DEO EXHIBIT 4.0

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio for Authority to Adjust Its Capital Expenditure Program Rider Charges.	))))	Case No. 21-619-GA-RDR

TESTIMONY OF CELIA B. HASHLAMOUN IN SUPPORT OF THE STIPULATION ON BEHALF OF THE EAST OHIO GAS COMPANY D/B/A DOMINION ENERGY OHIO

September 10, 2021

TABLE OF CONTENTS

I. INTRODUCTION

Q1. Please state your name and business address.

A. My name is Celia B. Hashlamoun, and my business address is 1201 East 55th Street, Cleveland, Ohio 44103.

Q2. By whom are you employed?

A. I am employed by The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO) as a Regulatory Specialist in the Rates Department.

Q3. Are you the same Celia B. Hashlamoun who submitted direct testimony in this proceeding on April 1, 2021?

A. Yes.

Q4. Are you familiar with the Company's Application in this proceeding?

A. Yes. I am familiar with the Company's Application and Attachments filed in this proceeding on April 1, 2021 (the Application).

Q5. What is the purpose and scope of your testimony?

A. My testimony supports the Stipulation and Recommendation filed on September 7, 2021 (the Stipulation) and provides certain facts relevant to the Commission's criteria for evaluating stipulations to explain why the Stipulation is reasonable and should be approved without modification.

II. THE STIPULATION

Q6. What does the Stipulation resolve?

A. The Stipulation resolves DEO's Application to update its existing Capital Expenditure Program (CEP) Rider charges to reflect incremental CEP investment activity from January 1, 2019 through December 31, 2020.

Q7. Who are the Signatory Parties?

A. The Company and the Staff of the Public Utilities Commission of Ohio (Staff).

Q8. Can you briefly describe DEO's CEP?

A. In accordance with R.C. 4929.111, a natural gas company may file an application under R.C. 4909.18, 4929.05, or 4929.11, to implement a capital expenditure program for any of the following: any infrastructure expansion, infrastructure improvement, or infrastructure replacement program; any program to install, upgrade, or replace information technology systems; or any program reasonably necessary to comply with any rules, regulations, or orders of the Commission or other governmental entity having jurisdiction. The Commission previously approved the CEP Rider as the rate mechanism for recovery of CEP investments and CEP-related deferrals, as well as a return on the CEP rate base and the current CEP Rider charges, in Case No. 19-468-GA-ALT. The current CEP Rider charges are based on a revenue requirement that reflected CEP investment activity through December 31, 2018.

Q9. Does the Stipulation resolve all issues raised in this proceeding?

A. Yes. The Stipulation is a just, reasonable, and comprehensive settlement of all issues in this proceeding, and as discussed below, meets the criteria that the Commission uses to determine whether to approve a stipulation.

Q10. Does the Stipulation adopt the Staff's recommendations?

A. Yes. As Paragraph 1 of the Stipulation indicates, the Stipulation recommends approval of the Application, subject to the findings and recommendations of the Staff Review and Recommendation filed in this proceeding on August 2, 2021 (Staff Report), except as otherwise specifically provided for in the Stipulation. By adopting the Staff Report recommendations, the Stipulation also reflects DEO's acceptance of the adjustments identified in the Plant-in-Service and Capital Expenditure Program Audit submitted in this proceeding by Blue Ridge Consulting Services, Inc. (Blue Ridge Audit Report).

Q11. Did DEO agree in principle with all the Staff Report recommendations?

A. No. But to reach a compromise and help resolve the issues in this proceeding, DEO has agreed to all of the Staff Report adjustments which are reflected in the stipulated CEP revenue requirement.

Q12. What is the CEP Rider revenue requirement as a result of the Stipulation?

A. In accordance with the terms of the Stipulation, the CEP Rider revenue requirement, associated with the CEP investments through December 31, 2020, is approximately $118.3 million. This amount is less than the $118.8 million proposed by the Company in the Application.

Q13. What is the adjusted CEP Rider residential rate based on the stipulated CEP Rider revenue requirement?

A. The Stipulation's adjusted CEP Rider residential rate, prior to the revenue reconciliation adjustment, is $5.33 per customer per month. This amount is below the approved rate cap of $5.51 for the GSS-R and ECTS-R classes for CEP investments through December 31, 2020. The Stipulation's adjusted residential rate, after the revenue reconciliation, is $5.50. DEO Exhibit 4.1 provides the adjusted CEP revenue requirement and adjusted CEP Rider charges by rate class.

Q14. In addition to adopting the Staff Report recommendations, does the Stipulation address any other issues?

A. Yes. Paragraph 2 of the Stipulation reflects a new commitment by DEO to prospectively exclude capitalized amounts from any CEP revenue requirement for both the Leadership Incentive Plan (LIP) and the Long-Term Incentive Program (LTIP), for CEP investments beginning January 1, 2021, through the date certain of DEO's base rate case application to be filed not later than October 2024. I discuss these programs further below in my testimony.

Q15. Did the Application propose this prospective commitment?

A. No. DEO's Application did not propose this prospective commitment. In addition, neither Staff nor Blue Ridge recommended that the Commission order this adjustment. DEO voluntarily made this commitment in an effort to resolve the issues in this proceeding.

Q16. Has DEO reserved the right to seek recovery of costs for these programs in other proceedings before the Commission?

A. Yes. Since DEO believes that these costs are recoverable in rates, the Stipulation states that DEO reserves the right to seek, but no Signatory Party is prohibited from opposing, recovery of costs associated with these programs in other Commission proceedings.

III. THE CRITERIA FOR EVALUATING STIPULATION

Q17. What criteria does the Commission use to decide whether to approve a Stipulation?

A. My understanding is that the Commission has applied the following three criteria in evaluating stipulations: First, is the Stipulation a product of serious bargaining among capable, knowledgeable parties? Second, taken as a package, does the Stipulation benefit customers and the public interest? Third, does the Stipulation violate any important regulatory principle or practice?

A. THE STIPULATION IS THE PRODUCT OF SERIOUS BARGAINING.

Q18. In your opinion, is the Stipulation supported by parties representing a range of interests?

A. Yes. The Stipulation is signed by the Company and the Commission's Staff. In addition, Interstate Gas Supply, Inc. (IGS) does not oppose the Stipulation, but is not a signatory party.

Q19. Do you believe that the Stipulation was the product of serious bargaining?

A. Yes. It should be noted that this is an annual rider reconciliation proceeding that requires a compressed procedural schedule. The planned effective date for the adjusted CEP Rider charges was originally the first billing cycle in October. In addition, the scheduling order had testimony due by September 10, 2021, less than a month after the filing of intervenor comments, and the hearing set for September 17, 2021. Even with these time constraints however, the parties engaged in serious bargaining. All of the intervening parties participated in, or had the opportunity to participate in, the negotiations. The settlement negotiations involved a diverse group of experienced parties. An initial settlement meeting with all parties was held virtually on September 2, 2021. All parties who intervened in the case were invited to attend and did attend. Prior to that meeting, DEO circulated a written term sheet. During the meeting, DEO answered questions from the parties, and invited feedback and counterproposals to the proposed settlement terms. A second settlement meeting was held virtually on September 7, 2021. Again, all parties who intervened in the case were invited to attend and did attend. Prior to that meeting, DEO circulated a draft stipulation for the parties' review and comment. DEO then answered questions and encouraged feedback on the drafted language at the meeting. Changes to the draft language were proposed and taken into account. All agreed upon terms and conditions were incorporated into the Stipulation. Although the Office of the Ohio Consumers' Counsel (OCC), did not sign the Stipulation, there was recognition and acknowledgment during the negotiations that an impasse had been reached.

Q20. Were the parties represented by capable, knowledgeable persons?

A. Yes. All of the parties were represented by attorneys, most if not all of whom have years of experience in regulatory matters before this Commission, and all of the parties either employed or had access to technical experts with comparable experience.

Q21. Does the Stipulation reflect compromises from the proposals supported in DEO's Application?

A. Yes. As discussed below, the parties' negotiations resulted in a compromise that differs materially from positions and proposals supported by DEO's Application.

B. THE STIPULATION BENEFITS CUSTOMERS AND IS IN THE PUBLIC INTEREST.

Q22. Does the Stipulation benefit customers and is it in the public interest?

A. Yes. As described more fully below, the Commission's approval of the Stipulation will benefit customers in DEO's service territory and is in the public interest.

Q23. What facts support the conclusion that the Stipulation benefits customers and is in the public interest?

A. The Stipulation benefits DEO's customers and is in the public interest in a number of ways including the following:

1) Continues to provide for timely recovery of future CEP investment placed in service and CEP-related deferrals, which supports DEO's obligation under R.C. 4905.22 to furnish necessary and adequate service and facilities and encourages future investment in Ohio;

2) Continues to reflect the bill-mitigation benefits recognized in the approval of the original DEO CEP Stipulation in Case No. 19-468-GA-ALT;

3) Adopts the Blue Ridge adjustments and recommendations based on the auditor's review of the CEP plant balances for accounting accuracy, used and usefulness, necessity, reasonableness, and prudence; and

4) Agrees to prospective exclusion of capitalized costs associated with the LTIP and LIP.

Q24. How does the continued timely recovery of CEP investment benefit customers and the public in general?

A. R.C. 4905.22 requires utilities to "furnish necessary and adequate service" and "provide such instrumentalities and facilities as are adequate and in all respects just and reasonable." Permitting DEO to timely recover costs and deferrals associated with CEP capital investments funds further necessary investment in DEO's systems and the continued improvement of gas infrastructure that benefits Ohio citizens and businesses. This includes the replacement of facilities due to physical deterioration to improve system reliability and the development and deployment of information systems needed to enhance customer service and support compliance with applicable regulations. And by ensuring that DEO is given the opportunity to timely recover its CEP investments in annual updates, the Stipulation encourages continued investment in Ohio. The Company believes that these annual adjustments to CEP Rider charges strike a critical balance: mitigating rate impacts and ensuring thorough review of CEP investments, without discouraging future investment by imposing undue or inconsistent restrictions or delays on capital recovery.

Q25. How have the bill impacts of the CEP rates been mitigated?

A. The bill impacts of the CEP rates continue to be mitigated in a number of ways. First, the stipulated CEP revenue requirement includes a depreciation offset that effectively provides a credit to customers by reducing CEP rate base. Second, the annual rate increase caps continue to limit the amount of CEP investment that can be recovered in any given year. Lastly, the annual review of CEP plant balances continues to ensure that recovery of CEP investment is necessary, prudent, and reasonable.

Q26. Can you explain further how ratepayers benefited from Staff's annual review of the CEP assets?

A. Yes. As part of its audit, Blue Ridge assessed the necessity, reasonableness, and prudence of the CEP expenditures and assets from January 1, 2019, through December 31, 2020. As a result of that review, Blue Ridge identified adjustments to the Company's proposed CEP revenue requirement that have been reflected in the stipulated CEP revenue requirement. Whether Staff or its designee performs the annual review of CEP investments, the formal plant audit process helps ensure that the CEP Rider rates paid by customers are reasonable and lawful. Thus, by adopting the Blue Ridge adjustments and recommendations, the Stipulation benefits ratepayers.

Q27. What other commitments did DEO make in the Stipulation?

A. As discussed above, Paragraph 2 of the Stipulation, if approved by the Commission, requires DEO to prospectively exclude LTIP and LIP costs from the CEP revenue requirement, for CEP investments from January 1, 2021, through the date certain of DEO's base rate case application to be filed not later than October 2024.

Q28. Can you briefly explain the LTIP?

A. The LTIP for executives provides focus on long-term performance and strategic goals as well as retention. The LTIP utilizes restricted stock awards with time-based vesting and cash awards based on financial performance metrics.

Q29. Can you briefly explain the LIP?

A. The objective of the LIP is retention of certain key non-officer employees through restricted stock grants.

Q30. You indicated above that DEO considers these costs to be recoverable in natural gas rider rates. Can you explain the basis for DEO's position?

A. Although I am not attorney, as I noted above, it is my understanding that the Commission recently addressed this issue in Case No. 19-971-GA-ALT, which was the proceeding in which the Commission approved the CEP Rider for Duke Energy Ohio, Inc. The Commission Order in that case contained the following statement:

> Finally, we find no merit in OCC's arguments related to the Stipulation's provisions imposing rate caps and allowing inclusion of earnings- and stock- based incentives in the CEP Rider. ... With respect to the latter, the Signatory Parties have explained that their recommendation that earnings- and stock-based incentives be recovered through Duke's CEP Rider is consistent with GAAP, as well as the treatment of such incentives in the Company's natural gas base rates and the CEP riders and base rates for other natural gas companies (Co. Ex. 7 at 4). Accordingly, the Commission finds that the inclusion of these incentives in Duke's CEP Rider is not unreasonable.

In re Duke Energy Ohio, Inc., Case No. 19-791-GA-ALT, Opin. & Order (Apr. 21, 2021) ¶ 69. Based on my understanding of this language, the same reasoning would apply to DEO. In accordance with Generally Accepted Accounting Principles (GAAP), costs incurred for DEO's CEP capital projects include labor charges as well as associated charges for payroll taxes and employee benefits, which would include a component of costs such as LIP and LTIP.

Q31. How does this commitment to exclude LIP and LTIP costs constitute a ratepayer benefit?

A. The exclusion of these costs from CEP capital investment results in revenue requirements that will be lower than they would be without this commitment to the benefit of ratepayers. In addition, these exclusions also resolve a potentially contested issue in future CEP proceedings. This commitment thus supports judicial efficiency and avoids the parties' spending time and resources litigating the inclusion of these costs in the CEP Rider in subsequent annual updates.

Q32. In its comments, OCC asks the Commission to exclude "all financial incentives" from the CEP Rider. (*See generally* OCC Cmts. at 7-12.) Does the Stipulation require DEO to prospectively exclude all forms of compensation costs from the CEP revenue requirement?

A. No.

Q33. Are there additional forms of compensation costs included in CEP projects that could be captured by OCC's vague definition of "all financial incentives"?

A. Yes. In addition to the LTIP and LIP, DEO currently incurs costs related to its Annual Incentive Plan (AIP). There are capitalized costs included in CEP projects for AIP because as previously stated, under GAAP, AIP costs will naturally follow the labor costs supporting CEP. The AIP program reflects the company's application of pay-for-performance principles tied to results that align with the interests of our customers, employees, shareholders and the communities we serve. The AIP program plays an important part in maintaining market-competitive total compensation for all employees and places a portion of compensation at risk through performance goals. The AIP is structured to focus the workforce on goals that align with corporate values and drive toward safe and efficient operations, reliable service for our customers, and the achievement of financial results. The objective is to strive for targeted performance levels in the areas of safety, diversity and inclusion, and environmental benefits; financial performance; and other operating and stewardship targeted performance, by emphasizing teamwork on common goals. The AIP program is focused on ensuring that these goals are achieved within a culture of economic efficiency and cost control.

Q34. In its comments, OCC also objects to the rate of return (ROR) reflected in the CEP revenue requirement. (*See generally* OCC Cmts. at 3-7.) Did the Commission also recently address this issue?

A. Yes. Although I am not an attorney, I am aware that this issue was litigated by the parties and decided by the Commission in Case No. 19-468-GA-ALT, the proceeding in which the Commission approved DEO's CEP Rider. It is my understanding that in its order approving the stipulation submitted in that proceeding, the Commission decided that there was adequate justification to continue its practice to utilize the cost of capital and capital structure approved in the utility's last rate case in subsequent alternative rate plan and rider proceedings. Case No. 19-468-GA-ALT, Opin. & Order (Dec. 30, 2020) ¶¶ 68, 70, 79. It is also my understanding that the Commission decided that no argument presented by opposing intervening parties in that proceeding convinced the Commission to change or revise its practice. *Id*. ¶ 79.

Q35. Did the Commission make any other findings regarding cost of capital in its decision in Case No. 19-468-GA-ALT that you believe are relevant to this proceeding?

A. Yes. The Commission also stated it was prudent for Staff "to monitor measures of profitability of companies that have been granted deferrals" and to "do so as part of Dominions annual [CEP] filings." *Id*. ¶ 70.

Q36. Did the Staff review "measures of profitability" in its Staff Report in this proceeding?

A. Yes. Staff found that its analysis of returns for local distribution companies (LDC) for years 2018-2020 indicated that DEO has not significantly over-earned or under-earned.

Q37. Does the Company continue to oppose OCC's recommendation to reduce the ROR embedded in the CEP revenue requirement?

A. Yes. The Company believes that OCC is raising identical issues with respect to ROR that the Commission resolved in DEO's favor in Case No. 19-468-GA-ALT less than a year ago. The Company continues to maintain the same position explained in its testimony and briefing in the prior case and continues to oppose OCC's position. But the Company does not believe there are any new facts or other changes that would support relitigating the ROR issue, especially with the Staff Report again confirming that DEO is not overearning.

C. THE STIPULATION DOES NOT VIOLATE ANY IMPORTANT REGULATORY PRINCIPLE OR PRACTICE.

Q38. Does the Stipulation violate any important regulatory principle or practice?

A. No. On the contrary, it encourages compromise as an alternative to litigation and allows DEO to recover its prudent costs through just and reasonable rates. The Stipulation also supports DEO's financial condition and ability to provide safe and reliable service, which assists DEO in meeting its obligations under R.C. 4905.22 ("furnish necessary and adequate service and facilities") and furthers the state policy in R.C. 4929.02(A)(1) ("[p]romote the availability to consumers of adequate, reliable, and reasonably priced natural gas services and goods"). For these reasons and given the benefits provided to ratepayers, which I described above, the Stipulation does not violate any important regulatory principle or practice.

IV. CONCLUSION

Q39. What is your recommendation to the Commission?

A. I recommend that the Commission approve the Stipulation. The Stipulation represents a fair, balanced, and reasonable compromise that provides significant benefits for DEO's customers, thereby meeting the Commission's criteria for adopting settlements.

Q40. Does this conclude your testimony?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a courtesy copy of the foregoing pleading was served by electronic mail this 10th day of September, 2021, to the following:

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One of the Attorneys for The East Ohio Gas Company d/b/a Dominion Energy Ohio

Exhibit 4.1

THE EAST OHIO GAS COMPANY d/b/a DOMINION ENERGY OHIO
Case No. 21-619-GA-RDR
Capital Expenditure Program (CEP) Rider

	As-Filed	Blue Ridge Adjustments	Adjusted
Rate Base			
Plant in Service	$ 805,888,448	$ (4,804,744)	$ 801,083,704
Less: Accumulated Provision for Depreciation	(32,499,423)	(4,926,724)	(37,426,147)
Net Capital Additions	$ 838,387,871	$ 121,980	$ 838,509,851
Depreciation Offset	(389,705,205)	-	(389,705,205)
Net Capital Additions Less Depreciation Offset	$ 448,682,666	$ 121,980	$ 448,804,646
Regulatory Deferrals	346,461,266	(483,525)	345,977,741
Accumulated Deferred Income Tax (ADIT)	(107,716,982)	35,213	(107,681,768)
Rate Base	$ 687,426,950	$ (326,332)	$ 687,100,619
Pre-Tax Rate of Return	9.91%	0.00%	9.91%
Annualized Return on Rate Base	$ 68,124,011	$ (32,339)	$ 68,091,671
Operating Expenses			
Annualized Depreciation Expense	$ 26,359,317	$ (158,990)	$ 26,200,328
Annualized Property Tax Expense	11,402,516	(218,755)	11,183,761
Amortization of Deferred PISCC	5,117,718	(26,395)	5,091,323
Amortization of Deferred Depreciation Expense	3,215,306	(16,101)	3,199,205
Amortization of Deferred Property Tax Expense	1,090,723	(5,254)	1,085,469
Total Operating Expenses	$ 47,185,579	$ (425,494)	$ 46,760,085
Annual Revenue Requirement Prior to Revenue Reconciliation	**$ 115,309,590**	**$ (457,833)**	**$ 114,851,757**
(Over) / Under Recovered Balance	3,453,857	-	3,453,857
Total Revenue Requirement	**$ 118,763,446.97**	**$ (457,833.43)**	**$ 118,305,613.53**

Impact per Bill/Mcf	As-Filed	Adjusted
GSS/ECTS - Residential (per bill) [1]	$ 5.52	$ 5.50
GSS/ECTS - Nonresidential (per bill)	$ 15.73	$ 15.67
LVGSS/LVECTS (per bill)	$ 67.27	$ 67.01
GTS/TSS (per bill)	$ 736.48	$ 733.64
DTS (per Mcf)	$ 0.0591	$ 0.0589
FSS (per Mcf)	$ 0.1856	$ 0.1849

[1] Rate charged to customers which includes the revenue reconciliation. Adjusted residential rate per bill prior to revenue reconciliation is $5.33. As-Filed residential rate per bill prior to revenue reconciliation is $5.36.