THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO FOR APPROVAL TO CHANGE ACCOUNTING METHODS ASSOCIATED WITH ITS PIPELINE SAFETY MANAGEMENT PROGRAM.	**CASE NO. 15-1712-GA-AAM**

SUPPLEMENTAL FINDING AND ORDER

Entered in the Journal on March 11, 2020

I. SUMMARY

{¶ 1} The Commission finds that, pursuant to the approved process for the pipeline safety management program of The East Ohio Gas Company d/b/a Dominion Energy Ohio, the annual report filed May 31, 2019, should be accepted as filed. In addition, the process is amended, as agreed by the parties, such that, beginning in 2020, the annual report shall be filed on or before September 1 of each year and any proposed new initiatives shall be presented in the annual report.

II. PROCEDURAL BACKGROUND

{¶ 2} The East Ohio Gas Company d/b/a Dominion Energy Ohio (Dominion 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. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts will be kept. Pursuant to Ohio Adm.Code 4901:1-13-13, the Commission adopted the Uniform System of Accounts (USOA), which was established by the Federal Energy Regulatory Commission, for gas and natural gas companies in Ohio, except to the extent that the provisions of the USOA are inconsistent with any outstanding orders of the Commission. Additionally, the Commission may require the creation and maintenance of such additional accounts as may be prescribed to cover the accounting procedures of gas or natural gas companies operating within the state.

{¶ 4} By Opinion and Order dated November 3, 2016, the Commission approved Dominion's application, pursuant to a Stipulation and Recommendation (Stipulation) filed by Dominion and Staff, to establish a regulatory asset and to defer, for accounting and financial reporting purposes, expenditures for its new pipeline safety management program (PSMP), as required by newly enacted federal pipeline safety regulations and state regulations regarding underground storage integrity. The new federal regulations required operators of gas distribution pipelines to develop and implement a distribution integrity management plan.

{¶ 5} In the Opinion and Order, Dominion received authority to revise its accounting procedures and to defer operations and maintenance costs incurred for the PSMP on or after January 1, 2016, with the annual amount not to exceed $15 million, including carrying costs of three percent per annum on the deferred balance, without compounding, as costs are incurred until recovery of the deferral commences. Unless otherwise ordered by the Commission, the deferral will expire not later than January 1, 2024. Recovery of any deferred PSMP-related costs will be addressed in a separate proceeding or in Dominion's next general rate case. As part of the Commission's approval of the PSMP, Dominion is required to file an annual report by June 1 of each year detailing, among other things, the expenditures, deferred expenses, baseline performance measures for each initiative, improvements of each initiative in comparison to the baselines, results of ongoing and future investigations, any mid-term adjustments, and efforts to identify efficiencies and to implement cost-savings measures. In addition, Dominion was also required to include with the annual report an audit report, prepared by an external auditor, as to the accuracy of Dominion's accounting for PSMP-related expenditures. Within 90 days of the Company filing the annual report, Staff shall file a report of its investigation (Staff Report). Dominion is afforded 30 days to accept or object to the Staff's recommendations. The Stipulation also requires biannual meetings between Dominion and Staff to review progress under the PSMP, any proposed changes, the results of any new or ongoing investigations or evaluations, cost-savings measures, and other related matters. Opinion and Order at ¶ 7.

{¶ 6} By Finding and Order issued November 14, 2018, the Commission noted that Dominion had proposed two new initiatives, the underground storage integrity program and the gathering rights of way maintenance initiative, in its 2017 Annual Report (for calendar year 2016) and Staff did not raise any objections to the new initiatives in its Staff Report. Subsequently, Dominion's 2018 Annual Report (for calendar year 2017) included deferrals for the underground storage integrity program and the gathering rights of way maintenance initiative. In its Staff Report, regarding Dominion's 2018 Annual Report, Staff recommended that the Commission reduce the deferrals for the two new initiatives because the two new initiatives were beyond the scope of the approved PSMP. In its November 14, 2018 Finding and Order, the Commission concluded Dominion had, consistent with the approved PSMP process, proposed the two new initiatives and deferred expenditures for calendar year 2017 and, therefore, contrary to the Staff's recommendation, the deferral should not be excluded for calendar year 2017.

{¶ 7} On May 31, 2019, Dominion filed its PSMP Annual Report for calendar year 2018 (2019 Annual Report).

{¶ 8} On August 29, 2019, Staff filed its review and recommendation (2019 Staff Report). In the 2019 Staff Report, Staff states that it has no objections to Dominion's 2019 Annual Report and recommends that the Commission accept the report as filed. However, Staff notes that its lack of objection to Dominion's 2019 Annual Report should not be construed as support for future recovery of PSMP deferrals.

{¶ 9} Consistent with the process established in the Stipulation, and approved by the Commission, no further action is necessary regarding Dominion's 2019 Annual Report.

{¶ 10} On January 8, 2020, Staff filed a motion to have the Commission clarify the procedures to be followed when Dominion proposes new initiatives for its PSMP. Staff states that, in its most recent biannual meeting with Dominion, Dominion proposed two new initiatives which the Company intends to implement. Staff states that, while the November 14, 2018 Finding and Order declared that Staff would have the opportunity to investigate and review new initiatives, the Order did not articulate the procedure to be followed when new initiatives are proposed outside of the annual report. Staff contends it is essential that new initiatives be examined prior to their implementation by Dominion with the expectation of deferral authority. According to Staff, simply describing the new initiatives in a biannual meeting is insufficient to establish deferral authority for the new initiatives. Therefore, Staff requests that the Commission define the procedures to be followed when Dominion proposes new initiatives for its PSMP at a biannual meeting.

{¶ 11} On January 23, 2020, Dominion filed a memorandum in response to Staff's motion. Dominion submits that adequate procedures are in place to permit Staff to review new initiatives proposed by Dominion. Dominion states, despite Staff's suggestion in its motion, the Company does not believe that it gains deferral authority solely by presenting the new PSMP initiative at a biannual meeting. The Company reasons the purpose of the biannual meeting is for Staff and Dominion to discuss the progress of program initiatives, changes to the program, and other matters related to new or existing PSMP initiatives. According to Dominion, the December 6, 2019 biannual meeting afforded the Company the opportunity to identify new PSMP initiatives for 2020 and to elicit feedback from Staff. Dominion argues the discussion at the December 6, 2019 meeting was not intended to supplant the established annual report process for Staff's review or to obtain the preapproval of the deferral authority for new initiatives. Nonetheless, Dominion recognizes the Staff's concerns and requests that the parties be permitted to discuss improvements to the existing process to allow Staff sufficient opportunity to review new initiatives and to improve the timeliness in which Dominion receives guidance on deferral authority.

{¶ 12} On January 30, 2020, Staff filed a reply which proposes two changes to the approved process. First, Staff recommends that, beginning in 2020, the due date for Dominion to file its annual report be on or before September 1 of each year rather than by June 1 of each year. Staff reasons that an extension of the due date will afford Dominion more time to finalize its initiatives for the following year, while also allowing Staff an opportunity to review and respond to the initiatives. Staff notes that the Staff Report will continue to be due 90 days after Dominion's annual report is filed. However, if Staff objects to any new initiative in its Staff Report, Dominion will not begin deferring expenses associated with the new initiative until the Commission issues an order approving the inclusion of the new initiative as part of the PSMP. Second, Staff recommends that, going forward, Dominion will present any new initiatives in its annual report filed on or before September 1 each year. Further, it is Staff's understanding that Dominion will not present new initiatives at the biannual meetings, and Staff will not formally review any new initiatives proposed outside of the annual report process.

{¶ 13} Further, in the January 30, 2020 filing, Staff states that it has reviewed the two new initiatives for 2020 presented by Dominion at the December biannual meeting. While Staff believes that, in general, the new initiatives, which are intended to enhance monitoring of low-pressure regulating stations and to identify, assess, and remediate a service line off of a service line (service off service), would be appropriate for deferral through the PSMP, Staff will review the Company's formal disclosure of the initiatives in its next annual report.

{¶ 14} By correspondence filed February 5, 2020, Dominion declared that the changes and clarifications proposed by Staff to the PSMP process are acceptable to Dominion.

III. Commission Conclusion

{¶ 15} The Commission finds, under the circumstances and considering Staff's initial review of the two new initiatives to enhance monitoring of low-pressure regulating stations and to identify, assess, and remediate service off service proposed by Dominion for 2020, that Dominion may commence accrual of deferrals through the PSMP. Dominion shall provide additional detailed information on the two new initiatives and the deferrals for the Staff's review and evaluation in the next annual report. Further, the Commission finds the amendments to the PSMP process, as proposed by Staff and accepted by Dominion, are reasonable. Accordingly, beginning in 2020, Dominion shall file its annual report on or before September 1 of each year. Dominion will only present any proposed new initiatives in its annual report. If Staff objects to any new initiative in its Staff Report, Dominion will not begin deferring expenses associated with the new initiative until the Commission issues an order approving the inclusion of the new initiative. In all other respects, the PSMP process shall continue as previously approved by the Commission.

IV. ORDER

{¶ 16} It is, therefore,

{¶ 17} ORDERED, That Dominion's 2019 Annual Report be accepted as filed. It is, further,

{¶ 18} ORDERED, That, beginning in 2020, Dominion's Annual Report be due on or before September 1 each year and any proposed new initiatives be presented in the annual report. It is, further,

{¶ 19} ORDERED, That nothing in this Supplemental Finding and Order shall be binding upon this Commission in any future investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

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

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

GNS/hac