

# THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
THE EAST OHIO GAS COMPANY D/B/A  
DOMINION ENERGY OHIO FOR  
APPROVAL OF TARIFFS TO ADJUST ITS  
AUTOMATED METER READING COST  
RECOVERY CHARGE TO RECOVER COSTS  
INCURRED IN 2018.

CASE No. 18-1588-GA-RDR

## FINDING AND ORDER

Entered in the Journal on April 24, 2019

### I. SUMMARY

{¶ 1} The Commission approves the application of The East Ohio Gas Company d/b/a Dominion Energy Ohio to adjust its automated meter reading cost recovery charge, consistent with Staff's recommendations.

### II. DISCUSSION

{¶ 2} The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO 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 this Commission.

{¶ 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} On October 15, 2008, the Commission approved a stipulation that, in part, provided that the accumulation by DEO of costs for the installation of automated meter reading (AMR) technology may be recovered through a separate charge (AMR cost recovery charge). The AMR cost recovery charge was initially set at \$0.00. The Commission's Opinion and Order contemplated periodic filings of applications and adjustments for the AMR cost recovery charge. *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 07-829-GA-AIR, et al. (*Distribution Rate Case*), Opinion and Order (Oct. 15, 2008).

{¶ 5} By Finding and Order issued April 18, 2018, in *In re The East Ohio Gas Company d/b/a Dominion Energy Ohio*, Case No. 17-2178-GA-RDR, the Commission approved DEO's current AMR cost recovery charge, thereby allowing DEO to recover costs incurred during 2017.

{¶ 6} On November 30, 2018, DEO filed its prefiling notice in the above-captioned case. Subsequently, on February 28, 2019, DEO filed an application requesting an adjustment to its current AMR cost recovery charge, in accordance with the procedure approved in the *Distribution Rate Case*, for costs incurred during the calendar year 2018. Along with its application, DEO also filed the direct testimony of Vicki H. Friscic.

{¶ 7} In its February 28, 2019 application, DEO requests that the Commission approve an adjustment to the Company's AMR cost recovery charge from \$0.33 per customer per month to \$0.26 per customer per month to reflect costs during the 2018 calendar year.

{¶ 8} In her testimony, Ms. Friscic affirms that DEO calculated the AMR cost recovery charge in a manner consistent with the revenue requirement calculation in the last rate case, and provided detailed discussion as to how such calculations were made in the instant case (DEO App., Att. C at 2-9). Ms. Friscic offers that, in 2018, DEO achieved \$6,679,194.39 in meter-reading operations and maintenance (O&M) expense savings for its customers, compared to that expense for the 2007 baseline year. However, she noted that DEO did not experience call-center savings in 2018. (DEO App., Att. C at 7-8; Schedule 11.)

{¶ 9} The Ohio Consumers' Counsel (OCC) filed a motion to intervene in this proceeding on January 3, 2019. No memoranda contra were filed. The Commission finds that OCC's motion is reasonable and should be granted.

{¶ 10} By Entry issued March 8, 2019, the attorney examiner set a March 25, 2019 deadline for filing motions to intervene. The attorney examiner also required that Staff and intervenor comments on the application be filed by March 25, 2019, and that DEO file, by

March 29, 2019, a statement informing the Commission whether all issues raised in the comments had been resolved.

{¶ 11} Staff filed comments on DEO's application on March 25, 2019. No other comments were filed.

{¶ 12} In its comments, Staff states that its findings and recommendations result from financial reviews of DEO, including assessment of the Company's proposed revenue requirement, matters related to its program to install AMR equipment on customer meters throughout its service area, and the associated AMR cost recovery charge. Staff notes that, although DEO completed installation of AMR devices throughout its system in 2012, it will continue to incur recoverable AMR-related costs such as depreciation and property tax expenses and continue to reduce the AMR cost recovery charge by the annual O&M savings resulting from the AMR deployment. Staff further notes that, as a result, the Company will continue to file annual applications until the AMR costs are included in its base rates in its next base rate case. In addition, Staff confirms that DEO properly applied the depreciation rates adopted in *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 13-1988-GA-AAM, Finding and Order (Oct. 23, 2013).

{¶ 13} Staff notes that DEO's recommended AMR cost recovery charge includes the Company's proposal to recognize the federal income tax rate reduction pursuant to the Tax Cuts and Jobs Act of 2017 (TCJA). Staff explains that DEO has reduced the pre-tax rate of return used in the AMR cost recovery charge revenue requirement calculation from 11.36 percent to 9.91 percent, in order to recognize the federal income tax rate reduction from 35 percent to 21 percent.

{¶ 14} Staff adds that, as a result of the TCJA, DEO has also recognized excess accumulated deferred income taxes (EDIT) associated with liberalized depreciation as a regulatory liability and reduced its rate base by the balance. Staff states that DEO will begin amortizing and refunding the EDIT associated with liberalized depreciation when rates go into effect. Staff indicates that DEO asserts that the EDIT associated with the Net Regulatory

Asset – Post-in-Service Carrying Costs (PISCC) does not need to be refunded to customers and that DEO has excluded this EDIT balance from the computation of the revenue requirement. Lastly, Staff states that DEO has included an adjustment of \$372 to reconcile the difference between the over-collection of tax expense from January – April 2018, and the actual amount refunded to customers.

{¶ 15} Staff states that it has reviewed the schedules attached to DEO's application to verify the accuracy of the TCJA impacts, and has determined that the pre-tax rate of return and EDIT associated with liberalized depreciation were appropriately reflected in the determination of the revenue requirement. However, Staff rejects DEO's assertion that the EDIT associated with PISCC does not need to be refunded. Staff believes the deferred taxes associated with PISCC represent amounts that have been funded by customers. Therefore, Staff argues that customers are entitled to receive the EDIT associated with PISCC. Furthermore, Staff points out that, as part of Case No. 18-47-AU-COI, the Commission ordered utilities to return to customers *all* benefits resulting from the TCJA. *In re the Commission's Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI, Finding and Order (Oct. 24, 2018) at ¶ 27. Staff, consequently, recommends that DEO include the entire PISCC-related EDIT balance, as of December 31, 2017, as an offset to rate base, and that the balance be amortized over a period of 72 months unless otherwise required to be amortized in accordance with the Average Rate Assumption Method. Staff further recommends that the amortization of PISCC-related EDIT be grossed up at the prevailing federal tax rate.

{¶ 16} Staff states that, with adoption of the above-noted recommendations, it has no other objections to DEO's application to adjust the Company's AMR cost recovery charge. Consequently, Staff recommends that the Commission approve DEO's application, as modified by the recommendations stated above.

{¶ 17} On March 29, 2019, DEO filed its statement to inform the Commission whether the issues raised in the comments have been resolved. In its statement, DEO indicates that,

while it does not necessarily agree with Staff's position regarding the treatment of PISCC-related EDIT, for purposes of resolving this proceeding, the Company is not opposing Staff's recommendation. DEO also notes that Staff did not recommend a specific revision to the AMR cost recovery charge. DEO states that it is determining the rate impact of implementing Staff's modification and, after consulting with Staff, intends to file revised tariffs reflecting an updated charge prior to the issuance of a Commission Order.

{¶ 18} On April 12, 2019, DEO filed a revised tariff schedule implementing Staff's modification. DEO's AMR cost recovery charge would be adjusted as follows:

Current Rate	Proposed Rate	Proposed Decrease
\$0.33 per month	\$0.25 per month	\$0.08 per month

{¶ 19} Upon consideration of the application, the comments filed by Staff, and DEO's revised schedule, the Commission finds that DEO's application to adjust its AMR cost recovery charge to \$0.25 per customer per month is reasonable and should be approved, consistent with Staff's recommendations.

### III. ORDER

{¶ 20} It is, therefore,

{¶ 21} ORDERED, That OCC's motion to intervene in this proceeding be granted. It is, further,

{¶ 22} ORDERED, That DEO's application to adjust its AMR cost recovery charge is approved, consistent with Staff's recommendations. It is, further,

{¶ 23} ORDERED, That DEO is authorized to file tariffs, in final form, consistent with this Finding and Order. DEO shall file one copy in this case docket and one copy in its TRF docket. It is, further,

{¶ 24} 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,

{¶ 25} ORDERED, That DEO 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,

{¶ 26} 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,

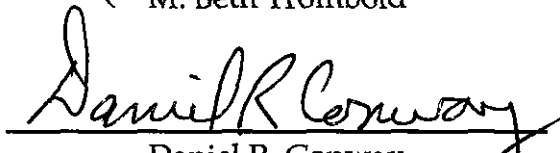
{¶ 27} ORDERED, That a copy of this Finding and Order be served upon each party of record.


THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Sam Randazzo, Chairman

  
M. Beth Trombold

  
Lawrence K. Friedeman

  
Daniel R. Conway

  
Dennis P. Deters

AS/mef

Entered in the Journal  
APR 24 2019



Tanowa M. Troupe  
Secretary