

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
The East Ohio Gas Company d/b/a	)	Case No. 20-1634-GA-ALT
Dominion Energy Ohio for Approval of an	)	
Alternative Form of Regulation	)	

**APPLICATION FOR APPROVAL OF AN ALTERNATIVE RATE PLAN**

In accordance with R.C. 4929.05, R.C. 4929.051(B), R.C. 4929.11, and R.C. 4909.18, The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or the Company) respectfully requests that the Commission approve this application for the continuation of an alternative rate plan to implement the Pipeline Infrastructure Replacement (PIR) Program last approved in Case No. 15-362-GA-ALT. In support of its application, DEO states as follows:

1. DEO is an Ohio corporation engaged in the business of providing natural gas service to customers in Ohio and, as such, is a “natural gas company” as defined by R.C. 4905.03(A)(5), and a “public utility” as defined by R.C. 4905.02.

2. *Background to PIR Program and PIR Cost Recovery Charge.* On February 22, 2008, DEO filed its initial application to establish a PIR Cost Recovery Charge to recover certain costs associated with a proposed accelerated pipeline replacement program via an automatic adjustment mechanism pursuant to R.C. 4929.11 in Case No. 08-169-GA-UNC. This application reflected the Company’s recognition that significant capital investment was needed to modernize and protect the integrity of DEO’s pipeline system and launched a multi-decade effort to replace its aged infrastructure. In broad terms, the PIR Program involves the replacement over an accelerated time frame of more than 4,100 miles of DEO’s bare steel, cast iron, wrought iron and copper pipelines, as well as over 1,450 miles of older vintage field-coated pipelines where the coating is no longer effective in preventing corrosion. In an entry on rehearing dated May 28,

2008, the Commission determined that the automatic adjustment mechanism proposed by DEO in the PIR case should be treated as an alternative rate plan and considered under the provisions of R.C. 4929.05. DEO's application was consolidated with Case No. 07-829-GA-AIR, and the Commission approved DEO's use of a mechanism to recover costs associated with the PIR Program. *See* 07-829 Order at 9–10. The Order contemplated periodic filings of applications and adjustments of the rate for the PIR Cost Recovery Charge. *See id.*

3. The PIR Program and PIR Cost Recovery Charge were then modified in Case No. 11-2401-GA-ALT. On August 3, 2011, the Commission approved a Stipulation and Recommendation that approved several modifications to the program in which it: specified the treatment of certain ineffectively-coated pipe; addressed the recovery of costs related to meter relocations, government relocations, system improvements, regulating stations, and main-to-curb service lines; transitioned from a fiscal- to calendar-year-based program; provided for reconciliation adjustments; adjusted the rate-increase limits applicable to the PIR Cost Recovery Charge; and modified the crediting of operating and maintenance (O&M) expense savings. The Commission also approved the continuation of the PIR Program for an additional five-year term. In approving the Stipulation, the Commission found that “the stipulation benefits ratepayers and is in the public interest as it will accelerate DEO's PIR program, produce leak repair savings over time, increase the rate of infrastructure replacement in order to maintain system reliability, and better ensure public safety at substantial economic benefit to its customers.” 11-2041 Order (Aug. 3, 2011) at 9.

4. In Case No. 15-362-GA-ALT, the Company requested authority to continue the PIR Program for another five year period that would cover investment years 2017 through 2021. DEO proposed significantly increasing program investment by \$20 million in both 2017 and

2018, followed by smaller increases of three percent per year for 2019, 2020, and 2021. On September 14, 2016, the Commission approved a Stipulation and Recommendation that adopted these investment levels, among other provisions. In approving the Stipulation, the Commission “emphasize[d] that Dominion has stated the fundamental purpose for the PIR program is public safety, and that the safety risks presented by natural gas necessitate accelerated replacement of corrosion-prone lines, particularly given that a large quantity of such pipeline remains in Dominion's system.” 15-362 Order (Sept. 14, 2016) at 22.

5. *Compliance with Applicable Statutes and Regulations.* In accordance with Ohio Adm. Code 4901:1-19-06(A), on October 30, 2020, DEO notified the Commission’s Staff by letter addressed to the directors of the rates and analysis department and the service monitoring and enforcement department of DEO’s intent to file an application no sooner than thirty calendar days after the date of that letter.

6. R.C. 4909.43(B) states, “Not later than thirty days prior to the filing of an application pursuant to section 4909.18 or 4909.35 of the Revised Code, a public utility shall notify, in writing, the mayor and legislative authority of each municipality included in such application of the intent of the public utility to file an application, and of the proposed rates to be contained therein.” DEO provided this notice on October 30, 2020. In addition, DEO provided similar written notice to all parties of record to DEO’s last base rate case.

7. R.C. 4929.05(A) states, “A natural gas company may request approval of an alternative rate plan by filing an application under section 4909.18 of the Revised Code, regardless of whether the application is for an increase in rates.” That section requires the Commission to “authorize the applicant to implement an alternative rate plan if the natural gas company has made a showing and the commission finds” (1) that “[t]he natural gas company is

in compliance with section 4905.35 of the Revised Code and is in substantial compliance with the policy of this state specified in section 4929.02 of the Revised Code”; (2) that “[t]he natural gas company is expected to continue to be in substantial compliance with the policy of this state specified in section 4929.02 of the Revised Code after implementation of the alternative rate plan”; and (3) that “[t]he alternative rate plan is just and reasonable.”

8. R.C. 4929.051(B) states, “An alternative rate plan filed by a natural gas company under section 4929.05 of the Revised Code and seeking authorization to continue a previously approved alternative rate plan shall be considered an application not for an increase in rates.” In this filing, DEO seeks approval for the continuation of the PIR Cost Recovery Charge mechanism approved in Case No. 08-169-GA-ALT, Case No. 11-2401-GA-ALT, and Case No. 15-362-GA-ALT. Accordingly, DEO’s application should be considered an application not for an increase in rates.

9. Ohio Adm. Code 4901:1-19-06(C) states, “An alternative rate plan application that proposes infrastructure investment shall be considered to be for an increase in rates if the proposed rates, joint rates, tolls, classifications, charges, or rentals are not based upon the billing determinants and cost allocation methodology utilized by the public utilities commission in the applicant's most recent rate case proceeding.” DEO’s application proposes infrastructure investment and proposes to continue using the same methodology to calculate and allocate the PIR Cost Recovery Charge that was approved by the Commission in Case No. 07-829-GA-AIR, DEO’s most recent rate case proceeding, and that has been used in every annual PIR update proceeding. Accordingly, DEO’s application is not an application for an increase in rates.

10. In this application, DEO seeks to continue the PIR Program and the PIR Cost Recovery Charge, under the existing scope and procedures applicable to both, subject to the limited modifications discussed herein and in the exhibits to the Application.

11. *Program Extension.* The PIR Program was most recently reauthorized in Case No. 15-362-GA-ALT. *See* 15-362 Opin. & Order (Sept. 14, 2016). Among other things, the Commission approved DEO's request for authorization to extend the PIR Program and PIR Cost Recovery Charge to recover costs for another five-year period, beginning with 2017 investment and ending, at the latest, with 2021 investment. In this Application, DEO requests authorization to extend the PIR Program and PIR Cost Recovery Charge to recover costs for another five-year period beginning with investment as of January 1, 2022, and ending with investment as of December 31, 2026, unless this period is modified in DEO's base rate case to be filed no later than October 2024.

12. *Program Investment.* In the last PIR reauthorization, *see* Case No. 15-362-GA-ALT, the Commission authorized an increase in the level of investment in the PIR program to a total annual investment of \$200 million in 2018, followed by a three-percent per year increase thereafter. *In re The East Ohio Gas Co.*, Case No. 15-362-GA-ALT, Opin. & Order (Sept. 14, 2016) at ¶ 12. In this Application, DEO proposes to continue the previously approved three-percent annual increase in recoverable PIR investment in order to support DEO's continued accelerated replacement of bare-steel pipeline and other target infrastructure. Except as set forth below, DEO does not propose any other changes to the existing procedures, terms, and conditions of cost recovery previously approved in Case No. 08-169-GA-ALT, Case No. 11-2401-GA-ALT, and Case No. 15-362-GA-ALT.

13. Based on current estimated investment levels, DEO proposes the following rate increase caps applicable for 2022 through 2026:

PIR Investment Year	Estimated PIR Capital Investment	Proposed Cap on Increase in PIR Cost Recovery Charge
2022	\$226 million	\$1.73 / month
2023	\$233 million	\$1.74 / month
2024	\$240 million	\$1.82 / month <sup>1</sup>
2025	\$247 million	\$1.76 / month
2026	\$254 million	\$1.77 / month

In proposing these caps, DEO would clarify that they reflect certain ratemaking assumptions, including the recently revised depreciation rates and the current federal income tax rate. Accordingly, DEO reserves the right to propose modifications to the rate increase caps to reflect any changes in the applicable federal or state income tax laws or regulations or the applicable depreciation rates that occur during the pendency of this proceeding or while such caps are in effect.

14. DEO has efficiently and prudently managed the PIR Program since its inception. It has not been subject to any finding of imprudence in any PIR cost recovery proceeding, including the cost recovery proceedings for PIR investments made in 2017, 2018, and 2019. For the reasons supporting its previous authorizations, the PIR Program remains a critical component of DEO's efforts to provide safe and reliable service to its customers.

15. As noted in DEO's last PIR reauthorization, current natural gas costs remain considerably below where they were when the PIR Program was initially approved and current NYMEX Henry Hub Natural Gas futures prices reflect an expectation that prices will remain low for years to come. In addition, incremental costs deferred for recovery through the PIR Cost

---

<sup>1</sup> The increased level of the cap applicable to 2024 investment reflects the impact of the conclusion in 2023 of the PISCC EDIT amortization, for which no credit to the revenue requirement is included for 2024.

Recovery Charge continue to be spread over the lives of the associated assets. These factors substantially mitigate the impact on customers' bills of the proposed increase in PIR investment. That mitigation has resulted in average residential customer bills that are over 44% below those in effect before DEO's last rate case proceeding where the PIR Cost Recovery Charge was approved.

16. *Operation and Maintenance Expense Savings.* DEO proposes that costs recoverable through the PIR Cost Recovery Charge continue to be offset by Operations and Maintenance (O&M) expense savings, using the methodology most recently approved in Case No. 15-362-GA-ALT.

17. DEO's request to continue the previously authorized alternative rate plan complies with R.C. 4929.05 and R.C. 4929.051, and should be approved. DEO complies with R.C. 4905.35 and with the policy of this state specified in R.C. 4929.02 and it expects to continue to be in substantial compliance with that policy. Moreover, DEO's request to continue the previously authorized alternative rate plan is just and reasonable, continuing to provide for the timely recovery of necessary costs to ensure the continued provision of safe and reliable service.

18. Attached to this application are the following materials in support of this application:

- Exhibits to Alternative Rate Plan Application
- DEO Exhibit 1.0 – Direct Testimony of Lori S. Parker, Regulatory Specialist

WHEREFORE, DEO respectfully requests that the Commission consider the facts and proposals set forth in this application and approve this application, its proposed tariffs, and any other necessary and proper relief.

Dated: December 8, 2020

Respectfully submitted,

/s/ Christopher T. Kennedy

Mark A. Whitt (0067996)

Christopher T. Kennedy (0075228)

Lucas A. Fykes (0098471)

WHITT STURTEVANT LLP

88 East Broad Street. Suite 1590

Columbus, Ohio 43215

Telephone: (614) 224-3912

Facsimile: (614) 675-9448

whitt@whitt-sturtevant.com

kennedy@whitt-sturtevant.com

fykes@whitt-sturtevant.com

Andrew J. Campbell (0081485)

DOMINION ENERGY, INC.

88 East Broad Street, Suite 1303

Columbus, Ohio 43215

Telephone: (614) 601-1777

andrew.j.campbell@dominionenergy.com

(Counsel are willing to accept service by email)

ATTORNEYS FOR THE EAST OHIO GAS  
COMPANY D/B/A DOMINION ENERGY  
OHIO

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of this Application was served by electronic mail to the following persons on this 8th day of December, 2020:

Office of the Ohio Consumers' Counsel  
William J. Michael  
65 East State Street, 7th Floor  
Columbus, OH 43215-3485  
william.michael@occ.ohio.gov

Ohio Partners for Affordable Energy  
Robert Dove  
Kegler Brown Hill + Ritter Co., L.P.A.  
65 E State St., Suite 1800  
Columbus, OH 43215-4295  
RDove@keglerbrown.com

Interstate Gas Supply, Inc.  
Joseph Oliker  
Michael Nugent  
6100 Emerald Parkway  
Dublin, Ohio 43016  
joliker@igsenergy.com  
mnugent@igsenergy.com

Dominion Energy Solutions, Inc.  
Madeline P. Fleisher  
Dickinson Wright PLLC  
150 E. Gay Street, Suite 2400  
Columbus OH, 43215  
MFleisher@dickinson-wright.com

Steven L. Beeler, Esq  
Office of the Ohio Attorney General  
Public Utilities Section  
30 East Broad Street, 16<sup>th</sup> Floor  
Columbus, Ohio 43215-3414  
Steven.Beeler@ohioattorneygeneral.gov

UWUA Local G-555  
Timothy Gallagher, Esq.  
Schwarzwald McNair & Fusco LLP  
1215 Superior Ave., Suite 225  
Cleveland, OH 44114  
tgallagher@smcnlaw.com

Constellation NewEnergy, Inc.  
Michael J. Settineri  
Vorys, Sater, Seymour and Pease LLP  
52 East Gay Street  
Columbus OH 43215  
mjsettineri@vorys.com

The Ohio Oil & Gas Association  
Michael J. Settineri  
Vorys, Sater, Seymour and Pease LLP  
52 East Gay Street  
Columbus, OH 43215  
mjsettineri@vorys.com

Barbara Langhenry  
City of Cleveland  
Cleveland City Hall  
601 Lakeside Avenue, Room 106  
Cleveland, OH 44114-1077  
blanghenry@city.cleveland.oh.us

The Neighborhood Environmental Coalition,  
The Empowerment Center of Greater Cleveland,  
The Cleveland Housing Network, and  
The Consumers for Fair Utility Rates  
Tom Mlakar  
The Legal Aid Society of Cleveland  
1223 West 6<sup>th</sup> Street  
Cleveland, OH 44113  
tmlakar@lasclev.org

Stand Energy Corporation  
John M. Dosker, Esq.  
1077 Celestial Street, Suite 110  
Cincinnati, OH 45202-1629  
jdosker@stand-energy.com

/s/ Christopher T. Kennedy  
One of the Attorneys for The East Ohio Gas  
Company d/b/a Dominion Energy Ohio

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
The East Ohio Gas Company d/b/a Dominion	)	Case No. 20-1634-GA-ALT
Energy Ohio for Approval of an Alternative	)	
Form of Regulation	)	

**ALTERNATIVE RATE PLAN EXHIBITS**

**A. Ohio Adm. Code 4901:1-19-06(C)(2) Detailed alternative rate plan and related information.**

**1. Continuation of the PIR Program Approved in Case No. 08-169-GA-ALT, as Modified in Case No. 11-2401-GA-ALT and Case No. 15-362-GA-ALT.**

DEO's proposed alternative rate plan is a continuation of the Pipeline Infrastructure Replacement (PIR) Program that the Commission originally approved in Case No. 08-169-GA-ALT, and subsequently modified in Case No. 11-2401-GA-ALT and Case No. 15-362-GA-ALT. The PIR Program, as described in detail in the filings in those cases, provided and will continue to provide for the accelerated replacement of bare-steel, cast-iron, wrought-iron, copper, and ineffectively coated pipeline and associated infrastructure in the DEO system. The primary purpose of the program is to ensure continued safety and reliability of service by eliminating pipelines that have historically manifested higher leak rates or are otherwise vulnerable to failure based on age and other factors.

DEO first proposed the PIR Program on February 22, 2008, when it filed its initial application to establish a PIR Cost Recovery Charge as an automatic adjustment mechanism under R.C. 4929.11 in Case No. 08-169-GA-ALT. In an entry on rehearing dated May 28, 2008, the Commission determined that the application should be treated as an alternative rate plan and considered under the provisions of R.C. 4929.05. DEO's application was consolidated with Case No. 07-829-GA-AIR, and the Commission approved DEO's use of a mechanism to recover costs associated with the PIR Program. *See* 07-829 Order at 9–10 (Oct. 15, 2008). The Order

contemplated periodic filings of applications and adjustments of the rate for the PIR Cost Recovery Charge. *See id.* The PIR Program was then reauthorized in Case No. 11-2401-GA-ALT. *See* 11-2401 Opin. & Order (Aug. 3, 2011). In the 11-2401 Order, the Commission authorized the continuation of “the PIR program and PIR charge mechanism . . . for a five-year period or until the effective date of new base rates resulting from the filing of an application to increase base rates, whichever comes first.” *Id.* at 7. In Case No. 15-362-GA-ALT, the Commission subsequently approved DEO’s request for authorization to extend the PIR Program and PIR Cost Recovery Charge to recover costs for another five-year period, beginning with 2017 investment, or until the effective date of new base rates resulting from the filing of an application to increase base rates, whichever comes first. *See* 15-362 Opin. & Order (Sept. 14, 2016).

DEO proposes continuing and extending the PIR Program as follows. DEO requests authorization to extend the PIR Program and PIR Cost Recovery Charge to recover costs for another five-year period beginning with investment as of January 1, 2022, and ending with investment as of December 31, 2026, unless this period is modified in DEO’s base rate case to be filed no later than October 2024.

## **2. Continuation of the Level of Program Investment Approved in Case No. 15-362-GA-ALT.**

In addition to extending the term of the PIR Program, DEO proposes to continue to increase investment under the PIR Program by the factor of three percent approved in Case No. 15-362-GA-ALT for calendar years 2019 through 2021. Based on current estimated investment levels, DEO proposes the following rate increase caps applicable for 2022 through 2026:

PIR Investment Year	Estimated PIR Capital Investment	Proposed Cap on Increase in PIR Cost Recovery Charge
2022	\$226 million	\$1.73 / month
2023	\$233 million	\$1.74 / month
2024	\$240 million	\$1.82 / month
2025	\$247 million	\$1.76 / month
2026	\$254 million	\$1.77 / month

The continuation of the increase in annual PIR investment by a factor of three percent per year will support DEO’s continued accelerated replacement of bare-steel pipeline and other target infrastructure. The increased level of the cap applicable to 2024 investment reflects the impact of the conclusion in 2023 of the PISCC EDIT amortization, for which no credit to the revenue requirement is included for 2024. In all other respects, DEO proposes continuing the PIR Program under the existing terms and conditions previously approved by the Commission in Case No. 08-169-GA-ALT, Case No. 11-2401-GA-ALT, and Case No. 15-362-GA-ALT, and applied in the PIR cost-recovery proceedings that followed the Commission’s most recent reauthorization of the PIR Program in Case No. 15-362-GA-ALT.

### **3. Description of Recovery Mechanism and Procedures.**

Except for modifications to the annual rate increase caps described below, DEO proposes continuing to observe the cost-recovery timing and procedures that have been followed since the program was last approved in Case No. 15-362-GA-ALT, including that the determination of whether or not DEO has met the rate increase cap shall be made without regard to any adjustments attributable to the reconciliation of costs recoverable and costs actually recovered. Further, in accordance with existing program provisions, DEO proposes to continue to carry forward any shortfall in reaching the allowed rate increase cap to the subsequent year only, and to utilize a “rate cap adjustment” credit to reduce the revenue requirement if needed to ensure the GSS/ECTS rate

does not exceed the rate increase cap. Such rate cap adjustment would be allocated entirely to the GSS/ECTS rate class.

DEO also proposes to maintain the existing determination of Operations & Maintenance (O&M) expense savings attributable to the PIR Program last approved in Case No. 15-362-GA-ALT

Lastly, DEO proposes to continue to utilize the same billing determinants and cost allocation methodology by customer rate class utilized in the DEO's most recent rate case proceeding and approved by the Commission in Case No. 15-362-GA-ALT.

**B. Ohio Adm. Code 4901:1-19-06(C)(3), Statements regarding exemptions.**

DEO has been granted exemptions by the Commission with respect to its provision of commodity service. *See* Case No. 05-0474-GA-ATA (approval of Standard Service Offer); Case No. 07-1224-GA-EXM (approval of Standard Choice Offer); Case No. 12-1842-GA-EXM (modification of SCO service); Case No. 18-1419-GA-EXM (approval of Monthly Retail Rate (MRR) Commodity Service). DEO's approved code of conduct is set forth in its General Terms and Conditions of Energy Choice Pooling Service tariff Section 24, Sheet Nos. ECPS 47–49.

**C. Ohio Adm. Code 4901:1-19-06(C)(4), Cross-Subsidization.**

DEO does not expect any cross-subsidization of services to occur under the continuation of the existing alternative rate plan. All customers will benefit from the continued provision of safe and reliable service, and rates will be subject to Commission review and approval. As previously stated, proposed rates will continue to be based upon the billing determinants and cost allocation methodology by customer rate class utilized in the DEO's most recent rate case proceeding and approved by the Commission in Case No. 15-362-GA-ALT.

**D. Ohio Adm. Code 4901:1-19-06(C)(5), Compliance with Revised Code Provisions.**

**1. Compliance with R.C. 4905.35.**

R.C. 4905.35 provides in its entirety as follows:

(A) No public utility shall make or give any undue or unreasonable preference or advantage to any person, firm, corporation, or locality, or subject any person, firm, corporation, or locality to any undue or unreasonable prejudice or disadvantage.

(B)(1) A natural gas company that is a public utility shall offer its regulated services or goods to all similarly situated consumers, including persons with which it is affiliated or which it controls, under comparable terms and conditions.

(2) A natural gas company that is a public utility and that offers to a consumer a bundled service that includes both regulated and unregulated services or goods shall offer, on an unbundled basis, to that same consumer the regulated services or goods that would have been part of the bundled service. Those regulated services or goods shall be of the same quality as or better quality than, and shall be offered at the same price as or a better price than and under the same terms and conditions as or better terms and conditions than, they would have been had they been part of the company's bundled service.

(3) No natural gas company that is a public utility shall condition or limit the availability of any regulated services or goods, or condition the availability of a discounted rate or improved quality, price, term, or condition for any regulated services or goods, on the basis of the identity of the supplier of any other services or goods or on the purchase of any unregulated services or goods from the company.

DEO is compliant with R.C. 4905.35. In accordance with R.C. 4905.35(A), DEO does not make or give any undue or unreasonable preference or advantage to any person, firm, corporation, or locality, or subject any person, firm, corporation, or locality to any undue or unreasonable prejudice or disadvantage.

In accordance with R.C. 4905.35(B)(1), DEO offers its regulated services or goods to all similarly situated consumers, including persons with which it is affiliated or which it controls, under comparable terms and conditions, as evidenced by DEO's Standards of Conduct. *See, e.g.*, Gen. Terms & Cond. of Energy Choice Pooling Serv., Sheet No. ECPS 47, § 24.4. Consistent with the obligation to make its service offerings available on a comparable and non-discriminatory

basis, DEO has applied these principles in developing its service offerings, the terms and conditions upon which it provides public utility service, and its rates. Such services, terms and conditions, and rates have been reviewed and approved by the Commission and are currently incorporated in DEO's tariff.

With respect to R.C. 4905.35(B)(2), DEO does not presently have any bundled service offerings that include a regulated and unregulated service.

In accordance with R.C. 4905.35(B)(3), DEO does not condition or limit the availability of any regulated services or goods, or condition the availability of a discounted rate or improved quality, price, term, or condition for any regulated services or goods, on the basis of the identity of the supplier of any other services or goods or on the purchase of any unregulated services or goods from DEO.

## **2. Substantial compliance with R.C. 4929.02.**

The Commission's rules require DEO to discuss its current compliance with state policy and its expected compliance with that policy following implementation of the proposed plan.

R.C. 4929.02 establishes Ohio's state policy regarding the provision of natural gas service and goods. The policy promotes, among other things, the availability of adequate, reliable, and reasonably priced services and goods as well as the unbundling and comparability of those services and goods. It supports effective choices for supplies and suppliers; encourages market access to supply- and demand-side services and goods; and acknowledges the importance of effective competition and the regulatory treatment needed to support competition.

DEO currently works to promote, encourage, recognize, facilitate and ensure the goals in R.C. 4929.02 are met. DEO's record of service in Ohio includes a proactive effort to work with stakeholders to implement unbundled and ancillary service offerings that provide customers with effective and convenient choices to meet their natural gas supply needs. DEO's current tariff

provides numerous options for service of varying terms and conditions to meet its customers' needs for the purchase and delivery of natural gas. DEO's services provide all customers the opportunity to choose an alternative commodity supplier. DEO's current rates provide no subsidies flowing to or from regulated services or goods. DEO was the first Ohio natural gas utility to develop and implement a successful residential and commercial natural gas choice program, and as approved in Case No. 05-474-GA-ATA, it has conducted auction-based commodity-service procurement since 2006. As of September 2020, approximately 93% of DEO's residential customers (including Standard Choice Offer customers) participated in DEO's Energy Choice program, as did approximately 58 suppliers.

DEO also provides funding for energy efficiency programs resulting in more efficient use and conservation of natural gas for qualifying customers. DEO's energy efficiency programs include \$6.5 million in annual funding for its low-income weatherization program. In collaboration with the DEO DSM Collaborative, DEO's programs also include \$3.0 million in annual funding for a home energy assessment program with rebates available for qualifying energy-efficiency improvements for residential customers above the low-income threshold. DEO's conservation portfolio also includes online resources that provide energy saving tips and related information to assist customers in becoming more energy efficient in order to manage their bills.

Moreover, DEO's bill inserts, public outreach initiatives, and customer service representatives provide information useful to customers in making choices about natural gas services and goods. DEO continues to work with Staff and other stakeholders to ensure that customers understand and are equipped to effectively participate in DEO's Energy Choice program.

The Commission has previously ruled that DEO is in compliance with R.C. 4929.02, based on information that is substantially unchanged. *See* Case No. 07-1224-GA-EXM, Opin. & Order at 20 (June 18, 2008). DEO will continue to comply with R.C. 4905.35 and to substantially comply with the policies specified in R.C. 4929.02, after implementation of DEO's alternative rate plan.

The PIR Program provides for the accelerated replacement of prone-to-leak pipelines and associated infrastructure and for recovery of the associated costs. The program is a coordinated, cost-effective, and efficient systematic approach to preserving infrastructure reliability and public safety by decreasing the instances of leakage and associated risks. Continued implementation of these proposals, combined with DEO's existing services and programs, will ensure continued and enhanced compliance with the policies described in Section 4929.02, Revised Code.

**3. The proposed plan is just and reasonable.**

For all of the foregoing reasons, the continuation of DEO's alternative rate plan for the PIR Program is just and reasonable. Approval of the plan will continue to ensure timely and reasonable cost recovery of the investments needed to ensure the continued provision of safe and reliable service. The annual review process will ensure that only just and reasonable costs are recovered. The justness and reasonableness of the plan is also demonstrated by the fact that the Commission previously approved continuation of the alternative rate plan for the PIR Program in Case No. 15-362-GA-ALT and by the fact that the Commission has approved and extended similar plans for other LDCs in Ohio. *See* Case Nos. 18-299-GA-ALT (Vectren Energy Delivery of Ohio, Inc.); 16-2422-GA-ALT (Columbia Gas of Ohio, Inc.).

**E. Ohio Adm. Code 4901:1-19-06(C)(6), List of Witnesses.**

In accordance with the Commission's rules, below is the list of witnesses sponsoring testimony on behalf of DEO in this proceeding.

- Lori S. Parker, Regulatory Specialist

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The East	)	
Ohio Gas Company d/b/a Dominion Energy	)	Case No. 20-1634-GA-ALT
Ohio for Approval of an Alternative Form	)	
of Regulation	)	

**DIRECT TESTIMONY OF LORI S. PARKER  
ON BEHALF OF  
THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO**

## **TABLE OF CONTENTS**

<b>I.</b>	<b>INTRODUCTION .....</b>	<b>1</b>
<b>II.</b>	<b>BACKGROUND ON THE PIR PROGRAM.....</b>	<b>2</b>
<b>III.</b>	<b>EXTENSION OF THE PIR PROGRAM.....</b>	<b>5</b>
<b>IV.</b>	<b>BENEFITS OF EXTENSION OF THE PIR PROGRAM AND BILL IMPACTS ....</b>	<b>8</b>

**I. INTRODUCTION**

**Q1. Please introduce yourself.**

A. My name is Lori S. Parker. I am employed by The East Ohio Gas Company d/b/a Dominion Energy Ohio (“DEO” or the “Company”) as a Regulatory Specialist in the Regulatory & Pricing group. My business address is 120 Tredegar Street, Richmond, Virginia 23219.

**Q2. Please describe your educational background and work experience.**

A. I graduated from Missouri State University with a Master of Accountancy degree. Upon graduation, I spent seven years with two public accounting firms, where I provided accounting, auditing, business consulting, and tax services for privately held businesses. I’ve been employed by Dominion Energy for over thirteen years, starting as a Senior Accountant. I also worked as a Senior Financial Analyst in Alternative Energy Solutions and Electric Transmission and as a Senior Controls Specialist in Gas Transmission. In 2020, I joined DEO’s Regulatory Affairs department as a Regulatory Specialist. I continue to hold an active CPA license and am a member of the Virginia Society of CPAs.

**Q3. What are your job responsibilities as Regulatory Specialist in the Regulatory & Pricing group?**

A. My present duties include the development and preparation of various DEO regulatory filings and associated tariffs, as well as the regulatory accounting support for various DEO rates and riders.

**Q4. In your capacity as Regulatory Specialist in the Regulatory & Pricing group, are you generally familiar with DEO's books and records?**

A. Yes. I am responsible for preparing and making a variety of regulatory filings that include financial information derived from DEO's financial records, including the general ledger, annual reports, income statements, and balance sheets.

**Q5. What is the purpose of your testimony in this proceeding?**

A. My testimony supports DEO's request to continue its Pipeline Infrastructure Replacement program (PIR Program). I specifically will explain the PIR Program, why extension of the PIR Program is necessary, the level of planned capital investment, and associated annual PIR rate increase caps. I will also discuss some of the benefits that customers have enjoyed as a result of the PIR Program.

## **II. BACKGROUND ON THE PIR PROGRAM**

**Q6. Please summarize the PIR Program.**

A. In 2008, having recognized that significant capital investment was needed to modernize and protect the integrity of DEO's pipeline system, the Company launched a multi-decade effort to replace its aged infrastructure through an accelerated replacement program. In broad terms, the PIR Program involves the replacement over an accelerated time frame of more than 4,100 miles of DEO's bare steel, cast iron, wrought iron and copper pipelines, as well as over 1,450 miles of older vintage field-coated pipelines where the coating is no longer effective in preventing corrosion. Under the PIR Program, DEO has assumed both ownership and responsibility for the replacement of curb-to-meter service lines that previously had been the property and responsibility of customers. The PIR Program also includes the relocation of inside meters outside the premises, in conjunction with a plan to operate the system serving that area at regulated pressure.

DEO originally proposed the PIR Program in an application filed in Case No. 08-169-GA-ALT, which was subsequently consolidated with DEO's pending base rate case. The PIR Program, with modifications, was approved as part of the rate case settlement in late 2008. *See* Case No. 07-829-GA-AIR, Opin. & Order (Oct. 15, 2008). Cost recovery was approved for an initial five-year period, or until new base rates were approved, whichever came first.

In Case No. 11-2401-GA-ALT, the Commission approved a stipulation that extended the PIR Program for a new five-year term, provided for the inclusion of over 1,450 miles of ineffectively coated pipe in the scope of the program, moved from a fiscal year ending June 30 to a calendar year, adjusted annual rate increase caps based on increased annual PIR Program capital spending, and adopted a cost-sharing mechanism for operations and maintenance (O&M) expense savings. Among other things, the stipulation also set forth the following modifications to the scope of PIR Program:

- All pre-1955 pipe will be considered ineffectively coated and within the scope of the program without further testing.
- The cost of meter move-outs are recoverable through the PIR Program only when the move-outs are performed in conjunction with replacement of target pipe and DEO plans to operate the replacement mains and associated service lines at regulated pressure within two years following such replacement.
- Costs of transmission integrity management, distribution integrity management, and environmental compliance programs will not be recovered through the PIR Cost Recovery Charge.
- All costs associated with governmental relocations that include target pipe will be recovered only if any plastic pipe associated with the relocation is less than or equal to 25% of the total footage relocated.
- Cost of system improvements will be recovered only if improvements replace the role of the target pipe and cost no more than an in-kind replacement of the target pipe.

- The cost of replacing, modifying or removing district regulating stations will be recovered only if needed due to age or condition or the work is directly associated with the replacement of target pipe.

In Case No. 15-362-GA-ALT, the Company requested authority to continue the PIR Program for another five-year period that would cover investment years 2017 through 2021. DEO proposed investment increases of \$20 million in both 2017 and 2018, followed by smaller increases of three percent per year for 2019, 2020, and 2021. On September 14, 2016, the Commission approved a stipulation that adopted these investment levels, among other provisions.

**Q7. Please summarize the work completed thus far under the PIR Program.**

A. As of the end of 2019, DEO has replaced approximately 35 miles of high pressure transmission pipeline, 132 miles of high pressure distribution pipeline, and 1,748 miles of lower pressure distribution pipeline. On a percent-complete basis, DEO has completed replacement of approximately 34% of the total pipeline mileage targeted for replacement under the PIR Program. In addition, DEO has replaced 197,452 curb-to-meter service lines that were previously owned by customers. As of December 31, 2019, PIR capital investment totaled approximately \$1,803,433,764. The following chart breaks down the mileage replaced of the various categories of target infrastructure as of the end of 2019:

Infrastructure Category	Mileage Replaced
Bare steel	1404
Ineffectively coated	427
Cast iron	32
Wrought iron	51
Copper	1

**Q8. Will DEO continue to use the same procedures to prioritize PIR projects?**

A. Yes. DEO will continue to use the methodology agreed upon with Commission Staff in Case No. 11-2401-GA-ALT, in which the Optimain software is used to rank and prioritize pipe replacements. The Optimain software was discussed in greater detail in prior re-authorization proceedings; in summary, the software helps prioritize projects according to pipe characteristics. Factors (including leak history, age, material type, and operating pressure) are used in conjunction with input provided by our field supervisors and planning personnel to scope and develop planned PIR projects.

**Q9. Since reauthorization of the PIR Program in 2016, has DEO efficiently and prudently managed the PIR Program?**

A. Yes. DEO has efficiently and prudently managed the PIR Program since its inception. It has not been subject to any finding of imprudence in any PIR cost recovery proceeding, including the cost recovery proceedings for PIR investments made in 2017, 2018, and 2019. For the reasons supporting its previous authorizations, the PIR Program remains a critical component of DEO's efforts to provide safe and reliable service to its customers.

### **III. EXTENSION OF THE PIR PROGRAM**

**Q10. Why has DEO filed the current Application at this time?**

A. The stipulation approved by the Commission in Case No. 15-362-GA-ALT approved DEO's request to continue the PIR Program and PIR Cost Recovery Charge for a five-year period that covered the investment years 2017 through 2021. This Application seeks approval to continue the PIR Program and PIR Cost Recovery for another five-year period covering the investment years 2022 through 2026, subject to modification in DEO's next base rate case.

**Q11. Is DEO proposing any changes to the scope of the PIR Program?**

A. No. DEO is not proposing any changes to what infrastructure is targeted for replacement or the conditions under which replacement costs may be recovered.

**Q12. Is DEO proposing any changes to the procedures, terms, and conditions of cost recovery approved in Case No. 15-362-GA-ALT?**

A. No. DEO is not proposing any changes to the procedures, terms, and conditions of cost recovery other than the continuation of the existing annual increase in the investment levels and the associated annual rate-increase caps (which I discuss below).

**Q13. What is DEO proposing in this case?**

A. DEO proposes that a new authorization period begin with 2022 investment and continue with investment through the end of 2026, unless this period is modified in DEO's base rate case to be filed no later than October 2024. DEO also proposes to continue to increase the annual amount of capital investment under the PIR Program by the same factor of three percent per year that was approved for investment years 2019 through 2021, and to adjust the annual rate increase caps accordingly. DEO proposes to continue the previously approved three-percent annual increase in recoverable PIR investment in order to support DEO's efforts to maintain the PIR program's targeted completion date of 2033 for the continued accelerated replacement of bare-steel pipeline and other aging infrastructure. Except as set forth below, DEO does not propose any other changes to the existing procedures, terms, and conditions of cost recovery previously approved in Case No. 08-169-GA-ALT, Case No. 11-2401-GA-ALT, and Case No. 15-362-GA-ALT.

**Q14. What rate increase caps does DEO propose for the five-year period?**

A. Based on current estimated investment levels, DEO proposes the following rate increase caps applicable for 2022 through 2026:

PIR Investment Year	Estimated PIR Capital Investment	Proposed Cap on Increase in PIR Cost Recovery Charge
2022	\$226 million	\$1.73 / month
2023	\$233 million	\$1.74 / month
2024	\$240 million	\$1.82 / month <sup>1</sup>
2025	\$247 million	\$1.76 / month
2026	\$254 million	\$1.77 / month

The proposed rate increase caps reflect certain ratemaking assumptions, including recent changes in the federal income tax rate and the depreciation rates approved by the Commission in Case No. 19-1639-GA-AAM. DEO reserves the right to propose modifications to the rate increase caps to reflect any changes in the applicable federal or state income tax laws or regulations or the applicable depreciation rates that occur during the pendency of this proceeding or while such caps are in effect.

**Q15. Why is DEO proposing to continue to increase its annual PIR Program investment by three percent per year?**

A. The continuation of the previously approved three-percent capital increase will help maintain the current pace of the PIR Program and address inflation and other external cost pressures identified by the Company in Case No. 15-362-GA-ALT. The continuation of the three-percent increase also promotes rate gradualism and reduces the rate increase that might otherwise be needed in future reauthorizations.

**Q16. Is DEO also requesting a change to the annual PIR Cost Recovery Charge increase cap?**

A. Yes. As shown in the table above, the annual three-percent increase in capital investment leads to corresponding changes in the rate increase cap. In order to accommodate the three-percent increase in capital investment, DEO proposes to increase the cap by \$0.01

---

<sup>1</sup> The increased level of the cap applicable to 2024 investment reflects the impact of the conclusion in 2023 of the PISCC excess deferred income tax (EDIT) amortization, for which no credit to the revenue requirement is included for 2024.

per year (with the exception of 2024 investment), continuing the annual cap increase previously approved for 2019 – 2021.

**Q17. Can you explain the reason for the deviation in the rate increase cap for 2024 investment?**

A. DEO began amortizing excess EDIT associated with PIR investment in 2018. With the PISCC EDIT being amortized over six years, the amortization period is 2018 through 2023. Accordingly, the revenue requirement for 2024 will no longer include the credit associated with the PISCC EDIT amortization, grossed up for income tax, in the amount of \$1,770,828. Elimination of this amortization has the impact of increasing the GSS/ECTS rate based on the 2024 revenue requirement by approximately eight to nine cents compared to the rate based on 2023. The subsequent rate increase cap for 2025 returns to a normal level that is in line with the cumulative capital investment for that year.

**Q18. Is DEO planning to change any of the other cost-recovery timing and procedures that have been followed since the PIR Program was last approved in Case No. 15-362-GA-ALT?**

A. No. As discussed in Section A.3 of the Alternative Rate Exhibits, DEO proposes continuing to observe the cost-recovery timing and procedures that have been followed since the program was last approved in Case No. 15-362-GA-ALT.

**IV. BENEFITS OF EXTENSION OF THE PIR PROGRAM AND BILL IMPACTS**

**Q19. Is extension of the PIR Program in the public interest?**

A. Yes. First and foremost, the accelerated replacement of aging infrastructure allows DEO to proactively ensure that customers continue to enjoy the benefit of a safe and reliable natural gas pipeline system now and into the future. Accelerated cost recovery of the replacement of bare steel, cast iron, wrought iron, copper, and ineffectively coated

182 pipelines permits DEO to complete such replacements more quickly than it would be able  
183 to under normal capital budgeting. Extension of the PIR Program would enable DEO to  
184 continue its accelerated replacement schedule, again with the goal of completing this  
185 program by the end of 2033.

186           There are also economic benefits of extending the PIR Program, the two most  
187 significant of which are the generation of property and payroll taxes and job creation.  
188 Based on DEO's annual PIR Cost Recovery Charge filings, total PIR investment through  
189 2019 amounts to \$1.8 billion, which has generated more than \$215 million in state and  
190 local property taxes. Moreover, with most of the construction work being done by  
191 contractors, over the life of the PIR Program many millions of dollars have been paid to  
192 contractors, resulting in job creation, payroll-tax revenues, and other positive downstream  
193 economic impacts. These benefits will be continued by extending the PIR Program and  
194 continuing the proposed capital investment increases.

195 **Q20. Are there other specific benefits of the program for customers?**

196 A. Yes. Customers receive the benefit of the replacement of metallic or leaking curb-to-  
197 meter service lines at no direct cost to them. The PIR Program includes the assumption of  
198 ownership by DEO of service lines that were previously the responsibility of customers.  
199 This means that individual customers no longer need to bear the unplanned and  
200 substantial direct expense of replacing an old or leaking service line on their own. Since  
201 the inception of the program, through the end of 2019, DEO has replaced 197,452 curb-  
202 to-meter service lines.

203           Further, customers benefit from lower costs incurred by DEO for detection and  
204 repair of pipeline leaks. The replacement of targeted infrastructure has eliminated many  
205 active leaks in DEO's system, will continue to eliminate future leaks and the associated

leak repair work, all of which will reduce interruptions, inconveniences, and disturbances to customers going forward. And as leak survey and repair costs are reduced, they contribute to the O&M expense savings provided to customers through reduction of the annual PIR Cost Recovery Charge revenue requirement.

**Q21. To what extent has the PIR Program achieved O&M expense savings?**

A. The program has passed back to customers nearly \$18 million in O&M savings over the life of the program. To determine O&M savings, DEO measures the difference between several expense categories (leak repair, leak surveillance, corrosion monitoring, corrosion remediation, and inspections) in the baseline period of July 2007 through June 2008 and in the program year under review. During 2019, the program achieved total savings of \$2,246,811, which was credited to customers by reducing the revenue requirement in accordance with the stipulation approved in Case No. 15-362-GA-ALT.

**Q22. What are the components of a residential customer's gas bill?**

A. Residential bills comprise charges for base rates, riders, gross receipts tax, sales tax if applicable, and commodity costs. DEO's existing riders recover costs specifically related to the AMR Program, PIR Program, economic development projects, PIPP Plus Program, excise tax, operational balancing gas costs, uncollectible expense, and demand side management costs.

**Q23. Do the components of the residential customer's bill vary periodically?**

A. Generally speaking, yes. Although base rates do not typically vary between rate cases, other distribution charges are updated on a regular basis, subject to established processes and Commission review. In contrast, commodity costs are not regulated and vary each month based on the market price of natural gas. Customers receiving Standard Service Offer (SSO) or Standard Choice Offer (SCO) commodity service pay the monthly

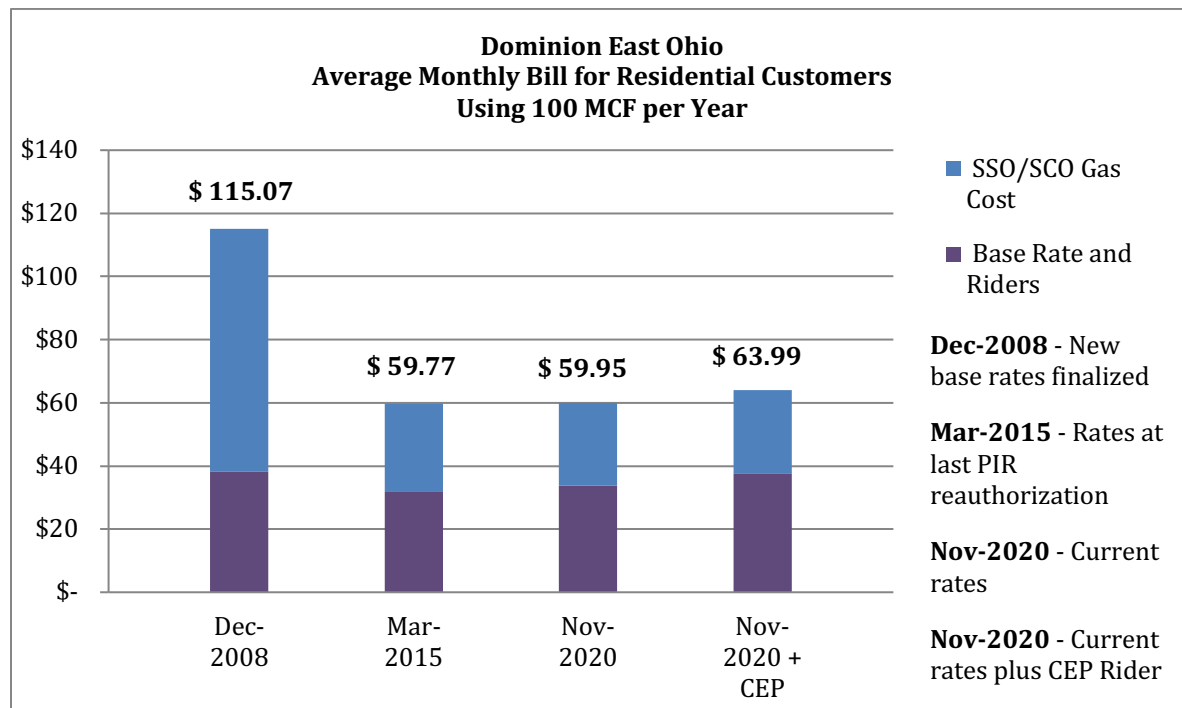
NYMEX price of gas plus the Retail Price Adjustment (NYMEX adder) established in DEO's annual SSO and SCO auction. Energy Choice customers' commodity costs are based on whatever agreement they have with their competitive retail natural gas supplier and may be adjusted monthly, quarterly, or at other intervals.

**Q24. What is the impact of commodity costs on monthly bills?**

A. Because commodity costs constitute a significant portion of a residential customer's total bill, changes in the price of gas have a considerable impact the customer's total bill, especially during the winter heating months. The higher the price of gas, the greater the percentage of commodity costs relative to other charges and the greater the influence that changing commodity prices will have on the total bill.

**Q25. Are average customer bills higher now than in 2008 when the PIR Program was first approved?**

A. No; on the contrary, average residential customer bills continue to be considerably lower than in 2008, as shown in the residential bill comparison chart below.



**Q26. Please describe the residential bill comparison chart.**

A. The residential bill comparison chart presents a comparison of a residential customer's average monthly bill for gas service based on rates in effect just after DEO's most recent base rate case with the average monthly bill amount at certain more recent points in time, all assuming annual consumption of 100 Mcf. Base rate, rider and gas cost charges in the analysis are determined using the rates that were effect in December 2008, when final rate case rates were implemented after rehearing; March 2015, with rates effective at the time DEO's filed its last application for PIR reauthorization in Case No. 15-362-GA-ALT; November 2020, with currently effective rates; and a second entry for November 2020 reflecting the stipulated Capital Expenditure Plan (CEP) Rider rate recommended for approval and currently under review by the Commission in Case No. 19-468-GA-ALT.

**Q27. What does your analysis show?**

A. The bill comparison chart shows that residential customers are now paying much less for natural gas service than they were at the time of DEO's most recent rate case. The average residential customer spent \$115.07 per month for natural gas service in December 2008 when adjusted rates based on the rate case rehearing were implemented. I would note that this monthly cost does not include the PIR Cost Recovery Charge, which DEO did not begin to collect until January 2010.

Because of decreased commodity prices since that time, the addition of the PIR Cost Recovery Charge has not caused average monthly residential bills to increase above that level. Instead, average monthly residential bills decreased by nearly half to an average of \$59.77, based on rates in effect in March 2015. At currently existing rates in November 2020, the average monthly residential bill is \$59.95, only \$0.18 more than the

average monthly bill in March 2015. Taking into account the currently pending CEP Rider residential rate, the average monthly bill increases slightly to \$63.99. All told, this is a decrease of over 44% from the average monthly bill paid by DEO customers just after the most recent base rate increase went into effect.

**Q28. How do typical gas bills in DEO's service territory compare to other typical bills for customers in other parts of the State?**

A. Each month, Commission Staff prepares and publishes an analysis of typical bills for customers of PUCO-regulated electric, natural gas, and landline telephone bills in major Ohio cities. Analysis is provided for various types of customers, including residential, commercial and industrial customers. The most recent survey publicly available was conducted for October 2020, and it shows that the typical gas bills in cities in DEO's service territory compared favorably to bills in other urban areas in Ohio.

For example, a total residential gas bill based on 10 MCF for non-shopping customers in Akron, Ashtabula, Canton, Cleveland, Lima, Marietta, and Youngstown was \$62.35. The same measure showed bills ranging from \$66.94 for the Dayton area (Vectren), to \$78.98 for the Cincinnati area (Duke), and to \$77.26 for Marion, Lorain, Chillicothe, Zanesville, Columbus, Toledo, and Mansfield (Columbia)

**Q29. What is the significance of these cost figures?**

A. The low cost of natural gas over the last decade has been a major customer benefit for many reasons, and one is that these low costs have more than offset the bill impact of the critical task of replacing bare steel pipe and other aging infrastructure. The PIR Program is essential to ensuring continued safe and reliable natural gas service to DEO's customers now and into the future by proactively reducing the risks posed by target infrastructure. The Program was approved when commodity costs were much higher and

293 would remain a critical task even if costs were higher than they are today. But with costs  
294 so low and expected to remain low, DEO believes it would be imprudent to change  
295 course at this time.

296 The PIR Program presents many other benefits besides the replacement of aging  
297 infrastructure. As discussed above, the Program has resulted in economic benefits from  
298 increased payroll and property taxes as well as from the creation of jobs. Customers are  
299 no longer responsible for the repair or replacement of curb-to-meter service lines, which  
300 provides a direct benefit to customers. The O&M savings generated by the program have  
301 reduced the cost to customers. The fact that all of these benefits are occurring during a  
302 period of low gas costs, significantly mitigating the impact of the program on customers'  
303 bills, is yet one more benefit and reason for approving the requested reauthorization.

304 **Q30. Does this conclude your testimony?**

305 A. Yes.

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**12/8/2020 4:17:59 PM**

**in**

**Case No(s). 20-1634-GA-ALT**

Summary: Application Application, Exhibits, and Direct Testimony for Approval of an Alternative Rate Plan electronically filed by Christopher T Kennedy on behalf of The East Ohio Gas Company d/b/a Dominion Energy Ohio