

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc. d/b/a)	
CenterPoint Energy Ohio for Authority to)	Case No. 21-0491-GA-RDR
Adjust Its Distribution Replacement Rider)	
Charges.)	

**COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF
OHIO**

July 1, 2021

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I. BACKGROUND

Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy (CEOH or Company) CEOH is an Ohio corporation engaged in the business of providing natural gas distribution service to approximately 320,000 customers in West Central Ohio¹. CEOH is a public utility and a natural gas company as defined under R.C. 4905.02 and 4905.03, respectively, and, therefore, is subject to the Public Utilities Commission Ohio's (PUCO or Commission) jurisdiction. The Commission's Opinion and Order in Case No. 07-1080-GA-AIR approved a Stipulation and Recommendation authorizing CEOH to establish the Distribution Replacement Rider (DRR) for a period of five years or until new rates are approved pursuant to a base or alternative rate case.

¹ *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Adjust its Distribution Replacement Rider Charges*, Case No. 21-0491-GA-RDR, Application at 1 (May 1, 2021).

The purpose of the DRR is to permit CEOH to seek recovery of: (1) the return of and return on plant investment, including post-in-service carrying costs (PISCC), and certain incremental expenses incurred in implementation of its accelerated bare steel and cast iron mains and service lines replacement program; (2) deferred expenses associated with the Company's riser investigation pursuant to Case No. 05-0463-GA-COI; (3) costs for replacement of prone-to-fail riser; and (4) incremental costs related to the Company's assumption of ownership and responsibility for repairing customer service lines; and (5) actual annual Operations and Maintenance expense savings as an offset to costs otherwise eligible for recovery under the DRR.

The Commission's Opinion and Order in Case No. 13-1571-GA-ALT approved a Stipulation and Recommendation authorizing CEOH to continue the DRR program for investments beginning in 2013 through 2017 and to expand the program's scope.

On March 30, 2018, in conjunction with its base rate case filed in Case No. 18-0298-GA-AIR, CEOH filed an alternative regulation case in Case No. 18-0299-GA-ALT (collectively, 2018 Rate Case Proceedings), resulting in the DRR balance as of December 31, 2017 being included in CEOH's base rates and extending the DRR program for six years, for investment from January 1, 2018 through December 31, 2023.

By May 1 of each year, the Company must file an application detailing the investments and costs incurred during the previous calendar year and a summary of its construction plans for the next year. CEOH bears the burden of proof regarding the justness and reasonableness of the DRR rates proposed each year. Further, the Staff of the Commission (Staff) will perform an investigation of the annual application and make

recommendations on the justness and reasonableness of the application. Other parties may file comments on the applications and the Commission will set unresolved issues for hearing. Parties will use their best efforts to achieve implementation of new DRR charges to take effect on a service rendered basis on September 1 of each year.

Pursuant to the 2018 Rate Case Proceedings, the DRR is capped annually for the Residential and Group 1 General Service customers, as follows².

DRR Investment Year	Recovery Period	Applicable Cap
2018	9/1/19 - 8/31/20	\$ 2.50
2019	9/1/20 - 8/31/21	\$ 5.00
2020	9/1/21 - 8/31/22	\$ 7.50
2021	9/1/22 - 8/31/23	\$ 10.00
2022	9/1/23 - 8/31/24	\$ 12.00
2023	9/1/24 - 8/31/25	\$ 13.75

On January 29, 2020, the Commission issued a request for proposal (RFP) seeking proposals to conduct a two-part audit of CEOH's plant in service with a focus on capital expenditure program (CEP) and DRR assets. The purpose of the audit, as it relates to the DRR, was to review and attest to the accounting accuracy and used-and-useful nature of CEOH's capital expenditures. On February 26, 2020, Blue Ridge Consulting Services, Inc. was selected by the Commission to perform the review.

On July 24, 2020, in Case No. 20-101-GA-RDR, the Company filed its statement (Statement) as to whether issues raised in comments have been resolved. This Statement resolved issues identified in the audit report such as the amount of annual property tax, policies around cost approvals, in-service dates, work order unitization, and DRR pipe

² *In the Matter of Vectren Energy Delivery of Ohio, Inc., for Approval of an Increase in Gas Rates*, Case No. 18-298-GA-AIR, et al., Opinion and Order at 30 (August 28, 2019)

size and lengths. More specifically, the Company committed to review³ internal policies or procedures with regards to cost approvals, in-service dates, and work order unitization. This Statement did not resolve an issue pertaining to the PISCC calculation. On December 16, 2020, the Commission issued its Opinion and Order and found that the Company should apply a 5.07 PISCC rate to the entirety of the Company's 2019 DRR deferrals.

II. OVERVIEW

CEOH filed its Application on April 30, 2021 (Application). In its Application, CEOH indicates that in 2020 it replaced 49 miles of bare steel and 8 miles of cast iron mains, replaced 5,430 BS/CI service lines (with an additional 576 service lines retired), and moved 3,750 inside meters outside as part of its replacement program. CEOH proposed a Mains Replacement Program revenue requirement of \$13,031,487 and \$16,514,021 for the Service Line and Riser Replacement Program for a total DRR revenue requirement of \$29,596,434.

In response to provisions agreed to in the Statement, the Company has reviewed its policies and procedures regarding cost approvals, in-service dates, and work order unitization. Company witness Hoover describes in detail the steps taken to review and address the specific internal policies and controls identified the Statement.

CEOH's Application proposed the following DRR rates and charges:

³ CEOH agreed to review its current practices prior to filling its applications in 2021.

Company Application		
Rate Schedule	DRR Rate per Customer per Month	DRR Rate per Billing CCF
310, 311, and 315	\$ 7.59	
320, 321, and 325 (Group 1)	\$ 9.86	
320, 321, and 325 (Group 2 and 3)		\$ 0.03007
345		\$ 0.01262
360		\$ 0.00539

Staff notes that Rate Schedules 310, 311, and 315 have a proposed rate of \$7.59, which is comprised of annual revenue requirement of \$6.71 and an under-recovery of \$0.88.

III. STAFF REVIEW

Staff reviewed the Company's Application and testimony, issued data requests seeking additional supporting data, verified the calculations contained within the Application, and traced representative samples back to their source data. Staff's investigation was designed to ensure that the Company's policies and practices comport with sound ratemaking principals and Commission policies, confirm that its books and records are reliable sources of cost data, and ultimately determine if the rider increases sought in the Application are just and reasonable. During the course of Staff's investigation, Staff found no occurrences of erroneously entered in-service dates.

IV. STAFF FINDINGS AND RECOMMENDATION

Based on its investigation and findings, Staff concludes that CEOH's Application is just and reasonable, with one exception: the Company's request to recover audit costs associated with the Case No. 20-101-GA-RDR DRR audit. In its Application, CEOH

requests recovery of \$50,925 in audit expenses associated with its previous year's DRR and CEP annual reviews. The Company proposed to allocate 50% of the total auditing to the DRR. However, Staff recommends that the Commission deny CEOH's request based on the January 29, 2020 Commission Entry's directive that CEOH bear the costs of the audit services solicited in the RFP.⁴ Based on Staff's recommendation, the total resulting revenue requirement would be \$29,545,509 and the following are Staff's revised DRR rates by schedule.

Staff Recommendation		
Rate Schedule	DRR Rate per Customer per Month	DRR Rate per Billing CCF
310, 311, and 315	\$ 7.58	
320, 321, and 325 (Group 1)	\$ 9.85	
320, 321, and 325 (Group 2 and 3)		\$ 0.03003
345		\$ 0.01260
360		\$ 0.00538

⁴ *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for authority to adjust its Capital expenditure program rider charges*, Case No. 20-99-GA-RDR, Entry at 11 (January 29, 2020).

Respectfully submitted,

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On Behalf of the Staff of
The Public Utilities Commission of Ohio

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Comments** submitted on behalf of the Staff of the Public Utilities Commission of Ohio was served via electronic mail upon the following parties of record this 1st day of July, 2021.

/s/ Jodi Bair

Jodi Bair

Assistant Attorney General

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Summary: Comments Submitted on Behalf of the Staff of the Public Utilities Commission of Ohio electronically filed by Mrs. Kimberly M Naeder on behalf of PUCO