANNUAL  
APPLICATION OF COLUMBIA GAS OF  
OHIO, INC. FOR AN ADJUSTMENT TO THE  
CEP RIDER RATE.

CASE NO. 19-438-GA-RDR

## ENTRY

Entered in the Journal on April 17, 2019

### I. SUMMARY

{¶ 1} The Commission selects Blue Ridge Consulting Services, Inc. as the auditor that will assist Staff in performing the review of the necessity, prudence, and reasonableness of capital expenditures and deferrals related to Columbia Gas of Ohio, Inc.'s capital expenditure program rider.

### II. DISCUSSION

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

{¶ 3} R.C. 4929.111 provides that a natural gas company may file an application to implement a capital expenditure program (CEP) for any infrastructure expansion, improvement, or replacement program; any 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. If the Commission finds that the CEP is consistent with the applicant's statutory obligation to furnish necessary and adequate facilities, which are also found to be just and reasonable, the Commission is tasked with approving the application and authorizing the deferral or recovery of both a regulatory asset for post in-service carrying costs (PISCC) on that portion of assets of the CEP 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.

{¶ 4} In Case No. 11-5351-GA-UNC, et al., the Commission modified and approved Columbia's application to implement a CEP for the period October 1, 2011, through December 31, 2012. Under the approved CEP, Columbia was authorized to begin deferring the related PISCC, depreciation, and property tax expenses (CEP Deferral) for capital investments that were not part of its accelerated infrastructure replacement program (IRP) up to the point where the deferred amount, if included in customer rates, would exceed \$1.50 per month for the Small General Service class of customers. In approving the application, 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 proceeding seeking cost recovery, at which time Columbia would be expected to provide detailed information regarding the expenditures for the Commission's 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).

{¶ 5} Subsequently, 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. Once again, the Commission noted that the prudence, reasonableness, and magnitude of the deferrals and capital expenditures would be examined in a future cost-recovery proceeding. *In re Columbia Gas of Ohio, Inc.*, Case No. 12-3221-GA-UNC, et al., Finding and Order (Oct. 9, 2013).

{¶ 6} On November 28, 2018, the Commission approved and adopted a stipulation and recommendation (Stipulation) resolving all issues relating to Columbia's application for an alternative rate plan to establish a new rider mechanism (CEP Rider) to recover the CEP costs, including the CEP Deferral and the corresponding assets to which those expenses are directly attributable. *In re Columbia Gas of Ohio, Inc.*, Case No. 17-2202-GA-ALT, Opinion

and Order (Nov. 28, 2018). In approving the Stipulation, the Commission permitted Columbia to apply to adjust the CEP Rider rates on a yearly basis to collect from customers the prior calendar year's non-IRP capital expenditures and related deferrals. Under the Stipulation, each year's application is to contain schedules based on 12 months of actual data for the prior calendar year and the rate of return used in development of the revenue requirement is to be based on the capital structure and cost of capital authorized by the Commission in Columbia's most recent base rate case, Case No. 08-72-GA-AIR, et al. The Commission also prescribed annual rate caps by customer class per year. Finally, the Stipulation directed that Staff or its designee perform a review of Columbia's annual filing to determine the necessity, prudence, lawfulness, and reasonableness of the non-IRP capital expenditures and related assets for the prior calendar year.

{¶ 7} On February 28, 2019, in the above-captioned case and pursuant to the terms of the Stipulation adopted in Case No. 17-2202-GA-ALT, Columbia filed its annual application to adjust the CEP Rider rate.

{¶ 8} The Commission must now review the necessity, prudence, lawfulness, and reasonableness of the non-IRP capital expenditures and CEP Deferral and associated capital expenditures as contemplated in Case Nos. 11-5351-GA-UNC, 12-3221-GA-UNC, and 17-2202-GA-ALT. The review will be a two-part audit. The first part of the audit will review and attest to the accounting accuracy and used and useful nature of Columbia's non-IRP capital expenditures and related assets and corresponding depreciation reserve for investments and deferrals from January 1, 2018, through December 31, 2018. The second part of the audit will simultaneously assess and inform on the necessity, prudence, lawfulness, and reasonableness of Columbia's non-IRP capital expenditures and related assets for the same time period.

{¶ 9} On March 20, 2019, the Commission issued an Entry directing Staff to issue a request for proposal (RFP) for audit services to assist in this review of the necessity, prudence, and reasonableness of Columbia's CEP Rider.

{¶ 10} The proposals received in response to the RFP have been evaluated and, after consideration of those proposals, 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.

{¶ 11} Columbia shall enter into a contract with Blue Ridge by May 1, 2019, for the purpose of providing payment for its services. The contract shall incorporate the terms and conditions of the RFP, the auditor's proposal, and relevant Commission entries in this case.

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

{¶ 13} 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, 4903.06, 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.

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

{¶ 15} 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.

{¶ 16} Blue Ridge shall perform its review 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 its report.

### III. ORDER

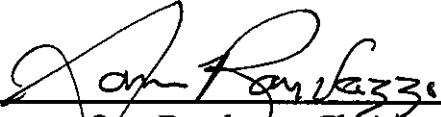
{¶ 17} It is, therefore,

{¶ 18} ORDERED, That Blue Ridge be selected to assist the Commission and Staff with the review of Columbia's CEP Rider as set forth above. It is, further,

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

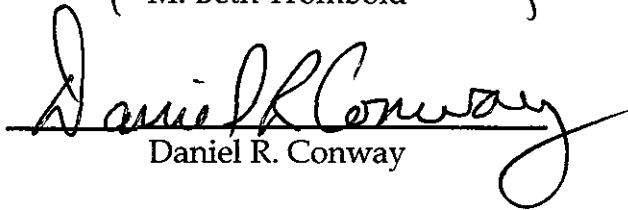
{¶ 20} ORDERED, That a copy of this Entry be served upon all parties of record.

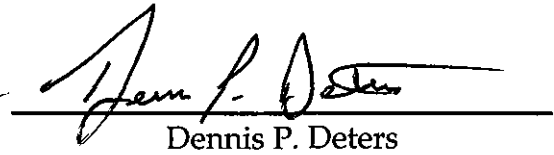
THE PUBLIC UTILITIES COMMISSION OF OHIO

  
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Sam Randazzo, Chairman

  
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M. Beth Trombold

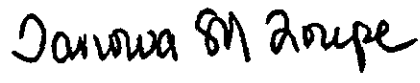
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Lawrence K. Friedeman

  
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Daniel R. Conway

  
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Dennis P. Deters

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Tanowa M. Troupe  
Secretary