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 APPROVAL TO CHANGE ACCOUNTING METHODS.	CASE NO. 21-1173-GA-AAM

FINDING AND ORDER

Entered in the Journal on December 15, 2021

I. SUMMARY

{¶ 1} The Commission approves the application of The East Ohio Gas Company d/b/a Dominion Energy Ohio for authority to change its depreciation accrual rates, subject to Staff's recommendation.

II. DISCUSSION

A. Applicable Law and Procedural History

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

{¶ 3} R.C. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts will be kept. Pursuant to Ohio Adm.Code 4901:1-13-13, the Commission adopted the Uniform System of Accounts (USOA), which was established by the Federal Energy Regulatory Commission (FERC), for gas and natural gas companies in Ohio, except to the extent that the provisions of the USOA are inconsistent with any outstanding orders of the Commission. Additionally, the Commission may require the creation and maintenance of such additional accounts as may be prescribed to cover the accounting procedures of gas or natural gas companies operating within the state.

{¶ 4} Further, R.C. 4905.18 provides that every public utility shall carry a proper and adequate depreciation or deferred maintenance account, whenever the Commission, after investigation, determines that a depreciation account can be reasonably required. Pursuant to the statute, the Commission shall ascertain, determine, and prescribe what are proper and adequate charges for depreciation of the several classes of property for each public utility and may prescribe such changes in such charges for depreciation as the Commission finds necessary.

{¶ 5} On November 12, 2021, Dominion 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 for certain specified assets, effective November 1, 2020.

{¶ 6} On December 13, 2021, Staff filed its review and recommendation of Dominion's application.

{¶ 7} On December 14, 2021, Dominion filed correspondence in which it states that it does not oppose Staff's recommendation.

B. Summary of Dominion's Application

{¶ 8} According to the Company's application, in Case No. 13-1988-GA-AAM, the Commission approved Dominion's depreciation rates, effective January 1, 2013, and directed Dominion "to submit a new depreciation study for all gas plant accounts no later than September 1, 2019," for assets as of December 31, 2018. *In re The East Ohio Gas Co. d/b/a Dominion East Ohio*, Case No. 13-1988-GA-AAM, Finding and Order (Oct. 23, 2013). In 2019, Dominion 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. The Commission ultimately approved a stipulation that, among other things, revised Dominion's depreciation accrual rates, effective January 1, 2019. *In re The East Ohio Gas Co. d/b/a Dominion Energy Ohio*, Case No. 19-1639-GA-AAM, et al., Finding and Order (Dec. 4, 2019).

{¶ 9} In its application, Dominion states that, in late 2020, in conjunction with Dominion Energy's sale of Dominion Energy Transmission, Inc., Dominion acquired certain microwave communication towers. Dominion states that, although the towers had been and continue to be used in the provision of Dominion's service, they were not previously contained in Dominion's gas plant accounts. The value of the towers is not currently reflected in any Dominion rate or charge, and the Company does not seek authority in this case to recover any such investment. The Company states that, with the towers now on its books, it is necessary to determine the appropriate depreciation treatment, as the towers were not included in Dominion's 2019 depreciation study.

{¶ 10} Dominion requests that the Commission approve a new depreciation accrual rate of 4.20 percent for the microwave communication towers in FERC Account 397.41 to be effective November 1, 2020. Dominion further requests that this approval specifically include authorization for the Company to apply the new depreciation accrual rate and associated 25-year asset life in its accounting of depreciation expense in 2021 and thereafter, until such time as that depreciation accrual rate and associated asset life are revised and approved by the Commission in a subsequent proceeding. Finally, Dominion requests expedited review of its application so that the Company may make the necessary accounting adjustments to close its 2021 books in accordance with the relief sought in the application.

C. Summary of Staff Review and Recommendation

{¶ 11} In its report, Staff states that it has reviewed the information provided by the Company to its depreciation consultant, Gannett Fleming Valuation and Rate Consultants, LLC (Gannett Fleming), as well as industry information compiled by Gannett 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.

{¶ 12} Staff also reviewed industry net salvages relied upon by Gannett Fleming to propose a negative five percent salvage value for the microwave towers in question. Eight of the nine companies included in the analysis were at zero net salvage, while only one was at the negative five percent salvage value proposed by the Company. Retirements, cost of removal, and salvage data was not provided to Staff for review according to the report. 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 zero net salvage, Staff recommends zero net salvage be utilized in the calculation of the accrual rate at issue. Changing net salvage to zero results in a Staff recommended accrual rate of four percent for the microwave communication towers in question.

{¶ 13} Staff concludes that Dominion has appropriately supported the requested average service life but recommends a zero net salvage resulting in the four percent accrual rate recommended in its report.

D. Commission Conclusion

{¶ 14} Upon thorough review of Dominion's application, and Staff's recommendation, the Commission finds that the application is reasonable and should be approved, subject to Staff's recommendation. Additionally, we find that, because the change in Dominion's accounting procedures will not result in any increase to the Company's rates or charges, the Commission may approve the application without a hearing.

III. ORDER

{¶ 15} It is, therefore,

{¶ 16} ORDERED, That Dominion's application be approved, subject to Staff's recommendation. It is, further,

{¶ 17} ORDERED, That Dominion take all necessary steps to carry out the terms of this Finding and Order. It is, further,

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

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

JMD/mef