

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
OHIO GAS COMPANY FOR APPROVAL OF
AN ALTERNATIVE RATE PLAN.

CASE NO. 19-1354-GA-ALT

IN THE MATTER OF THE APPLICATION OF
OHIO GAS COMPANY FOR TARIFF
APPROVAL.

CASE NO. 19-1355-GA-ATA

FINDING AND ORDER

Entered in the Journal on December 18, 2019

I. SUMMARY

{¶ 1} The Commission approves the alternative rate plan application of Ohio Gas Company, modified as recommended by Staff, and authorizes Ohio Gas Company to file tariffs, consistent with this Finding and Order, to initiate the Geographic Information System Cost Recovery Rider.

II. DISCUSSION

A. *Applicable Law*

{¶ 2} Ohio Gas Company (Ohio Gas 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, Ohio Gas is subject to the jurisdiction of the Commission.

{¶ 3} Pursuant to 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 policy 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} R.C. 4905.35 prohibits discrimination on the part of a public utility. Additionally, R.C. 4929.02 sets forth the policy of the state as to natural gas services and goods. Pursuant to R.C. 4929.05(B), the burden of proof is with the public utility to demonstrate compliance with the applicable statutes.

{¶ 5} 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 standard filing requirements prescribed in Ohio Adm.Code 4901-7-01, unless otherwise waived pursuant to Ohio Adm.Code 4901:1-19-02(D).

B. Procedural History

{¶ 6} In Case No. 15-222-GA-AAM, the Commission modified and approved Ohio Gas's application for authority to establish a regulatory asset and defer, for accounting and financial reporting purposes, up to \$925,000, excluding carrying costs at a rate of 4.0 percent, in expenditures associated with the first phase of the implementation of a geographic information system (GIS). *In re Ohio Gas Co.*, Case No. 15-222-GA-AAM (*Deferral Case*), Finding and Order (July 29, 2015). Consistent with the Commission's approval of Ohio Gas's GIS application, the Company has filed annual reports. In its annual report for 2018, filed on May 16, 2019, Ohio Gas states that the total deferred asset, including carrying costs, totals \$910,259.

{¶ 7} In Case No. 17-1139-GA-AIR, et al., the Commission adopted a Joint Stipulation and Recommendation (Stipulation) resolving all the issues related to the Company's application to increase its natural gas distribution rates. However, the rate case did not include recovery for amounts deferred as part of the GIS application. *In re Ohio Gas Co.*, Case No. 17-1139-GA-AIR, et al. (*Rate Case*), Opinion and Order (Feb. 21, 2018).

{¶ 8} On July 1, 2019, in the above-captioned cases, Ohio Gas filed a notice of intent to file an application for approval of an alternative rate plan pursuant to R.C. 4929.05 and

4909.18. In addition, concurrently with the notice, Ohio Gas filed a motion for waiver of certain filing requirements and a request to establish the test period.

{¶ 9} On July 22, 2019, Staff filed its review and recommendation in response to the motion for waiver, recommending that the motion for waiver be granted.

{¶ 10} By Entry issued August 28, 2019, the Commission established the test period of January 1, 2019, to December 31, 2019, as requested by Ohio Gas, and granted the Company's motion for waiver.

{¶ 11} On August 29, 2019, Ohio Gas filed its alternative rate plan application, along with supporting exhibits and testimony, pursuant to R.C. 4929.05, 4929.11, and 4909.18.

{¶ 12} The Staff Report was filed on November 7, 2019.

{¶ 13} By correspondence filed November 21, 2019, Ohio Gas accepted the recommendations of the Staff.

C. Summary of the Application

{¶ 14} In the application, Ohio Gas states that it provides natural gas distribution service to nearly 50,000 customers in northwest Ohio. Ohio Gas seeks approval to implement the GIS Cost Recovery Rider (GIS Rider), for a two-year period, to recover deferred GIS phase I expenditures, accrued carrying costs, at four percent, and the associated carrying costs going forward on the remaining unamortized GIS deferral balance. At the end of the two-year amortization period, the Company requests authority to file, at least 60 days before the conclusion of the 24-month amortization period, a proposed final GIS Rider reconciliation rate. Ohio Gas proposes the final GIS Rider reconciliation tariff sheet and rate be deemed automatically approved, unless suspended by the Commission, on the 31st day after the proposed rate is filed. The Company declares that the final reconciliation would not result in a rate greater than the rate proposed in this application.

Ohio Gas estimates that, based on an effective date of January 1, 2020, the GIS deferral balance will be approximately \$947,281, as a result of additional carrying costs. The Company calculates and proposes a GIS Rider rate of \$0.82 per bill, excluding gross receipts tax (\$0.86 per bill, including gross receipts tax), applicable to General Service and Transportation Service rate schedules.

{¶ 15} The Company declares that it will not seek authorization to defer phase II costs to implement the GIS project but will fund phase II through internal funding. Ohio Gas states that the implementation of the GIS Rider will have no effect on the Company's operating income or earnings, as Ohio Gas will simultaneously recognize the GIS expenses when the associated and offsetting revenues are collected through the proposed GIS Rider.

{¶ 16} Further, Ohio Gas states, pursuant to the requirements of Ohio Adm.Code 4901:1-19-06(C)(2)(d), and R.C. 4905.35 and 4929.02, the Company currently promotes, and will continue to promote, the availability of reasonably priced natural gas services that facilitate the state's competitiveness in the global economy. Ohio Gas notes that the Company went over 30 years before seeking its most recent rate increase. As proposed, the estimated total bill impact for the typical residential customer will be an increase of 0.14 percent and business customers will see an increase of only \$0.86 per bill, while the GIS Rider will cease after two years plus a final month for reconciliation, if required. Ohio Gas reasons the GIS serves to enhance the Company's ability to continue to provide adequate and reliable service by maintaining Ohio Gas's infrastructure through regular inspection, surveys, responses to customer inquiries, and routine maintenance and repair activities, and by providing additional means to effectively respond to inquiries from the Ohio Utilities Protection Service (OUPS), including prompt response to requests for marking the location of underground facilities. Further, Ohio Gas submits that the Company promotes the availability of unbundled services, which facilitates competition among suppliers to meet consumers' supplier, price, terms, conditions, and quality options. Ohio Gas asserts it has also, in conjunction with local municipalities, implemented community aggregation

programs that have and continue to provide customers with a competitive option for obtaining commodity services.

{¶ 17} Finally, although Ohio Gas asserts that it is not clear if the Commission's Order in the *Deferral Case* requires the Company to continue to file annual reports once amortization of the deferral commences, Ohio Gas commits to continue to submit annual reports, by June 1 of each year, identifying the deferral balance and to submit a final report once the deferral balance is completely amortized.

D. Summary of the Staff Report

{¶ 18} Staff conducted its investigation through document review, interviews, and interrogatories. The Staff's investigation included a review of the application, schedules, and financial statements for completeness, occurrence, presentation, valuation, allocation, and accuracy. As a part of its investigation, Staff conducted a financial audit of the Company's GIS expenses to ensure the GIS costs incurred were consistent with the criteria approved by the Commission in the *Deferral Case*. Staff has historically considered six criteria when evaluating requests for authority to defer expenses. In this instance, Staff notes that the deferred GIS costs are material to a company the size of Ohio Gas and are atypical and infrequent because the Company will not be implementing a new GIS in the foreseeable future. Further, Staff contends that the implementation of the GIS will allow the Company to better serve its customers through more effective maintenance and monitoring of its distribution system.

{¶ 19} In the course of the investigation, Staff and Ohio Gas identified \$385 in expenses, including carrying charges, which were incorrectly charged to the GIS deferral account. Staff recommends that the charges be deducted from the GIS deferral balance. Further, Staff recommends that the Commission reject the Company's proposal to accrue carrying charges throughout the duration of the amortization period. Staff recommends that the accrual of carrying charges cease at the time the rider becomes effective. Based on

its review, Staff recommends that the GIS deferral be approved for recovery, subject to Staff's recommendations, at the resulting fixed charge of \$0.79 per bill, excluding gross receipts tax.

{¶ 20} On November 21, 2019, Ohio Gas filed a statement that the Company agrees with Staff's recommendation to remove \$385 in expenses incorrectly charged to the GIS deferral account from the final authorized amount to be recovered through the GIS Rider. Ohio Gas avers that this change does not alter the rate but will be accounted for in the final true-up of the GIS Rider. The Company also accepts Staff's recommendation to cease the accrual of carrying charges on the GIS deferral balance once amortization begins through the GIS Rider. Ohio Gas notes that this recommendation has the effect of reducing the Company's proposed GIS Rider rate from \$0.82 per bill to \$0.79 per bill, excluding gross receipts tax. Accordingly, Ohio Gas requests that the Commission approve the application, subject to the modifications recommended by the Staff.

E. Commission's Conclusion

{¶ 21} The Commission finds that Ohio Gas's alternative rate plan application, as modified consistent with the recommendations of Staff, complies with the requirements of R.C. 4929.05 and Ohio Adm.Code 4901:1-19-06 and that the Company should be authorized to recover its deferred GIS costs for phase I, including accrued carrying costs, via the GIS Rider. The Company's most recent rate case proceeding, resolved pursuant to the Stipulation approved by the Commission, did not include recovery of deferred GIS expenditures. *Rate Case*, Opinion and Order (Feb. 21, 2018). As proposed by the Company, the GIS Rider rate will be in effect for 24 months, and one additional month for true-up of any over- or under-recovery.

{¶ 22} Ohio Gas's application sets forth the Company's policies and procedures regarding its tariff services and goods, and services and goods offered to all similarly situated consumers under comparable terms and conditions. Ohio Gas has set forth

sufficient evidence of non-discriminatory practices pursuant to its current operations and in regard to the proposed alternative rate plan and GIS Rider rate. The GIS Rider will apply to all General Service and Transportation Service rate schedules. The Commission also recognizes that the alternative rate plan promotes the state policies set forth in R.C. 4929.02(A)(1) and (A)(10) to promote the availability of adequate, reliable, and reasonably priced natural gas services and goods to consumers and to promote the state's competitiveness in the global economy. Accordingly, the Commission finds the Company's application demonstrates the Company is in compliance with R.C. 4905.35 and substantially in compliance with R.C. 4929.02 and is expected to remain in substantial compliance with R.C. 4929.02 with the implementation of its alternative rate plan. Ohio Gas's alternative rate plan application, therefore, is in compliance with the requirements of R.C. 4929.05(A)(1) and (A)(2).

{¶ 23} Based on the information provided in the application, as modified consistent with Staff's recommendations, the Commission also finds Ohio Gas's alternative rate plan to be just and reasonable pursuant to R.C. 4929.05(A)(3). The Commission notes that the GIS improves the ability of Ohio Gas to continue to provide adequate and reliable service by maintaining Ohio Gas's infrastructure through regular inspection, surveys, responses to customer inquiries, and routine maintenance and repair activities, and by providing additional means to effectively respond to inquiries from the OUPS, including prompt response to requests for marking the location of underground facilities.

{¶ 24} Therefore, the Commission finds that Ohio Gas's alternative rate plan application, as modified by this Finding and Order, should be approved. The Commission further finds that a hearing on Ohio Gas's application is not necessary.

III. ORDER

{¶ 25} It is, therefore,

{¶ 26} ORDERED, That Ohio Gas's application to institute an alternative rate plan, as modified in this Finding and Order, be approved. It is, further,

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

{¶ 28} 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,

{¶ 29} ORDERED, That Ohio Gas shall notify all affected customers via a bill message or bill insert within 30 days of the effective date of the 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,

{¶ 30} ORDERED, That Ohio Gas continue to submit annual reports, by June 1 of each year, identifying, at least, the GIS deferral balance and to submit a final report once the deferral balance is completely amortized. It is, further,

{¶ 31} 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,

{¶ 32} ORDERED, That a copy of this Finding and Order be served upon all parties and interested persons of record.

COMMISSIONERS:

Approving:

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

GNS/hac

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Case No(s). 19-1354-GA-ALT, 19-1355-GA-ATA

Summary: Finding & Order that the Commission approves the alternative rate plan application of Ohio Gas Company, modified as recommended by Staff, and authorizes Ohio Gas Company to file tariffs, consistent with this Finding and Order, to initiate the Geographic Information System Cost Recovery Rider. electronically filed by Docketing Staff on behalf of Docketing.