



**Public Utilities
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November 26, 2021

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion Energy Ohio, for Approval to Change Accounting Methods, Case No. 15-1712-GA-AAM.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation regarding the compliance filing made by The East Ohio Gas Company d/b/a Dominion Energy Ohio, Case No. 15-1712-GA-AAM.

David Lipthrott
Chief, Accounting and Finance Division
Public Utilities Commission of Ohio

Adam Burns
Accounting and Finance Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

**The East Ohio Gas Company Dominion Energy Ohio
Case No. 15-1712-GA-AAM**

BACKGROUND OF DOMINION’S PIPELINE SAFETY MANAGEMENT PROGRAM

By Opinion and Order dated November 3, 2016 (2016 Order), the Public Utilities Commission of Ohio (Commission) approved The East Ohio Gas Company d/b/a Dominion Energy's, (Dominion or Company) application in Case No. 15-1712-GA-AAM to establish a regulatory asset to defer up to \$15 million annually in order to increase customer safety through the Pipeline Safety Management Program (PSMP).

The PSMP originally consisted of four initiatives as part of the Company's Distribution Integrity Management Plan adopted in accordance with federal pipeline safety regulations, 49 C.F.R. 192.1001, Subpart P. The four initiatives were:

- Damage Prevention Initiative consisting of programs specifically targeted at preventing pipeline damage.
- Advanced Workforce Training Initiative involving new training curricula and instructor-led classroom training at a new training facility to enhance and speed employee training.
- Asset Data Collection Initiative for implementation of automated data collection procedures for construction activities to reduce errors associated with paper records and enhancements to existing system attributes data.
- Quality Assurance Program is intended to create a centralized and dedicated internal auditing team to evaluate employee and contractor work for compliance with the Company's operating procedures and operator qualification plan.

In the 2016 Order, Dominion received authority to revise its accounting procedures and to defer operations and maintenance costs incurred for the PSMP on or after January 1, 2016, with the annual amount not to exceed \$15 million, including carrying costs of three percent per annum on the deferred balance, without compounding, as costs are incurred until recovery of the deferral commences. Unless otherwise ordered by the Commission, the deferral will expire not later than January 1, 2024. Recovery of any deferred PSMP-related costs will be addressed in a separate proceeding or in Dominion’s next general rate case.

As part of the Commission’s approval of the PSMP, Dominion is required to file an annual report by June 1 of each year detailing, among other things, the expenditures, deferred expenses, baseline performance measures for each initiative, improvements of each initiative in comparison to the baselines, results of ongoing and future investigations, any mid-term adjustments, and efforts to identify efficiencies and to implement cost-savings measures. In addition, Dominion was also required to include with the annual report an audit report, prepared by an external auditor, as to the accuracy of Dominion’s accounting for PSMP-related expenditures. Within 90 days of the Company filing the annual report, Staff shall file a report of its investigation (Staff Report). Dominion is afforded 30 days to accept or object to the Staff’s recommendations.

By Finding and Order dated November 14, 2018 (2018 Order), the Commission accepted Dominion’s 2018 Annual Report as filed and articulated the appropriate process for adding or

revising PSMP initiatives. As a result, the PSMP includes two new initiatives: the Underground Storage Integrity Initiative and the Gathering Rights of Way Maintenance Initiative.

On January 30, 2020, Staff filed a reply in which Staff states that it has reviewed the two new initiatives for 2020 presented by Dominion at the December biannual meeting. While Staff believes that, in general, the new initiatives, which are intended to enhance monitoring of low-pressure regulating stations and to identify, assess, and remediate a service line off of a service line (service off service), would be appropriate for deferral through the PSMP, Staff will review the Company's formal disclosure of the initiatives in its next annual report.

On March 11, 2020 the Commission's Supplemental Finding & Order amended the process for the PSMP. Beginning in 2020, the annual report shall be filed on or before September 1 of each year and any proposed new initiatives shall be presented in the annual report. If Staff objects to any new initiative in its Staff Report, Dominion will not begin deferring expenses associated with the new initiative until the Commission issues an order approving the inclusion of the new initiative. In all other respects, the PSMP process shall continue as previously approved by the Commission. Additionally, the Commission approved the two new initiatives to enhance monitoring of low-pressure regulating stations and to identify, assess, and remediate service off service proposed by Dominion for 2020 and that Dominion may commence accrual of deferrals through the PSMP.

On September 1, 2020, Dominion filed its PSMP annual report which proposed two additional initiatives, the Mega Rule initiative and the High Pressure (HP) Distribution Farm Taps initiative. The Mega Rule provides an expansion of the integrity management requirements for gas transmission pipelines. The HP Distribution Farm Taps established a comprehensive list of these taps and their issues, ensured and followed cathodic protection requirements and build remediation plans for issues found.

Staff did not oppose the Company's proposed Mega Rule initiative; however, Staff recommended the Commission deny the HP Distribution Farm Taps initiative. On December 16, 2020, Dominion withdrew its request to defer expenses related to the HP Distribution Farm Taps initiative in 2021.

DOMINION'S 2021 ANNUAL REPORT

On September 1, 2021, Dominion filed its annual report for the PSMP detailing expenses deferred for calendar year 2020 (2021 Annual Report). Dominion proposed the inclusion of one new initiative associated with compliance of a new requirement of Ohio Administrative Code (Ohio Adm.Code) 4901:1-16. Made effective on August 5, 2021, Ohio Adm.Code 4901:1-16-04(J) requires operators to have and follow a written plan for tracking and abandoning inactive service lines in accordance with 49 C.F.R. 192.727. The plan is required to be complete and in effect by August 5, 2023.

Per communication with the Company on November 17, 2021, based on information available at this time, the Company does not expect the associated costs will be eligible for inclusion in PSMP in Calendar Year 2022 and would not object to Staff indicating in its Review and Recommendations letter that Dominion has withdrawn its deferral authority request of costs

associated with the new initiative relating to compliance with OAC 4901:1-16-04(J). Further the Company states, should Dominion determine at a later point in time that such costs are PSMP-eligible, the Company may re-propose the initiative in a future annual report for Staff's review.

CONCLUSIONS AND RECOMMENDATIONS

Staff reviewed Dominion's 2021 Annual Report and the accompanying attachments filed in this case and has no objection to the information contained in the report. Staff does not object to the Company's decision to withdraw the request for the new initiative and the associated deferral authority for costs related to compliance with OAC 4901:1-16-04(J) and recommends the Commission approve its filing. Nevertheless, as noted in Staff Comments previously filed in this case and acknowledged in the Commission's Orders, Staff's lack of objection to approved programs as part of Dominion's annual report should not be construed as support for future recovery of the PSMP deferrals. Staff expressly reserves the right to challenge recovery of the deferrals in any future recovery proceeding.

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in

Case No(s). 15-1712-GA-AAM

Summary: Staff Review and Recommendation regarding the compliance filing made by The East Ohio Gas Company d/b/a Dominion Energy Ohio electronically filed by Zee Molter on behalf of PUCO Staff