



**Public Utilities
Commission**

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December 13, 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 (DEO or the Company) for Authority to Utilize Depreciation Accrual Rate, Case No. 21-1173-GA-AAM*

Dear Docketing Division:

Enclosed please find the Staff Recommendation in the Matter of The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or the Company) to establish a new sub-account and begin utilizing a new accrual rate for certain assets, Case No. 21-1173-GA-AAM.

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

Enclosure
Cc: Parties of Record

**The East Ohio Gas Company
d/b/a Dominion Energy Ohio
Case No. 21-1173-GA-AAM**

SUMMARY

On November 12, 2021, The East Ohio Gas Company d/b/a Dominion Energy Ohio (DEO or the Company) filed an application in accordance with R.C. 4905.18, to request that the Commission issue an order approving the use of a 25-year depreciation accrual rate of 4.20 percent, effective November 1, 2020.

Per the Company's application, in Case No. 13-1988-GA-AAM, the Commission approved DEO's depreciation rates, effective January 1, 2013, and directed DEO "to submit a new depreciation study for all gas plant accounts no later than September 1, 2019," for assets as of December 31, 2018. Finding and Order (Oct. 23, 2013). In 2019, DEO provided a new depreciation study to Staff reflecting updated depreciation accrual rates for its gas plant accounts as of December 31, 2018 and requested approval of revised depreciation accrual rates agreed upon with Staff. See Case No. 19-1639-GA-AAM. The Commission ultimately approved a stipulation that, among other things, revised DEO's depreciation accrual rates, effective January 1, 2019. Finding and Order (Dec. 4, 2019).

According to the Company's application in this case, it acquired microwave communication towers from Dominion Energy Transmission in late 2020. Although the assets were not carried on the Company's books, they were and continue to be utilized in the provision of DEO service. Additionally, the Company is not seeking recovery of the costs of the communication tower assets in this case, only approval of an appropriate depreciation accrual rate to be applied to the newly established subaccount in which the acquired communication tower assets will be carried.

STAFF REVIEW

In its review, Staff examined the information provided by the Company to its depreciation consultant, Gannet Fleming Valuation and Rate Consultants LLC (Gannet Fleming), as well as industry information compiled by Gannet Fleming to make its determination. Staff's review of the acquired assets by vintage year indicates that the proposed 25-year average service life is reasonable as over half of the microwave communication tower assets still in use are between the ages of 15 to 19 years old. There are also recently added microwave communication tower assets within the last year.

Staff also reviewed industry net salvage's relied upon by Gannet to propose a negative 5% salvage for the assets in question. Eight of the nine companies included in the analysis were at 0 (zero) net salvage, while only one was at the negative 5% salvage proposed by the Company. Retirements, cost of removal and salvage data was not provided to Staff for the review. Based on the information provided in conjunction with a data request response that some microwave communication towers are included in the Company's existing plant Communication accounts and which are currently depreciated at an accrual rate that includes 0 (zero) net salvage, Staff recommends zero (0) net

salvage be utilized in the calculation of the accrual rate at issue. Changing net salvage to 0 (zero) results in a Staff recommended accrual rate of 4% $[(100\%-0\%)/25]$ for the microwave communication towers in question.

STAFF RECOMMENDATION

Staff concludes that the Company has appropriately supported the requested average service life but recommends a 0 (zero) Net Salvage resulting in the 4% accrual rate recommended above.

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Case No(s). 21-1173-GA-AAM

Summary: Staff Review and Recommendation regarding the application of The East Ohio Gas Company d/b/a Dominion Energy Ohio to establish a new sub-account and begin utilizing a new accrual rate for certain assets electronically filed by Zee Molter on behalf of PUCO Staff