

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
THE EAST OHIO GAS COMPANY DBA
DOMINION ENERGY OHIO FOR
APPROVAL OF AN ALTERNATIVE FORM OF
REGULATION TO ESTABLISH A CAPITAL
EXPENDITURE PROGRAM RIDER
MECHANISM.

CASE NO. 19-468-GA-ALT

ENTRY

Entered in the Journal on September 11, 2019

I. SUMMARY

{¶ 1} The Commission selects Blue Ridge Consulting Services, Inc. to conduct the audit services necessary to assist the Commission with the review of the accounting accuracy, prudence, and compliance of The East Ohio Gas Company dba Dominion Energy Ohio, with its Commission-approved capital expenditure program.

II. DISCUSSION

{¶ 2} The East Ohio Gas Company dba Dominion Energy Ohio (Dominion or Company) is a natural gas company and a public utility as defined by R.C. 4905.03 and R.C. 4905.02, respectively. As such, Dominion 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 policies of the state as set forth in R.C. 4929.02, and is expected to continue to be in substantial compliance with 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; 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. 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. 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. 11-6024-GA-UNC, et al., the Commission modified and approved Dominion's application for authority to implement a CEP for the period of October 1, 2011, through December 31, 2012. *In re The East Ohio Gas Company dba Dominion East Ohio*, Case No. 11-6024-GA-UNC, et al., Finding and Order (Dec. 12, 2012). Subsequently, in Case No. 12-3279-GA-UNC, et al., the Commission modified and approved Dominion's application to implement a CEP for the period of January 1, 2013, through December 31, 2013. *In re The East Ohio Gas Company dba Dominion East Ohio*, Case No. 12-3279-GA-UNC, et al., Finding and Order (Oct. 9, 2013).

{¶ 6} In Case No. 13-2410-GA-UNC, et al., the Commission modified and approved Dominion's application to implement a CEP in 2014 and succeeding years, pursuant to R.C. 4909.18 and 4929.111. The Commission also approved Dominion's request for accounting authority to capitalize PISCC on program investments for assets placed in service but not yet reflected in rates; defer depreciation expense and property tax expense directly attributable to the CEP; and establish a regulatory asset to which PISCC, depreciation expense, and property tax expense are deferred for future recovery in a subsequent proceeding. Dominion was authorized to accrue deferrals under the CEP until the accrued

deferrals, if included in rates, would cause the rates charged to the Company's General Sales Service customers to increase by more than \$1.50 per month. Additionally, the Commission noted that the prudence and reasonableness of Dominion's CEP-related regulatory assets and associated capital spending would be considered in any future proceedings seeking cost recovery, at which time the Company would be expected to provide detailed information regarding the expenditures for the Commission's review. *In re The East Ohio Gas Company dba Dominion East Ohio*, Case No. 13-2410-GA-UNC, et al., Finding and Order (July 2, 2014).

{¶ 7} On February 27, 2019, in the above-captioned case, Dominion filed a notice of intent to file an application for approval of an alternative rate plan under R.C. 4929.05. In the notice, Dominion stated that the application would request approval to establish a CEP rider mechanism (CEP Rider).

{¶ 8} On March 29, 2019, Dominion filed a notice of intent to file an alternative rate plan application for an increase in rates, notice of test year and date certain, and attached exhibits. Dominion noted that the notice of intent was sent to the mayor and legislative authority of each affected municipality. Dominion also notified the Commission that the Company is using a test year of the 12 months ending December 31, 2018, and a date certain of December 31, 2018.

{¶ 9} Concurrently with the notice, Dominion also filed a motion for waiver from certain provisions of the Commission's Standard Filing Requirements contained in Ohio Adm.Code 4901-7-01 (SFRs). Under Ohio Adm.Code 4901:1-19-06(C), an alternative rate plan application that is for an increase in rates must include the exhibits described in R.C. 4909.18(A) through (D) and the SFR prescribed in Ohio Adm.Code 4901-7-01, unless otherwise waived pursuant to Ohio Adm.Code 4901:1-19-02(D). Specifically, Dominion sought waivers of the supplemental filing requirements found in Chapter II(B)(1) through Chapter II(B)(6), Chapter II(B)(8), and Chapter II(B)(9); Chapter II(C); Chapter II(D); Chapter II, Section C; Chapter II, Section D; and Chapter II, Section E.

{¶ 10} On May 1, 2019, Dominion filed its alternative rate plan application, along with supporting exhibits and testimony, pursuant to R.C. 4909.18, 4929.05, 4929.11, and 4929.111. The application seeks to establish the CEP Rider. Specifically, Dominion states that the purpose of the proposed CEP Rider is to recover the PISCC, incremental depreciation expense, and property tax expense currently deferred under and associated with the CEP, as well as a return on the CEP rate base, as approved in Case No. 13-2410-GA-UNC. Dominion also proposes establishing initial CEP Rider rates, which would recover the revenue requirement associated with the CEP regulatory asset and related capital investments for the period October 1, 2011, through December 31, 2018. Thereafter, Dominion proposes an annual update process through which future CEP deferrals and investments would be reviewed and recovered, beginning with investment through December 31, 2019.

{¶ 11} On June 17, 2019, Staff filed its review and recommendation regarding Dominion's motion for a waiver of certain SFR. In its review, Staff requested that Dominion be required to comply with the SFRs set forth in Chapter II, Section C (Operating Income) and D (Rate of Return); and the supplemental filing requirements in Chapter II(B)(1) through Chapter II(B)(6), as well as Chapter II(B)(8). Staff did not oppose Dominion's motion to waive the remaining requirements, which were Chapter II, Section E (Rates and Tariffs) and Chapter II(B)(9), Chapter II(C), and Chapter II(D).

{¶ 12} On June 18, 2019, Dominion filed a letter with the Commission indicating that it did not object to providing Staff with additional information responsive to the filing requirements identified by Staff.

{¶ 13} By Entry issued on June 19, 2019, the Commission, consistent with Staff's recommendations, granted the Company's motion for waiver of certain SFR, in part, and denied it, in part. Specifically, the Commission directed Dominion to file the information required by the SFR in Chapter II, Section C (Operating Income) and D (Rate of Return); and the supplemental filing requirements in Chapter II(B)(1) through Chapter II(B)(6), as well as

Chapter II(B)(8). We also noted that the grant of the requested waiver, in part, did not preclude Staff from obtaining any information waived through formal data requests, if such information was subsequently deemed necessary to complete Staff's investigation effectively and efficiently.

{¶ 14} On August 14, 2019, the Commission directed Staff to issue a request for proposal (RFP) for audit services to assist the Commission with an audit of Dominion's CEP and associated CEP costs and deferrals.

{¶ 15} Finally, on September 4, 2019, Staff filed correspondence on the docket indicating that, on August 23, 2019, Dominion had filed the additional information required by the Commission's June 19, 2019 Entry and that Dominion's application was now in compliance with Ohio Adm.Code 4901:1-19-06(C). Accordingly, the application shall be deemed to have been filed as of August 23, 2019.

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

{¶ 17} Dominion shall enter into a contract with Blue Ridge by September 25, 2019, for the purpose of providing payment for its auditing services. The contract shall incorporate the terms and conditions of the RFP, the auditor's proposal, and the relevant Commission entries in this case.

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

{¶ 19} 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, 4905.06, 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.

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

{¶ 21} 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.

{¶ 22} Blue Ridge shall perform its audit 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 the report.

III. ORDER

{¶ 23} It is, therefore,

{¶ 24} ORDERED, That Blue Ridge be selected to perform the consulting activities set forth above and in the RFP. It is, further,

{¶ 25} ORDERED, That Dominion and Blue Ridge observe the requirements set forth herein. It is, further,

{¶ 26} ORDERED, That Dominion's application be deemed to have been filed as of August 23, 2019. It is, further,

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

COMMISSIONERS:

Approving:

Sam Randazzo, Chairman
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

AS/mef

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Case No(s). 19-0468-GA-ALT

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