

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application of)
Columbia Gas of Ohio, Inc. for Adjustment to the)
CEP Rider.) Case No. 19-0438-GA-RDR

**CONSUMER PROTECTION OBJECTIONS TO THE PUCO STAFF REPORT
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

I. INTRODUCTION

Columbia Gas of Ohio, Inc. (“Columbia”) filed an application to increase its charge to residential consumers under its Capital Expenditure Program (“CEP”) from \$3.65 per month to \$4.10 per month. Through a CEP Rider, consumers pay for Columbia’s spending related to infrastructure expansion, improvement, or replacement; programs to install, upgrade, or replace technology systems; or programs to comply with government rules and regulations. The CEP Rider charge provides Columbia the post-in-service carrying costs, incremental depreciation expense, and property tax expense directly attributable to the capital expenditure program.

The Staff of the Public Utilities Commission of Ohio (“PUCO Staff”) conducted an investigation of Columbia’s application to determine if Columbia should be permitted to increase the CEP Rider charge to customers. The PUCO Staff hired an auditor (Blue Ridge) to assist with a prudence and financial audit of Columbia’s plant in service and CEP spending. The auditor filed its report on July 10, 2019 and the PUCO Staff issued its Staff Report on July 15, 2019. The Office of the Ohio Consumers’ Counsel (“OCC”) appreciates the PUCO Staff’s investigation and files these Objections to the PUCO Staff Report on behalf of Columbia’s 1.3 million residential consumers.

OCC supports the following recommendations in the PUCO Staff Report:

- The PUCO Staff properly recommends that Columbia adjust depreciation balances and the revenue requirement to account for the retirement that was recorded to the incorrect account (Staff Report at 3).
- The PUCO Staff properly recommends that Columbia remove from Utility Plant in Service the total cost of unused Mobile Data Terminals (Staff Report at 3).
- The PUCO Staff properly recommends that Columbia formally document its policies and procedures on the preparation and approval of workorders, damage claims, accounting/journal entries, and allocations (Staff Report at 3).
- The PUCO Staff properly recommends that Columbia work with Staff to better identify expenses versus capitalized costs associated with meter relocations. More specifically, the PUCO Staff recommends that Columbia work with Staff to determine how the activity and costs should be tracked in order to clarify how meter movement should be recorded (capital or expense) in various situations and how to ensure the integrity of the process (Staff Report at 3).
- The PUCO Staff properly recommends that Columbia track the depreciation offset (Staff Report at 3).
- The PUCO Staff properly recommends that Columbia track incremental revenues (Staff Report at 3).
- The PUCO Staff properly recommends that Columbia track and document how each growth project met or did not meet its goal in order to ensure that the assets placed in service are both used and useful and not overbuilt either in length or diameter (Staff Report at 3).
- The PUCO Staff properly recommends that Columbia ensure retirements and cost of removal are recorded at the same time as the replacement assets (Staff Report at 3).

At the same time, the PUCO Staff Report should have recommended additional changes to Columbia's CEP Rider for the benefit of consumers:

- The PUCO Staff Report should have recommended that Columbia amend its policies and procedures to protect consumers from being charged for assets that are not used and useful as a result of overbuilding for growth projects that do not result in the expected growth.
- The PUCO Staff Report should have required Columbia to identify meter relocation costs that should not have been charged to consumers under the CEP and track the number and cost of meter relocations on an annual basis for relocated meters that are either expensed or capitalized.

These objections are discussed in more detail below. OCC's recommendations, if adopted, would protect consumers from increasing capital expenditure costs.

II. OBJECTIONS TO THE PUCO STAFF REPORT

Objection 1 – The PUCO Staff Report should have recommended that Columbia amend its policies and procedures to protect consumers from being charged for assets that are not used and useful as a result of overbuilding for growth projects that do not result in the expected growth.

The PUCO Staff Report and the Blue Ridge Audit Report properly recommend that Columbia “track and document how each growth project met or did not meet its goal in order to ensure that the assets placed in service are both used and useful and not overbuilt either in length or diameter.”¹ However, tracking and documenting projects does little to protect consumers from being charged for assets that do not become used and useful. Columbia's CEP spending is growing at a much faster rate than the number of customers in its service territory.

The PUCO should require Columbia to work with the PUCO Staff and OCC to amend its policies and procedures to protect consumers from being charged for assets that are not used and useful or are overbuilt for growth projects that do not result in the

¹ Audit Report at 52; Staff Report at 3.

expected growth. For example, Blue Ridge noted that putting main in a subdivision can be speculative, but utilities can cover such risk by asking builders/developers for refundable, interest bearing deposits.² The PUCO should direct Columbia to work with PUCO Staff and OCC to develop consumer-protection policies that prevent overbuilding, which can increase CEP charges to consumers.

Objection 2 - The PUCO Staff Report should have required Columbia to identify meter relocation costs that should not have been charged to consumers under the CEP and track the number and cost of meter relocations on an annual basis for relocated meters that are either expensed or capitalized.

The PUCO Staff recommended that Columbia work with the PUCO Staff to better identify proper accounting for meter relocation projects.³ More specifically, the PUCO Staff recommended that Columbia work with Staff to “determine how the activity and costs should be tracked in order to clarify how meter movement should be recorded (capital or expense) in various situations and how to ensure the integrity of the process.”⁴ However, the PUCO Staff failed to identify meter relocation costs that should not have been collected from customers. Blue Ridge reported that when Columbia moves meters from inside to outside a residence, the work is typically charged as an operations and maintenance (“O&M”) expense.⁵ However, when relocation of the meter is performed in conjunction with a service line replacement, the entire project is capitalized under the CEP.⁶ Therefore, Columbia has an incentive to delay meter relocations until the work can be capitalized as part of a service line replacement. Columbia does not track the

² Audit Report at 52.

³ Staff Report at 3.

⁴ *Id.*

⁵ Audit Report at 11.

⁶ *Id.*

number of meter relocations on an annual basis or know the cost for relocated meters that are either expensed or capitalized.⁷ Blue Ridge recommended that Columbia track meter relocations more closely in order to demonstrate that the cost of meter relocations are properly included in the CEP.⁸

The PUCO Staff Report failed to recommend a disallowance for all meter relocation costs that Columbia has included in the CEP if Columbia is unable to demonstrate that the costs should have been capitalized under the CEP. The PUCO should direct the next CEP audit to identify those costs that should not have been capitalized under the CEP and charged to consumers. Further, the PUCO should direct Columbia to work with both the PUCO Staff and interested parties (such as OCC) to better identify proper accounting for meter relocation projects. Customers already pay meter relocation expenses in base rates and should not have to pay the same costs again under the CEP.

III. CONCLUSION

OCC's recommendations, if adopted, would protect consumers from higher rates resulting from ever-increasing capital spending by Columbia. The PUCO Staff Report should have gone further to protect consumers from capital spending in excess of what was actually needed. Customers should not be forced to pay more than what is needed to provide them utility service.

⁷ Audit Report at 11.

⁸ *Id.*

Respectfully submitted,

Bruce Weston (0016973)
Ohio Consumers' Counsel

/s/ Bryce A. McKenney
Bryce A. McKenney (0088203)
Counsel of Record
Ambrosia Logsdon (0096598)
Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215-4213
Telephone: McKenney Direct – 614-466-9585
Telephone: Logsdon Direct – 614-466-1292
Bryce.mckenney@occ.ohio.gov
Ambrosia.logsdon@occ.ohio.gov
(Will accept service via email)

CERTIFICATE OF SERVICE

I hereby certify that a copy of these Objections was served on the persons stated below via electronic transmission, this 26th day of July 2019.

/s/ Bryce McKenney
Bryce A. McKenney
Assistant Consumers' Counsel

SERVICE LIST

jodi.bair@ohioattorneygeneral.gov

sseiple@nisource.com

josephclark@nisource.com

Attorney Examiner:

patricia.schabo@puco.ohio.gov.

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Summary: Objection Consumer Protection Objections to the PUCO Staff Report by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of McKenney, Bryce