## THE PUBLIC UTILITIES COMMISSION OF OHIO

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| **In the Matter of the Annual Report of Columbia Gas of Ohio, Inc. for Approval of an Adjustment to Its Infrastructure Development Rider Rate.** | **Case No. 21-521-GA-IDR** |

## FINDING AND ORDER

Entered in the Journal on July 28, 2021

### I. Summary

**{¶ 1}** The Commission directs that, with respect to its future infrastructure development rider annual reports, Columbia Gas of Ohio, Inc. comply with the recommendations of the Staff to the extent set forth in this Finding and Order.

### II. Discussion

**{¶ 2}** Columbia Gas of Ohio, Inc. (Columbia or Company) is a natural gas company, as defined in R.C. 4905.03, and a public utility, as defined in R.C. 4905.02, and, as such, is subject to the jurisdiction of the Commission.

**{¶ 3}** R.C. 4929.161 permits a natural gas company to file an application with the Commission for approval of an infrastructure development rider (IDR) to recover prudently incurred infrastructure development costs of one or more approved economic development projects (EDP).

**{¶ 4}** R.C. 4929.165 provides that a natural gas company with an IDR shall file an annual report that must detail the infrastructure development costs related to the applicable EDPs, as well as set forth the rider rate for the 12 months following the annual report.

**{¶ 5}** Pursuant to Ohio Adm.Code 4901:1-43-04(D), the annual report to update a natural gas company's IDR shall be filed not less than 75 days prior to the proposed effective date of an updated IDR rate. Additionally, a proposed IDR rate will become effective on the 76th day after the filing of the annual report, unless suspended by the Commission for good cause shown.

**{¶ 6}** On May 24, 2017, in Case No. 16-2067-GA-ATA, et al., the Commission approved Columbia's application to establish a new mechanism, Rider IDR, pursuant to R.C. 4929.161 and Ohio Adm.Code 4901:1-43-04, to recover infrastructure development costs, as defined in R.C. 4929.16, and associated with EDPs approved under R.C. 4929.163 and R.C. 4929.164. Initially, the Rider IDR rate was set at zero. *In re Columbia Gas of Ohio, Inc.*, Case No. 16-2067-GA-ATA, et al., Finding and Order (May 24, 2017). Subsequently, Columbia has been required to file an annual report to adjust the Rider IDR rate.

**{¶ 7}** On March 12, 2021, in the above-captioned case, Columbia filed its annual IDR report for 2020. Columbia amended its annual report on April 2, 2021, and proposed to increase its monthly Rider IDR rate to $0.27 per customer from its prior Rider IDR rate of $0.04. Columbia requested approval to implement the new IDR charge effective with June 2021 bills.

**{¶ 8}** On May 21, 2021, Staff filed its review and recommendation regarding Columbia's application. Staff audited plant additions contained in the annual filing and reviewed invoices and the general ledger. Staff also verified that Columbia properly calculated the proposed IDR rate and that Columbia did not sell incremental volumes or receive incremental revenues for line extension projects listed in the application. Based on its review, Staff stated that Columbia's annual report and rider adjustment are consistent with the Commission's rules governing the IDR requirements and process. Accordingly, Staff recommended that the IDR rate be permitted to go into effect pursuant to the automatic approval process. However, during its audit, Staff discovered three issues with Columbia's infrastructure development program and recommended that the Commission direct Columbia to take certain actions with respect to its next IDR annual report.

**{¶ 9}** On May 27, 2021, Columbia filed revised tariffs, consistent with its amended application and the Staff's recommendation that the adjusted IDR rate be permitted to take effect. In accordance with the automatic approval process set forth in Ohio Adm.Code 4901:1-43-04(D), Columbia's adjusted IDR rate was effective on May 28, 2021.

**{¶ 10}** On June 2, 2021, Columbia filed its response to the three issues raised by Staff and the corresponding recommendations regarding the Company's infrastructure development program.

**{¶ 11}** First, Staff notes that Columbia certified that its IDR costs are for facilities owned and operated by Columbia. However, Staff discovered facilities included in the annual report that were not owned and operated by Columbia, as required by R.C. 4929.16(A). In response, Columbia removed the assets and supplemented its annual report. Columbia acknowledged, according to Staff, that there was a failure of internal controls and committed to modify its internal procedures to include regular review and monitoring to ensure proper procedures as outlined in the Company's policies and procedures. Accordingly, Staff recommends that the Commission order Columbia to provide a plan of action in its next IDR annual report for how the Company proposes to improve its internal controls to avoid this issue in the future.

**{¶ 12}** In response to Staff's first recommendation, Columbia states that it has already adopted a new procedure targeted at mitigating this issue and provided its response to Staff in a data request. Therefore, Columbia does not object to this recommendation.

**{¶ 13}** The Commission finds that Staff's first recommendation is reasonable and should be adopted. With its next IDR annual report, Columbia should provide a plan for improving its internal controls to ensure proper accounting of IDR costs.

**{¶ 14}** Second, Staff states that it observed record keeping discrepancies related to certain vendor invoices and, therefore, Staff recommends that the Commission direct Columbia to provide to Staff, concurrent with the filing of its next annual report, all invoices related to Aerotek, Work Management Inc., and Pac Van Inc., with detailed accounting and allocation explanations for the costs included in the IDR general ledger directly tied to costs outlined in the vendors' invoices.

**{¶ 15}** Columbia notes that, in a typical audit, Staff selects a statistical sample of Columbia invoices for review to determine whether the costs arising from the selected invoices were appropriately applied to the audited recovery mechanism. Columbia argues that, with the recommendation, Staff is essentially pre-selecting all invoices from the specified vendors. Columbia argues that Staff's recommendation, without regard to the significance of the dollar amount of the invoices, creates a new burden on Columbia personnel prior to any discovery process beginning in the next IDR proceeding. For this reason, Columbia asks that the Commission decline to adopt this recommendation. However, Columbia requests that, if the Commission is inclined to adopt this recommendation, the Commission only require the information to be provided to Staff during the audit associated with the next year's annual report, and that the Commission limit the invoices to those that are material in amount, which Columbia proposes be $10,000.

**{¶ 16}** Pursuant to R.C. 4929.161, the Commission is vested with the authority to determine prudently incurred infrastructure development program costs. In this instance, we note that, while Columbia's IDR was first approved in May 2017, four years ago, this is the second time Staff has raised an issue with regard to vendor invoices since the inception of the infrastructure development program. In Case No. 19-521-GA-IDR, although Staff did not name the vendor, the Staff discovered inconsistent record keeping in a sampling of invoices by a specific vendor used by the Company on multiple EDPs. While Staff's review and recommendation in that case indicates that the Company corrected the invoices, Columbia also committed to work with the vendor to ensure accurate invoices in the future. *In re Columbia Gas of Ohio, Inc.*, Case No. 19-521-GA-IDR, Staff Review and Recommendation (May 15, 2019) at 2. Furthermore, the Commission notes that Staff is not foreclosed from auditing more than a select sample of vendor invoices. Given that this may indicate a recurring issue, the Commission directs Columbia to provide Staff, concurrent with the filing of its next annual report, all invoices related to Aerotek, Work Management Inc., and Pac Van Inc., with detailed accounting and allocation explanations for the costs included in the IDR general ledger directly tied to costs outlined in the vendors' invoices. We see no need to initially limit the amount of the invoices to those in the amount of $10,000 or more, as requested by Columbia; to do so merely adds an intermediate step for the Company and Staff to complete the audit.

**{¶ 17}** As its third recommendation, Staff states that it requested data regarding the current status of each of the prior EDPs. In response, Staff declares that Columbia provided some information; however, the data was incomplete. For this reason, as part of its annual report, Staff recommends that the Commission direct Columbia to provide for each approved EDP the following information:

(a) Confirmation that the business is still operational.

(b) The current number of jobs created and the number of jobs retained as compared to the number of jobs in the EDP application filed.

(c) The total final investment dollars spent by the customer, community, and/or third parties for the project compared to the EDP application filed.

**{¶ 18}** Regarding the third recommendation, Columbia argues that it is not evident why this information is being requested for project costs which are not part of the current IDR filing for cost recovery. Assuming that Staff is requesting information for all of Columbia's EDPs, it would include its first project through its most recent projects, for which the Company is requesting cost recovery. Columbia states that its first EDP, the Sofidel Pipeline Project, was approved for cost recovery in Case No. 17-521-GA-IDR and costs were fully recovered by May 2018. Further, Columbia declares that the information sought by Staff is not within Columbia's possession or control. Columbia states that it does not collect the requested information in the ordinary course of business and, unlike the Commission, does not possess subpoena authority or another mechanism by which it can compel such information from customers with approved EDPs. Further, Columbia contends that arguably this information is outside the statutory requirements and the

Commission's rules governing the IDR annual review. Columbia points out that, in the rule docket currently pending, Case No. 21-10-GA-ORD, Staff did not propose to incorporate the collection of this type of information into Ohio Adm.Code 4901:1-43-04. Columbia notes, in contrast, that the rules governing electric distribution utility reasonable arrangements incorporate the collection of such information and established a process to do so. Ohio Adm.Code 4901:1-38-06. Columbia opines that, if the Commission had envisioned such a requirement for the EDP, it would have included a similar provision in Ohio Adm.Code Chapter 4901:1-43. For these reasons, the Company asserts that Staff's recommendation should be declined. If, however, the Commission adopts Staff's recommendation, Columbia requests that, at a minimum, the Commission limit the scope of the information requested to only the projects included in the current annual report.

**{¶ 19}** As to the third recommendation, the Commission finds that Staff has not presented sufficient justification to require Columbia to collect and provide the requested information for all its EDPs since the inception of its program or for those included in the current IDR filing. While the Commission recognizes there may be any number of reasons Staff believes it necessary to collect and evaluate the information regarding the Company's EDPs, none was provided in this instance. Accordingly, the Commission denies Staff's recommendation to require Columbia to provide the requested information for its EDPs. However, to the extent that Columbia possesses or is able to obtain the information, the Company should provide it in its IDR annual report for only those EDPs included within that report.

## III. ORDER

**{¶ 20}** It is, therefore,

**{¶ 21}** ORDERED, That Staff's recommendations be adopted to the extent set forth in this Finding and Order. It is, further,

**{¶ 22}** ORDERED, That, as part of its next IDR annual report, Columbia provide a plan of action to improve internal controls and ensure compliance with R.C. 4929.16(A). It is, further,

**{¶ 23}** ORDERED, That, concurrent with the filing of its next IDR annual report, Columbia provide Staff all invoices from the designated vendors, with detailed accounting and allocation explanations for the costs included in the IDR general ledger directly tied to costs outlined in the vendors' invoices, as set forth in Paragraph 16. It is, further,

**{¶ 24}** ORDERED, That a copy of this Finding and Order be served upon all interested persons of record.

COMMISSIONERS:
***Approving:***
Jenifer French, Chair
M. Beth Trombold
Lawrence K. Friedeman
Daniel R. Conway
Dennis P. Deters

GNS/hac