

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
COLUMBIA GAS OF OHIO, INC. FOR
APPROVAL TO CHANGE ACCOUNTING
METHODS.

CASE NO. 20-1104-GA-AAM

FINDING AND ORDER

Entered in the Journal on July 15, 2020

I. SUMMARY

{¶ 1} The Commission grants the application of Columbia Gas of Ohio, Inc. to establish a regulatory asset and defer, for accounting purposes, the expenditures incurred and revenues lost related to the COVID-19 emergency, consistent with Staff's recommendations, and this Finding and Order.

II. DISCUSSION

A. *Applicable Law and Procedural History*

{¶ 2} Columbia Gas of Ohio, Inc. (Columbia or Company) is a natural gas company and a public utility, as defined in R.C. 4905.03 and 4905.02, respectively. As such, Columbia 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 (FERC), 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} On March 9, 2020, the governor signed Executive Order 2020-01D (Executive Order), declaring a state of emergency in Ohio to protect the well-being of Ohioans from the dangerous effects of COVID-19. As described in the Executive Order, state agencies are required to implement procedures consistent with recommendations from the Department of Health to prevent or alleviate the public health threat associated with COVID-19. Additionally, all citizens are urged to heed the advice of the Department of Health regarding this public health emergency in order to protect their health and safety. The Executive Order was effective immediately and will remain in effect until the COVID-19 emergency no longer exists. The Department of Health is making COVID-19 information, including information on preventative measures, available via the internet at coronavirus.ohio.gov/.

{¶ 5} Pursuant to R.C. 3701.13, the Ohio Department of Health has supervision of “all matters relating to the preservation of the life and health of the people” and the “ultimate authority in matters of quarantine and isolation.” On March 12, 2020, the Director of the Ohio Department of Health issued an Order indicating that “all persons are urged to maintain social distancing (approximately six feet away from other people) whenever possible.” On March 22, 2020, and as amended on April 2, 2020, the Director of the Ohio Department of Health issued an Order directing that from March 23, 2020, until May 1, 2020, with certain outlined exceptions, “all individuals currently living within the State of Ohio are ordered to stay at home or at their place of residence except as allowed in [the] Order. * * * All persons may leave their homes or place of residence only for Essential Activities, Essential Governmental Functions, or to participate in Essential Businesses and Operations,” as defined in the Order.

{¶ 6} On March 12, 2020, the Commission initiated Case No. 20-591-AU-UNC and directed all utility companies in this state to review their disconnection procedures in light of the state of emergency. *In re the Proper Procedures and Process for the Commission's Operations and Proceedings During the Declared State of Emergency and Related Matters*, Case No. 20-591-AU-UNC (*Emergency Case*), Entry (Mar. 12, 2020) at ¶ 7. On March 13, 2020, the Commission extended its winter reconnection order through May 1, 2020, and directed all

utility companies in this state to review their reconnection procedures. *Emergency Case*, Entry (Mar. 13, 2020) at ¶ 6. In the March 12, 2020, and March 13, 2020 Entries, the Commission also directed all utility companies to promptly seek any necessary approval, for the duration of the emergency, to suspend otherwise applicable disconnection or reconnection requirements that may impose a service continuity or service restoration hardship on residential and non-residential customers or create unnecessary COVID-19 risks associated with social contact. The Commission determined that such filings shall be deemed approved on an emergency basis for a period of at least 30 days effective as of the filing date or until such date as the Commission may otherwise specify, which shall not be less than 30 days.

{¶ 7} On March 18, 2020, in Case No. 20-637-GA-UNC, Columbia filed a motion to suspend certain provisions of the Ohio Administrative Code and the corresponding provisions of its tariff, to avoid otherwise applicable disconnection or reconnection requirements that may impose a service continuity hardship on customers and to avoid unnecessary social contact between Columbia personnel, Columbia customers, contractors, and the general public. By Finding and Order issued May 20, 2020, the Commission granted, in part, Columbia's motion for waiver during the COVID-19 emergency, consistent with the Staff's recommendations and modifications, and the Finding and Order. As part of the Finding and Order, the Commission also directed Columbia to track the costs associated with the emergency in a separate FERC account, as well as to track any costs the Company avoids due to the emergency in the event that Columbia subsequently elects to seek deferral authority or to request recovery of expenses. *In re Columbia Gas of Ohio, Inc.*, Case No. 20-637-GA-UNC (*Columbia Emergency Case*), Finding and Order (May 20, 2020) at ¶ 44.

{¶ 8} On May 29, 2020, in the above-captioned case, Columbia filed an application seeking authority to establish a regulatory asset and defer, for accounting purposes, the expenditures incurred and revenues lost as a result of the COVID-19 emergency.

{¶ 9} On June 10, 2020, Ohio Consumers' Counsel (OCC) filed a motion to intervene, which was granted by Entry dated July 2, 2020.

{¶ 10} Also, on June 10, 2020, Staff filed its review and recommendation of Columbia's application.

{¶ 11} Pursuant to the procedural schedule established in this case, motions to intervene and comments were due by no later than July 9, 2020.

{¶ 12} On July 9, 2020, comments were filed by OCC.

B. Summary of Columbia's Application

{¶ 13} In its application, Columbia states that, as a result of the pandemic, the Company has been and will continue to incur costs that are not reflected in its current rates including, but not limited to: (1) information technology (IT)-related modifications for Percentage of Income Payment Plan Plus (PIPP) eligibility; (2) foregone revenue from late payment fees; (3) bad debt expense resulting from the write-off of customers served under the Company's Large General Service, Large General Transportation Service, and Full Requirements Large General Transportation Service rate schedules;¹ (4) incremental operational costs to protect the health and safety of employees and customers; (5) special cleaning and personal protective equipment (PPE) costs; and (6) increased expenses related to resuming, and catching up to, work or other activities as compared to the ordinary costs to perform those functions. Columbia states that the Company began incurring these costs in March and, under normal accounting practice, Columbia must record these costs on its income statement as they are incurred and before they will be recovered in rates. Columbia submits that the impact of these extraordinary costs and revenues can only be avoided through the deferral of these incremental expenses and lost revenues as a regulatory asset.

¹ Columbia states that bad debt expense for customers served under the Company's Small General Service and General Service rate schedules, and the affiliated transportation and full requirements rate schedules, will be recovered through Columbia's Uncollectible Expense Rider.

{¶ 14} Columbia proposes to defer recognition of these operation and maintenance expenditures incurred since March 1, 2020, on its income statement until recovery is authorized by the Commission and to record these costs as a regulatory asset on its balance sheet to be recorded later on its income statement after a rate determination has been made by the Commission. Columbia acknowledges that Commission approval is required for the requested deferral accounting treatment for Columbia to be able to defer such expenditures under Generally Accepted Accounting Principles. Further, according to Columbia, Accounting Standards Board Accounting Standards Codification 980, Regulated Operations 980-605, authorizes incurred revenue losses to be deferred as a regulatory asset based on the probability of recovery where a mechanism is available that permits the probability of future recovery within 24 months of the deferred lost revenue being recognized. Accordingly, in regard to deferred late payment fee revenues, Columbia proposes recovery of such fees by December 31, 2022. Consistent with the Commission's directive in its May 20, 2020 Finding and Order in the *Columbia Emergency Case*, Columbia will record the expenses described in this application on its balance sheet in Account 182 and track any costs avoided due to the emergency where expenses and avoided cost will remain until a Commission determination is made as to recoverability.

C. Summary of Staff Review and Recommendations

{¶ 15} In its report, Staff states that it has reviewed Columbia's deferral application based on the six criteria it uses to evaluate requests for deferral authority, while acknowledging the unique circumstances facing Columbia in responding to the pandemic:

- (a) *Is the current level of costs included in the Company's last rate case insufficient?* Staff states that the costs included in the rates are insufficient. Although the exact amount of the deferral is unknown, Staff avers that many of the expenses incurred in response to and as part of Columbia's emergency plan are above and beyond the amount included in Columbia's base rates and, therefore, insufficient. However, Staff posits that some expenses

incurred in implementing Columbia's emergency plan may represent costs currently collected in rates, and thus not incremental to rates. For example, Staff explains that an IT employee (whose labor cost is fully recovered in base rates) may work on implementing the necessary IT changes to suspend PIPP eligibility requirements as part of the emergency plan. Although this is new work directly attributable to Columbia's emergency plan, deferring this cost would result in double-recovery of the employee's labor expense. Notwithstanding the potential issue of double-recovery, Staff believes that a significant portion of the costs incurred as part of the emergency plan will be incremental to base rates. Nonetheless, Staff states that it must perform its due diligence to ensure double-recovery does not occur as a result of the deferral while simultaneously avoiding any hindrance to the implementation of the emergency plan.

- (b) *Are the costs requested to be deferred material in nature?* Staff states that, although it cannot determine, at this time, whether the costs are material in nature, there is a reasonably probable chance that the total costs will end up being material. Staff believes that the combined effects of the increased expenses and foregone revenue will most likely result in a material impact to Columbia.
- (c) *Is the problem outside of the Company's control?* Staff states that the COVID-19 pandemic is not within Columbia's control and Columbia's implementation of its emergency plan represents the actions the Company can control in response to the pandemic. Staff ensures that it will review the expenses to verify they are prudent and incremental in nature and that the foregone revenue is appropriate for recovery at the time recovery is sought.

- (d) *Are the expenditures atypical and infrequent?* Staff states that pandemics of this scale are an exceedingly rare occurrence and, therefore, Staff finds Columbia's incurred expenses and foregone revenues in association with COVID-19 are atypical and infrequent.
- (e) *Would the costs result in financial harm to the Company?* Staff states that, although it cannot determine, at this time, whether Columbia will be financially harmed, there is a realistic chance that the Company would experience such harm if its deferral request is denied.
- (f) *Could the Commission encourage the utility to do something that it would not otherwise do by granting the deferral authority?* Staff notes that the costs incurred and revenue foregone are, in part, a result of Columbia's voluntary actions in response to COVID-19. Staff avers that granting this deferral request will encourage the utility to continue taking proactive steps to provide relief to customers in response to a future emergency.

{¶ 16} Based on Staff's analysis and evaluation of Columbia's application and the six criteria, Staff recommends that deferral authority be granted for both incremental costs that result from Columbia's COVID-19 response and foregone revenues associated with late payment fees. Further, Staff recommends recovery of any deferred revenues in compliance with Accounting Standards Codification 980-605. Staff also requests that the Commission emphasize that recovery is not guaranteed until the deferred amounts have been reviewed and addressed in appropriate future proceedings, in which the question of recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, reasonableness, and any potential double-recovery, will be considered.

D. Summary of OCC's Comments

{¶ 17} OCC argues that Columbia has failed to meet its burden to demonstrate that its application satisfies the six-part test to be granted authority to defer expenses and foregone revenue or even to acknowledge the six-part test exists, as the Staff concedes in the Staff Report. Further, despite Staff's recommendations otherwise, OCC states Staff was unable to conclude that Columbia met its burden to demonstrate compliance with the standard for deferral authority. Accordingly, OCC advocates that the application be denied.

{¶ 18} However, while OCC advocates that Columbia's application be denied, in the event that the Commission approves the request for deferral authority, OCC requests that the Commission implement certain consumer protections. OCC argues that late payment charges be excluded from foregone revenue on the basis that Ohio law does not guarantee the utility a particular level of revenues; Ohio utilities are afforded the opportunity to earn a fair and reasonable rate of return on their investment, absent any expressed statutory authority otherwise, in return for providing safe and reliable service. OCC states that Columbia did not make a claim that there is express authority for the Company to collect lost revenues related to foregone late payment charges. OCC notes that the Indiana Commission has recently denied such requests and urges this Commission to do the same. *Petition of Indiana Office of Utility Consumer Counselor for Generic Investigation into COVID-19 Impacts to be Conducted over Two Phases; Emergency Relief Pursuant to IND. Code § 8-1-2-1133 to Relieve Indiana Ratepayers of the Threat of Utility Service Disconnection and Payment Arrearages During Global Health and Economic Crisis*, IURC Cause No. 45380, Phase 1 and Interim Emergency Order of the Commission at 8-9 (June 29, 2020). However, if this Commission should determine otherwise, OCC first recommends that the Commission direct Columbia to track, in addition to the costs avoided during the emergency, the revenues it collects from consumers during the emergency. OCC reasons such revenues could offset the claimed foregone revenues from late payment fees and is consistent with the Commission's order to track avoided expenses during the emergency to be used to offset increased expenses. *Columbia Emergency Case*, Finding and Order (May 20, 2020) at ¶ 44. Second, OCC

recommends that the Commission ensure that Columbia has reduced its discretionary expenses to minimize the cost impact to consumers as opposed to the Company following a business as usual approach to managing costs. Third, OCC advocates that the Commission examine the earnings of Columbia during the declared emergency, as it would not be just and reasonable to require consumers to guarantee foregone revenues where the utility's earnings are sound and not impacting the utility's ability to provide safe and reliable service. According to OCC, consumers and shareholders alike should share the costs of the pandemic. Fourth, OCC requests that Columbia be required to file with the Commission quarterly cost tracking reports, with clear and defined cost categories, in response to the pandemic. Finally, OCC declares that Columbia should not be permitted to collect carrying charges; however, if carrying charges are approved on the deferred regulatory asset, it should be limited to the cost of short-term debt.

{¶ 19} OCC notes that, as part of its deferral application, Columbia did not provide any financial information and, therefore, Columbia failed to meet the condition precedent, as set forth in the *Columbia Emergency Case*, to track the costs associated with this emergency in a separate FERC account, as well as to track any cost the Company avoids due to the emergency. *Columbia Emergency Case*, Finding and Order (May 20, 2020) at ¶ 44. OCC recommends that the Commission require Columbia to comply with this condition before it authorizes the deferral of expenses. Further, OCC states that Staff and intervening parties should be permitted to challenge the line items Columbia seeks to recover; how Columbia is tracking information; the double-recovery of items; claims of losses due to the emergency; and items which are not being tracked by Columbia but should be tracked. In conclusion, OCC argues it is incumbent upon Columbia to demonstrate that it has met the standards to defer and collect expenses and to properly account for expenses and foregone revenues.

E. Commission Conclusion

{¶ 20} Although we acknowledge the concerns raised by Staff and OCC, we find that Staff has offered a reasonable approach to Columbia's request for deferral authority. Consequently, as recommended by Staff, the Commission grants deferral authority for both

expenses and foregone revenues. To be clear, we do not authorize carrying charges on the deferral. The Commission again directs Columbia to track any costs that it avoids due to the emergency. Finally, we emphasize that recovery is not guaranteed until the deferred amounts have been reviewed and addressed in an appropriate future proceeding, in which the question of recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, reasonableness, and any potential double-recovery, will be fully considered by the Commission. We believe that the aforementioned directives adequately cover the issues and concerns raised by OCC in its comments.

{¶ 21} Upon thorough review of Columbia's application, Staff's recommendations, and OCC's comments, the Commission finds that the application is reasonable and should be approved, subject to Staff's recommendations, and consistent with this Finding and Order.

III. ORDER

{¶ 22} It is, therefore,

{¶ 23} ORDERED, That Columbia's application be approved, subject to Staff's recommendations, and consistent with this Finding and Order. It is, further,

{¶ 24} ORDERED, That Columbia take all necessary steps to carry out the terms of this Finding and Order. It is, further,

{¶ 25} ORDERED, That a copy of this Finding and Order be served upon all interested persons and parties 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). 20-1104-GA-AAM

Summary: Finding & Order granting the application of Columbia Gas of Ohio, Inc. to establish a regulatory asset and defer, for accounting purposes, the expenditures incurred and revenues lost related to the COVID-19 emergency, consistent with Staff's recommendations, and this Finding and Order. electronically filed by Kelli C King on behalf of The Public Utilities Commission of Ohio