

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of The East Ohio Gas Company)
d/b/a Dominion Energy Ohio for Approval of) Case No. 19-0468-GA-ALT
an Alternative Form of Regulation.)

**OBJECTIONS TO THE STAFF REPORT OF THE EAST OHIO GAS
COMPANY D/B/A DOMINION ENERGY OHIO**

In accordance with the Commission's May 27, 2020 Entry in this proceeding and Ohio Adm.Code 4901:1-19-07(F), The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or the Company) hereby submits its Objections to the Staff Report. DEO's lack of objection to any adjustment or treatment recommended in the Staff Report should not be construed as indicating DEO's support for such adjustment or treatment. Any dollar amounts specified within any objections are preliminary, presented for informational purposes only, and based on currently available information; DEO reserves the right to update such dollar amounts, including insofar as they may be dependent on how other issues or objections are resolved.

OBJECTIONS TO STAFF REPORT

I. PLANT AUDIT

Objection No. 1: Revenue Requirement. The Staff Report indicates that Staff fully adopts the Plant in Service and Capital Spending Audit (Plant Audit), which was submitted in this proceeding on April 27, 2020 and prepared by Blue Ridge Consulting Services, Inc. (Blue Ridge). DEO does not object to the Blue Ridge recommended CEP Revenue Requirement, through December 31, 2018, as shown in Appendix E, Exhibit I, Schedule 2 of the Plant Audit. The Staff Report does not identify a Revenue Requirement for DEO's proposed Capital Expenditure Program (CEP) Rider. DEO's understanding, however, is that Staff, by fully adopting the Plant Audit, adopts the Blue Ridge recommended CEP Revenue Requirement. To

confirm its understanding of the Staff Report's recommendations, DEO has incorporated the Blue Ridge recommended CEP Revenue Requirement into the schedule included in Attachment A to these objections, and DEO objects only to the extent this revenue requirement is not incorporated into or adopted by the Staff Report.

Objection No. 2: Net Plant in Service. The Staff Report states that it has revised CEP net plant balances, as of December 31, 2018, based on the Blue Ridge Plant Audit. (Staff Rep. at 8.) DEO objects to the net plant balances in the Staff Report, to the extent that these balances do not accurately reflect the balances recommended in the Blue Ridge Plant Audit. The schedule in Attachment A to these objections presents the Blue Ridge recommended net plant balances.

Objection No. 3: Next Base Rate Case. The Staff Report recommends that DEO revise net plant balances for the Company's next base rate case to reflect Commission-approved ratemaking adjustments from DEO's last base rate case. (Staff Rep. at 8.) DEO objects to this recommendation. As indicated in Blue Ridge Plant Audit, "Blue Ridge is not recommending the adjustments to the December 31, 2018 balance, but rather recommends that they be considered in the Company's next base rate case to ascertain their rolled forward impact and relevance at that time." (See App. D.) DEO does not have an objection to Blue Ridge's recommendation to consider the adjustments identified in Appendix D to the Plant Audit in the Company's next base rate case but it would be premature to make the adjustments at this time.

II. FINANCIAL REVIEW AND EARNINGS IMPACT

Objection No. 4: Monitor Measures of Profitability. The Staff Report recommends that "it would be prudent to monitor measures of profitability of companies that have been granted deferrals to determine if immediate regulatory recovery is necessary." (Staff Rep. at 8.) DEO recognizes Staff's prerogative to evaluate and monitor issues of this nature. DEO objects,

however, to the extent the approval of its Application or future recovery under the CEP Rider is conditioned upon such financial monitoring or profitability measures. Such monitoring is neither required by Ohio law nor set forth as a condition of deferral or recovery under R.C. 4929.111.

III. INCREASED CAPITAL SPENDING

Objection No. 5: Annual Caps. Staff recommends that DEO work with Staff to identify “reasonable and meaningful annual caps (spending, revenue requirement, rate, etc.) in order to keep costs under control and to ensure rate payers are not burdened with excessive and unnecessary plant investments.” (Staff Rep. at 8.) Although DEO is willing to discuss this issue with Staff, DEO objects to the extent the Staff Report assumes that it is necessary to impose caps on the CEP Rider. Although DEO has accepted caps on CEP deferrals in prior proceedings, Ohio law does not impose caps on CEP rider mechanisms and it not appropriate to require them as a condition of approval. Moreover, DEO’s Application proposes that the CEP Rider “shall be updated annually and to reflect CEP expenditures during the most recent calendar year.” (Original Sheet No. CEP 1, Ex. F to App.) In addition, the proposed CEP Rider “is subject to reconciliation or adjustment, including, but not limited to, increases or refunds. Such reconciliation or adjustment shall be limited to: (1) the twelve-month period of expenditures upon which the rates were calculated, if determined to be unlawful, unreasonable, or imprudent by the Commission in the docket in which those rates were approved....” The annual CEP update filings, thus, already provide the opportunity for the Commission, Staff, and other interested parties to regularly review the reasonableness and prudence of DEO’s CEP costs.

IV. RATES AND TARIFFS

Objection No. 6: Initial CEP Rates. Staff recommends that the initial CEP Rider rates should be fixed rates, and recommends initial rates reflecting modifications to reflect Blue Ridge

adjustments. (Staff Rep. at 9.) DEO does not object to the establishment of a fixed initial rate. DEO objects, however, to the recommended initial CEP Rider rates in the Staff Report to the extent that these rates do not reflect the Blue Ridge recommended CEP Revenue Requirement. The schedule in Attachment A to these objections presents initial CEP Rider rates based on the Blue Ridge recommended CEP Revenue Requirement.

Objection No. 7: Fixed Rate Caps. Staff recommends that the CEP Rider should be “set to increase by a fixed cap rate for each future year until 2024 or when the company files its next rate case.” (Staff Rep. at 10.) Staff recommends that the fixed cap rate “should be no greater than \$1.00 per year for residential customers.” In addition to its Objection No. 5, which is incorporated here, DEO objects to the proposed fixed cap rate of “no greater than \$1.00 per year for residential customers” on the basis it is not required by law and may be inadequate to permit recovery of just and reasonable CEP-related costs. In addition, for the reasons identified in Objection No. 10, DEO objects to approval of the CEP Rider being conditioned upon a specific expiration date or sunset provision that is not required by Ohio law.

Objection No. 8: Audit of Assets. The Staff Report recommends, “If a Commission Order is issued prior to 2021, the first-year filing in 2021 will cover audit of assets for 2019 and 2020. Thereafter, the Company will file an annual review. If a commission order is issued later, the Company should confer with staff to establish the best time for the first filing.” (Staff Rep. at 10.) DEO does not object in principle to the recommendation for a regular review process, to the recommendation that 2019 and 2020 assets be evaluated at the same time, or to the recommendation to confer with Staff on timing. DEO does object: (a) to the extent that any recommended audit would be inconsistent with DEO’s recommended procedures or timely review and recovery; (b) to the extent that the scope of such audit is not consistent with R.C.

4929.111 or other applicable law; and (c) to the extent any recommendation would foreclose future discussions and agreement regarding the timing and other details applicable to future reviews (e.g., if an order is not issued prior to 2021).

Objection No. 9: Timing of Annual Filing. Staff recommends the Company file in its annual updates May 1 with rates going into effect November 1. (Staff Rep. at 10.) DEO's Application had requested the Company file its annual updates March 1 with rates going into effect September 1. Although DEO does not object in principle to adjusting the timing of its annual filings and the effective date of its rates, DEO objects to this recommendation to ensure that DEO understands Staff's considerations and to preserve the right to further evaluate timing and related procedural issues with Staff.

Objection No. 10: Expiration of CEP Rider. Staff recommends that "the CEP Rider cease on December 31, 2024, unless the Company files a base rate application in 2024." (Staff Rep. at 10.) DEO objects to approval and continuation of the CEP Rider being conditioned upon the filing of a base rate case by a certain date. To the extent a base rate case commitment is required, DEO objects to the extent such commitment does not provide that deferrals and annual updates to the CEP Rider may continue while such base rate case is under review.

Dated: June 10, 2020

Respectfully submitted,

/s/ Christopher T. Kennedy

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CERTIFICATE OF SERVICE

I hereby certify that a courtesy copy of the foregoing pleading was served by electronic mail upon the following individuals on June 10, 2020:

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THE EAST OHIO GAS COMPANY d/b/a DOMINION ENERGY OHIO
Case No. 19-0468-GA-ALT
Capital Expenditure Program (CEP) Rider

	<u>As-Filed</u>	<u>Blue Ridge</u> <u>Adjustments</u>	<u>Adjusted</u>
<u>Rate Base</u>			
Plant in Service	\$ 614,793,531	\$ (1,898,489)	\$ 612,895,042
Less: Accumulated Provision for Depreciation	(35,843,592)	(376,064)	(36,219,656)
Net Capital Additions	\$ 650,637,123	\$ (1,522,425)	\$ 649,114,698
Depreciation Offset	(310,120,037)	-	(310,120,037)
Net Capital Additions Less Depreciation Offset	\$ 340,517,086	\$ (1,522,425)	\$ 338,994,661
Regulatory Deferrals	204,276,235	(181,507)	204,094,728
Accumulated Deferred Income Tax (ADIT)	(85,505,756)	841,765	(84,663,991)
Rate Base	\$ 459,287,565	\$ (862,167)	\$ 458,425,398
Pre-Tax Rate of Return	9.91%	0.00%	9.91%
Annualized Return on Rate Base	\$ 45,515,398	\$ (85,441)	\$ 45,429,957
<u>Operating Expenses</u>			
Annualized Depreciation Expense	\$ 22,129,022	\$ (111,455)	\$ 22,017,567
Annualized Property Tax Expense	8,512,431	(36,443)	8,475,988
Amortization of Deferred PISCC	3,661,933	(3,276)	3,658,658
Amortization of Deferred Depreciation Expense	2,390,527	(12,448)	2,378,079
Amortization of Deferred Property Tax Expense	709,083	9,715	718,799
Total Operating Expenses	\$ 37,402,996	\$ (153,906)	\$ 37,249,090
Total Revenue Requirement	\$ 82,918,394	\$ (239,347)	\$ 82,679,047
<u>Impact per Bill/Mcf</u>			
GSS/ECTS - Residential (per bill)	\$ 3.89	\$ (0.01)	\$ 3.88
GSS/ECTS - Non Residential (per bill)	\$ 11.06	\$ (0.03)	\$ 11.03
LVGSS/LVECTS (per bill)	\$ 51.64	\$ (0.15)	\$ 51.49
GTS/TSS (per bill)	\$ 447.70	\$ (1.29)	\$ 446.41
DTS (per Mcf)	\$ 0.0475	\$ (0.0002)	\$ 0.0473
FSS (per Mcf)	\$ 0.1269	\$ (0.0003)	\$ 0.1266

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

Summary: Objection Objections electronically filed by Christopher T Kennedy on behalf of The East Ohio Gas Company d/b/a Dominion Energy Ohio