

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 ADJUST ITS
DISTRIBUTION REPLACEMENT RIDER
CHARGES.

CASE NO. 21-491-GA-RDR

FINDING AND ORDER

Entered in the Journal on August 25, 2021

I. SUMMARY

{¶ 1} The Commission approves the application of Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio to adjust its distribution replacement rider, as modified by Staff's recommendation.

II. DISCUSSION

{¶ 2} Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio (CEOH or Company) is a natural gas company and a public utility as defined in R.C. 4905.03 and R.C. 4905.02, respectively. As such, CEOH is subject to the jurisdiction of this Commission.

{¶ 3} On January 7, 2009, the Commission authorized CEOH to establish a distribution replacement rider (DRR) to recover the costs and receive a return on investments made by the Company to accelerate implementation of a bare-steel and cast-iron pipeline replacement program (Replacement Program). *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1080-GA-AIR, et al. (2007 Rate Case), Opinion and Order (Jan. 7, 2009).

{¶ 4} The DRR was originally approved for a five-year period ending February 2014. *2007 Rate Case*, Opinion and Order (Jan. 7, 2009). Subsequently, however, the Commission approved a stipulation that authorized CEOH to expand the scope of the Replacement Program and to continue the DRR to recover associated costs through the end of calendar year 2017. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 13-1571-GA-ALT (2013 DRR Extension), Opinion and Order (Feb. 19, 2014). Pursuant to the *2013 DRR Extension*, the Company agreed that any additional request to extend the DRR would be

made as part of an application for an increase in distribution rates under R.C. 4909.18 and 4909.19. *2013 DRR Extension* at 8.

{¶ 5} In 2018, the Company filed an application to increase its rates for gas distribution service and for approval of alternative rate plans. *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Rates*, Case No. 18-298-GA-AIR; *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Rate Plan*, Case No. 18-299-GA-ALT; *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Rate Plan*, Case No. 18-49-GA-ALT (combined, *2018 Rate Case*). On August 28, 2019, the Commission approved a stipulation and recommendation in the *2018 Rate Case* (Stipulation) that, among other things, authorized CEOH to include the DRR balance as of December 31, 2017, in base rates and extended both the Replacement Program and the DRR for the period from January 1, 2018, through December 31, 2023. Additionally, as part of the approved Stipulation, the DRR is capped annually for Residential Service customers. For the DRR investment year 2020, which corresponds to the recovery period of September 1, 2021, through August 31, 2022, the applicable cap is \$7.50. *2018 Rate Case*, Opinion and Order (Aug. 28, 2019).

{¶ 6} On January 29, 2020, the Commission directed Staff to issue a request for proposal (RFP) for an auditor to conduct a two-part audit of CEOH's plant in service with a focus on DRR and capital expenditure program (CEP) assets. *In re Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Adjust Its Distribution Replacement Rider Charges*, Case No. 20-101-GA-RDR (*2020 DRR Case*), Entry (Jan. 29, 2020).¹ With regard to the DRR, the purpose of the audit was to review and attest to the accounting accuracy and used-and-useful nature of the Company's capital expenditures. In the January 29, 2020 Entry, the Commission directed CEOH to "directly contract with the auditor chosen by the Commission and bear the costs of the audit services solicited in the RFP." *Id.* at ¶ 11.

¹ The January 29, 2020 Entry was also issued in CEOH's CEP Rider proceeding, *In re Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Adjust Its Capital Expenditure Program Rider Charges*, Case No. 20-99-GA-RDR.

Ultimately, the Commission selected Blue Ridge Consulting Services, Inc. (Blue Ridge) to conduct the audit.

{¶ 7} On December 16, 2020, the Commission approved the Company's application, as supplemented and subject to Staff's recommendation, to adjust its DRR charges for the DRR investment period ending December 2019; the approved DRR charges are effective through August 31, 2021. *2020 DRR Case*, Opinion and Order (Dec. 16, 2020). As part of the *2020 DRR Case*, and as a result of certain audit findings by Blue Ridge, CEOH additionally agreed to review internal policies and procedures with regard to cost approvals, in-service dates, and work order unitization prior to filing its next application to update the rider. *2020 DRR Case*, Statement of Resolution of Issues Raised (July 24, 2020); Opinion and Order (Dec. 16, 2020).

{¶ 8} On April 30, 2021, CEOH initiated this proceeding by filing an application to adjust the DRR to recover costs incurred during calendar year 2020 through rates effective September 1, 2021, to August 31, 2022. With its application, CEOH submits the testimony of Steven A. Hoover, Regional Director of Gas Engineering; Brittany A. Fleig, Manager, Regulatory Reporting; and Katie J. Tieken, Director, Regulatory and Rates. CEOH also attaches exhibits and schedules supporting the various costs and calculations necessary to support the revised DRR charges. Based on the application, testimony, and supporting evidence, the Company proposes that the DRR revenue requirement be allocated and charged to customers as follows:

Rate Schedule	\$ Per Month	\$ Per Billing Ccf
310, 311, and 315 (Residential Service)	\$7.59	
320, 321, and 325 (Group 1 - Small General Service)	\$9.86	
320, 321, and 325 (Group 2 and 3 - Large General Service)		\$0.03007
345 (Large General Transportation)		\$0.01262
360 (Large Volume Transportation)		\$0.00539

CEOH states that the calculation of the proposed DRR charge applicable to residential customers is consistent with terms of the approved Stipulation in the *2018 Rate Case* and complies with the residential rate cap for the DRR investment period ending December 31, 2020, exclusive of any variances applicable to those same customers during the period September 1, 2021, through August 31, 2022. Similarly, the Company represents that the proposed DRR charge for Group 1 customers complies with the Commission's approval of the alternative rate plan (Case No. 18-299-GA-ALT) in the *2018 Rate Case*, which requires the Group 1 charge to be 130 percent of the residential charge.

{¶ 9} By Entry dated May 7, 2021, the attorney examiner issued a procedural schedule governing the process for review of CEOH's application. Pursuant to that schedule, interested stakeholders were to file motions to intervene by June 4, 2021; Staff and intervenors were to file comments on the application by July 1, 2021; and CEOH was to file a statement by July 14, 2021, informing the Commission whether the issues raised in comments had been resolved. And, in the event that all issues raised in the comments were not resolved or the Commission finds that the application may be unjust or unreasonable, the May 7, 2021 Entry scheduled a hearing date of July 29, 2021.

{¶ 10} On July 1, 2021, Staff filed comments regarding CEOH's application.² After providing the relevant procedural history of the DRR, Staff provides an overview of the application. Staff relates the Company's representations that it replaced 49 miles of bare-steel and 8 miles of cast-iron mains, replaced 5,430 bare-steel/cast-iron service lines, and moved 3,750 meters from inside to outside as part of its Replacement Program; CEOH also retired 576 service lines. Staff reports that the application proposes 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. Continuing, Staff states that the Company has reviewed its policies and procedures regarding cost approvals, in-service dates, and work order unitization as agreed to in the *2020 DRR Case*,

² No motions to intervene were filed in this proceeding.

with Company witness Hoover providing a detailed description of the steps taken to review and address the identified issues. Additionally, Staff explains that the proposed \$7.59 DRR charge for residential customers falls within the \$7.50 rate cap because that charge is comprised of an annual revenue requirement of \$6.71 and an under-recovery of \$0.88.

{¶ 11} Continuing, Staff describes the scope of its investigation of the application. Staff states that it reviewed the application and attached testimony with exhibits, issued data requests seeking additional supporting data, verified the calculations contained within the application, and traced representative samples back to their source data. Staff explains that its investigation was designed to ensure that the Company's policies and practices comport with sound ratemaking principles and Commission policies, confirm that the Company's books and records are reliable sources of cost data, and determine if the rider increases sought are just and reasonable. Staff remarks that it found no occurrences of erroneously entered in-service dates.

{¶ 12} Ultimately, Staff concludes that CEOH's application is just and reasonable with the exception of the Company's request to recover audit costs. Specifically, Staff notes that the application requests recovery of \$50,925 in expenses associated with the Blue Ridge audit performed in the *2020 DRR Case*.³ Citing to the Commission's directive that the Company "bear the costs of the audit services solicited in the RFP," Staff recommends that the Commission deny the Company's recovery request. *2020 DRR Case*, Entry (Jan. 29, 2020)

³ Staff states that the cited amount represents half of the total audit costs. In the application, Company witness Tieken explains that, because the Blue Ridge audit involved both the DRR and the CEP, CEOH included half in this proceeding and half in its application to update the CEP.

at ¶ 11. With that recommendation, the total revenue requirement would be \$29,545,509, for which Staff recommends the following revised DRR rates:

Rate Schedule	\$ Per Month	\$ Per Billing Ccf
310, 311, and 315 (Residential Service)	\$7.58	
320, 321, and 325 (Group 1 - Small General Service)	\$9.85	
320, 321, and 325 (Group 2 and 3 - Large General Service)		\$0.03003
345 (Large General Transportation)		\$0.01260
360 (Large Volume Transportation)		\$0.00538

{¶ 13} In accordance with the May 7, 2021 Entry, CEOH filed a statement regarding the resolution of issues on July 14, 2021. Therein, CEOH states that the Company disagrees with Staff's position but, in the interest of resolving all issues raised, will withdraw the request to include the audit payments in the updated DRR charges in this proceeding. The Company refers to the testimony of Katie Tieken submitted with its application—in which Ms. Tieken explains CEOH's position that the audit payments are incremental, recoverable expenses associated with review of deferrals included in the DRR—and argues that the expenses are prudent, reasonable costs related to the provision of natural gas service that should not be borne by shareholders. The Company continues to say, however, that it agrees to withdraw its request for the purposes of resolving this proceeding. CEOH states that, regardless of its withdrawal of the request in this matter, the Company reserves the right to seek recovery of outside auditor expenses associated with the Commission's review of DRR investments in a subsequent application before the Commission. Finally, the Company represents that it does not object to the Commission's approval of the revised DRR charges set forth in Staff's comments and, therefore, requests that the Commission approve its application, as modified by Staff's recommendation and CEOH's statement of resolution of issues.

{¶ 14} The Commission has reviewed the Company's application, Staff's comments, and CEOH's July 14, 2021 statement accepting Staff's recommendation in the interest of resolving all issues raised in this proceeding. Upon that review, the Commission finds that

CEOH's application to adjust its DRR rate, as modified by Staff's recommendation, is reasonable and should be approved.

III. ORDER

{¶ 15} It is, therefore,

{¶ 16} ORDERED, That CEOH's application, as modified by Staff's recommendation, be approved. It is, further,

{¶ 17} ORDERED, That CEOH be authorized to file tariffs, in final form, consistent with this Finding and Order. CEOH shall file one copy in this case docket and one copy in its TRF docket. It is, further,

{¶ 18} ORDERED, That the effective date of the new tariff shall be a date not earlier than the date upon which the final tariff page is filed with the Commission. It is, further,

{¶ 19} ORDERED, That CEOH shall notify its customers of the changes to the tariff via bill message or bill insert within 30 days of the effective date of the revised tariff. A copy of this customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least ten days prior to its distribution to customers. It is, further,

{¶ 20} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 21} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

COMMISSIONERS:

Approving:

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

PAS/hac

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Case No(s). 21-0491-GA-RDR

Summary: Finding & Order approving the application of Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio to adjust its distribution replacement rider, as modified by Staff's recommendation. electronically filed by Kelli C. King on behalf of The Public Utilities Commission of Ohio