

# THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
COLUMBIA GAS OF OHIO, INC. FOR AN  
ADJUSTMENT TO RIDER IRP AND RIDER  
DSM RATES.

CASE NO. 19-1940-GA-RDR

## FINDING AND ORDER

Entered in the Journal on April 22, 2020

### I. SUMMARY

{¶ 1} The Commission approves Columbia Gas of Ohio, Inc.'s application to adjust its infrastructure replacement program rider, subject to Staff's recommendation. Additionally, consistent with the parties' agreement, the current demand side management rider rate will remain in effect until the Commission has considered the testimony and briefs to be filed by the parties and issues a separate decision concerning the demand side management rider rate.

### II. DISCUSSION

#### A. *Procedural History*

{¶ 2} Columbia Gas of Ohio, Inc. (Columbia 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 the Commission pursuant to R.C. 4905.04, 4905.05, and 4905.06.

{¶ 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} In *In re Columbia Gas of Ohio, Inc.*, Case No. 07-478-GA-UNC, et al., Opinion and Order (Apr. 9, 2008), the Commission approved an amended stipulation that, among other things, established an infrastructure replacement program (IRP) rider for Columbia. The purpose of the rider was to recover expenditures associated with the Company's

replacement of risers that were identified as “prone to fail” and costs associated with customer service lines with potentially hazardous leaks. The stipulation provided that Columbia would file annual applications supporting proposed adjustments to its rates. Staff would review the proposed rates and report on the reasonableness of the proposed rates.

{¶ 5} In *In re Columbia Gas of Ohio, Inc.*, Case No. 08-833-GA-UNC (*DSM Case*), Finding and Order (July 23, 2008), the Commission approved Columbia’s application to implement specific demand side management (DSM) programs to be recovered through a DSM rider. The DSM rider allows for the recovery of costs for several programs aimed at conservation and the reduction of customer bills.

{¶ 6} In *In re Columbia Gas of Ohio, Inc.*, Case No. 08-72-GA-AIR, et al. (*Columbia Rate Case*), Opinion and Order (Dec. 3, 2008), the Commission approved a stipulation that, among other things, expanded Rider IRP to include two additional components: accelerated mains replacement program (AMRP) and automated meter reading devices (AMRD). The purpose of the AMRP was to replace approximately 3,770 miles of bare steel pipe, 280 miles of cast iron/wrought iron pipe, and approximately 360,000 steel service lines over a period of 25 years. The AMRD allows for the recovery of costs for the installation of AMRD on all residential and commercial meters served by Columbia over a five-year period.

{¶ 7} In addition to expanding the scope of Columbia’s Rider IRP, the *Columbia Rate Case* allowed Columbia to recover costs for programs approved in the *DSM Case*. The stipulation approved in the *Columbia Rate Case* provides that the procedure for adjusting Rider DSM be identical to the filing procedure for adjusting Rider IRP. Annually, by November 30, Columbia must file a prefiling notice to implement adjustments to the riders. Subsequently, Columbia must file its application and an update of actual year-end data by the following February 28 of each year. Staff and other parties may then file comments. Columbia has until March 31 of each year to resolve the issues raised in the comments. If the issues raised in the comments are not resolved, the stipulation requires that a hearing be held. The goal is that the proposed amendments to the riders become effective on May 1 of

each year.

{¶ 8} In *In re Columbia Gas of Ohio, Inc.*, Case No. 11-5515-GA-ALT (*IRP Extension Case*), Opinion and Order (Nov. 28, 2012), the Commission approved a stipulation, which, among other things, continued the IRP for an additional five years, for the period January 1, 2013, through December 31, 2017. Subsequently, the Commission approved the continuation of Columbia's IRP for the period of January 1, 2018, through December 31, 2022. *In re Columbia Gas of Ohio, Inc.*, Case No. 16-2422-GA-ALT, Opinion and Order (Jan. 31, 2018).

{¶ 9} Similarly, an extension of Columbia's DSM program was approved by the Commission for the period of January 1, 2017, through December 31, 2022. *In re Columbia Gas of Ohio, Inc.*, Case No. 16-1309-GA-UNC, et al., Opinion and Order (Dec. 21, 2016).

{¶ 10} In *In re Columbia Gas of Ohio, Inc.*, Case No. 18-1701-GA-RDR, Opinion and Order (Apr. 24, 2019), the Commission approved a stipulation recommending that Columbia's previous application to adjust its Rider IRP and Rider DSM rates be accepted and approved. The current rates that the Commission approved are as follows: \$9.38 per month for Small General Service (SGS) customers; \$80.67 per month for General Service (GS) customers; and \$2,441.62 per month for Large General Service (LGS) customers. The current rate that the Commission approved for Rider DSM is \$0.1957 per thousand cubic feet (Mcf).

{¶ 11} In accordance with the provisions of the stipulation in the *Columbia Rate Case*, Columbia filed on November 26, 2019, in the above-captioned case, its notice of intent to file an application to adjust Rider IRP and Rider DSM rates to recover costs incurred during 2019.

{¶ 12} On February 28, 2020, Columbia filed its application to adjust the rates of Rider IRP and Rider DSM. The application is based on a test year beginning January 1, 2019, and ending December 31, 2019, with a date certain of December 31, 2019, for property valuation.

{¶ 13} Also on February 28, 2020, Columbia filed direct testimony in support of its

application. The testimony of Melissa L. Thompson, Director of Regulatory Policy, addresses the reasonableness of Columbia's request for the proposed rate adjustments in Rider IRP. The testimony of Benjamin A. Freiman, employed by Columbia as a Manager of Regulatory Affairs, addresses the reasonableness of Columbia's request for the proposed rate adjustments in Rider IRP, providing a detailed explanation of the schedules filed by Columbia in support of the proposed adjustments. The testimony of Andrew S. Metz, employed by Columbia as a Financial and Analytics Lead, purports to support the reasonableness of Columbia's request for the proposed rate adjustments in Rider DSM. He explains the DSM programs and the schedules that support the proposed adjustments. Eric Slowbe is employed by Columbia as a Principal Engineer. His testimony explains the management, engineering, and construction practices of Columbia as they relate to the various components of Rider IRP included in this filing for the 2019 calendar year. His testimony also addresses Columbia's performance with respect to the AMRP and hazardous service line replacement program. The testimony of Scott Pigg, a consultant hired by Columbia, addresses the shared savings incentive and the reasonableness of Columbia's request for shared savings in its Rider DSM rates.

{¶ 14} By Entry issued March 6, 2020, the attorney examiner set a procedural schedule, ordering Staff and any intervenors to file comments on the application by March 20, 2020. The March 6, 2020 Entry also required that Columbia file a statement by March 27, 2020, informing the Commission whether the issues raised in the comments were resolved. Expert testimony was due to be filed by March 30, 2020. In the event that any issue raised in the comments had not been resolved, the Entry set the hearing in this matter for April 1, 2020.

{¶ 15} The Ohio Consumers' Counsel (OCC), Environmental Law & Policy Center (ELPC), Ohio Partners for Affordable Energy (OPAE), Interstate Gas Supply, Inc. (IGS), and Suburban Natural Gas Company (Suburban) filed timely motions to intervene by March 20, 2020, and intervention for OCC, ELPC, OPAE, IGS, and Suburban was granted by the attorney examiner by Entry issued on April 1, 2020.

{¶ 16} On March 20, 2020, Staff, OCC, and Suburban submitted their respective comments and recommendations in this docket. Comments were not filed by ELPC, IGS, or OPAE.

{¶ 17} On March 26, 2020, Columbia filed a motion to amend the procedural schedule. According to Columbia, the parties requested more time to continue negotiations and proposed continuing the procedural schedule by one week, requesting April 6, 2020, as the deadline for the parties and Staff to file expert testimony; April 7, 2020, at 10:00 a.m., as the deadline for those parties that enter into a stipulation resolving some or all of the issues in the case to file the stipulation with the Commission; and April 8, 2020, as the date the hearing shall commence.

{¶ 18} By Entry issued on March 30, 2020, the attorney examiner granted the motion, in part, and denied the motion, in part. The attorney examiner granted relief from the already established procedural schedule and set April 6, 2020, as the deadline for the parties and Staff to file expert testimony and April 7, 2020, by 10:00 a.m. as the deadline for parties to file a stipulation, if applicable. However, in light of Governor DeWine's Executive Order 2020-01D issued on March 9, 2020, declaring a state of emergency in response to the respiratory disease COVID-19 and the Director of the Ohio Department of Health's March 22, 2020 Stay at Home Order, the attorney examiner found that an in-person hearing should not be held on April 8, 2020, and that the need for a hearing, and the timing of that hearing, would be addressed at a later time.

{¶ 19} On March 31, 2020, Columbia filed a motion to bifurcate the proceeding and to amend the procedural schedule. First, Columbia noted that no parties opposed the proposed Rider IRP rates in the filed comments, and Staff recommended approval of the Rider IRP rates. Columbia recommended that the Commission approve Columbia's proposed Rider IRP rates to allow Columbia to implement these rates by unit 1 of May 2020 billing.

{¶ 20} Furthermore, Columbia requested a modification of the procedural schedule to address the Rider DSM adjustment and other Rider DSM programmatic issues raised by the intervenors in this proceeding. Columbia set forth the proposed procedural schedule: April 20, 2020, as the deadline for parties and Staff to file expert testimony and all other evidence; and May 4, 2020, as the deadline for Columbia, parties, and Staff to file briefs. Columbia indicated that all parties to the proceeding agreed to no additional discovery in this case, to waive cross-examination of witnesses, and to waive the right to file motions to strike expert testimony filed on April 20, 2020. Columbia stated that the process described above would allow the case to proceed without an in-person hearing, consistent with directives issued in response to the COVID-19 emergency, while still respecting the parties' due process rights. According to Columbia, if the Commission adopted the proposed procedural schedule, all parties agreed that Columbia's current Rider DSM rate of \$0.1957 per Mcf would remain in place until the Commission issued its finding and order concerning the Rider DSM rate, at which point Columbia will reflect in its rider reconciliation in next year's filing the over or under collection due to the delay in implementing the Commission-approved rate.

{¶ 21} By Entry issued on April 1, 2020, the attorney examiner granted Columbia's motion to bifurcate the proceeding and to amend the procedural schedule. The attorney examiner indicated that a decision regarding Rider IRP rates would proceed to the Commission. The attorney examiner also acknowledged that the parties agreed that Columbia's current Rider DSM rate of \$0.1957 per Mcf would remain in place until the Commission has considered the testimony and briefs to be filed and issues a separate decision concerning the Rider DSM rate. Further, the attorney examiner adopted the following procedural schedule regarding Rider DSM: April 20, 2020, as the deadline for parties and Staff to file expert testimony and all other evidence; and May 4, 2020, as the deadline for Columbia, parties, and Staff to file briefs.

{¶ 22} Pursuant to the April 1, 2020 Entry, this Finding and Order addresses Columbia's application for adjustment to its Rider IRP rates. Moreover, recommendations

filed by the parties that center on issues surrounding Rider DSM will be addressed in the Commission's subsequent order regarding Rider DSM.

**B. Summary of Staff's Comments on Rider IRP**

{¶ 23} On March 20, 2020, Staff filed its comments and recommendations, in which it recommended that the Commission approve Columbia's IRP application. Staff believes that Columbia has supported its application with adequate data and information to ensure that the IRP revenue requirement and resulting rider rates are just and reasonable; however, Staff recommends that, due to the timing of the February 28, 2020 filing, Staff audit the actual IRP expenditures for October through December of 2019 during the 2020 annual audit. Staff also notes that Staff and Columbia discovered an error in the 2018 fourth quarter AMRP cost of removal for service lines, resulting in an overstatement of \$36,690 in the revenue requirement in Case Number 18-1701-GA-RDR, Columbia's previous application. According to Staff, Columbia corrected the calculation by including an adjusted revenue reconciliation in the 2019 filing, which Staff has reviewed and accepts. Furthermore, Staff notes that it has reviewed Columbia's application to ensure the impacts of the Tax Cuts and Jobs Act of 2017 (TCJA), including the amortization and subsequent refund to customers of excess deferred income taxes, have been correctly reflected in the calculation of the revenue requirement.

{¶ 24} Staff points out in its comments that, in the *IRP Extension Case*, the scope of the AMRP was clarified to include interspersed non-priority mains, first generation plastic mains, and ineffectively coated steel mains. Staff notes that Columbia included in its application the costs of retiring these portions of non-priority pipe in conjunction with its infrastructure replacement projects. Staff further notes that, in 2019, Columbia completed 294 AMRP projects involving the replacement of priority and non-priority pipe, with these projects representing 869,356 feet of steel pipe, 46,922 feet of iron pipe, 132,282 feet of plastic pipe, 138,402 feet of pre-1955 ineffectively coated steel pipe, and 53,954 feet of post-1954 coated steel pipe. In addition, Staff states that Columbia reported that it replaced 6,160 hazardous service lines. According to Staff, Columbia completed AMRD deployment

throughout its system in 2013 and replacement of all previously identified prone-to-fail risers in June 2011. Staff notes that Columbia will continue to include expenses, such as depreciation and taxes, in future applications to adjust Rider IRP until the risers are included in Columbia's base rates. (Staff Comments at 7-8.)

{¶ 25} In its comments, Staff notes that Columbia uses a competitive bidding process for work associated with its AMRP projects. Staff confirmed that none of the contractors selected by Columbia were affiliated with Columbia. Staff notes that, in its bid packages, Columbia expresses a preference for the use of Ohio labor as long as no negative effects in terms of price and work quality exist. According to Staff, Columbia reported that, in 2019, approximately 94 percent of the contractor labor force for AMRP projects was from Ohio. (Staff Comments at 8-9.)

{¶ 26} Staff reports that Columbia proposes a revenue requirement of \$193,022,072 for the AMRP, \$47,064,325 for the risers, and \$4,640,159 for the AMRD program, with a combined IRP revenue requirement of \$244,726,557. Staff further notes that, as applied to the applicable rate classes, the total IRP rider rates to take effect in May 2020 would be as summarized below, with comparisons to the current rates:

Customer Class	Current Monthly IRP Rate	Proposed Monthly IRP Rate	Proposed Difference
SGS	\$9.38	\$10.91	\$1.53
GS	\$80.67	\$93.91	\$13.24
LGS	\$2,441.62	\$2,984.08	\$542.46

Staff states that the proposed monthly IRP rate of \$10.91 for SGS customers is below the \$12.50 per month cap established by the approved stipulation in Case No. 16-2422-GA-ALT, primarily as a result of the TCJA. (Staff Comments at 9-10.)



### III. COMMISSION CONCLUSION

{¶ 27} No parties filed comments opposing the approval of Columbia's application for adjustment to its Rider IRP rates. Only Staff's comments addressed Columbia's Rider IRP rates, and Staff recommended approval of the adjusted rates while also recommending that actual 2019 fourth quarter data be audited in the next annual filing. Upon consideration of the application, testimony, and comments regarding Rider IRP rates, the Commission finds that Columbia's application to adjust its Rider IRP rates is reasonable and should be approved, subject to Staff's recommendation regarding actual 2019 fourth quarter data being audited in Columbia's next annual filing. Furthermore, the Commission acknowledges the parties' assent to keeping Columbia's Rider DSM rate of \$0.1957 per Mcf in place until the Commission has considered the testimony and briefs to be filed and issues a separate decision concerning the Rider DSM rate.

### IV. ORDER

{¶ 28} It is, therefore,

{¶ 29} ORDERED, That Columbia's application to adjust its Rider IRP rates be approved, subject to Staff's recommendation. It is, further,

{¶ 30} ORDERED, That Columbia be authorized to file the tariff, in final form, consistent with this Finding and Order. Columbia shall file one copy in this case docket and one copy in its TRF docket. It is, further,

{¶ 31} ORDERED, That the effective date of the new tariff shall be a date not earlier than the date upon which the final tariff pages are filed with the Commission. It is, further,

{¶ 32} ORDERED, That Columbia notify its customers of the changes to the tariff via bill message or bill insert within 30 days of the effective date of the revised tariff. 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,

{¶ 33} 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,

{¶ 34} 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

MJS/kck

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**Case No(s). 19-1940-GA-RDR**

Summary: Finding & Order approving Columbia Gas of Ohio, Inc.'s application to adjust its infrastructure replacement program rider, subject to Staff's recommendation and ordering the current demand side management rider rate will remain in effect until the Commission has considered the testimony and briefs to be filed by the parties and issues a separate decision concerning the demand side management rider rate electronically filed by Heather A Chilcote on behalf of Public Utilities Commission of Ohio