

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Annual Application of	:	
Columbia Gas of Ohio, Inc. for an	:	Case No. 21-1185-GA-RDR
Adjustment to Rider IRP and Rider DSM	:	
Rates.	:	

**COMMENTS AND RECOMMENDATIONS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

March 25, 2022

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INTRODUCTION

In accordance with the Public Utilities Commission of Ohio (Commission) Opinions and Orders adopting the Stipulations and Recommendations filed in Case Nos. 08-72-GA-AIR, 11-5515-GA-ALT and 16-2422-GA-ALT, the Commission's Staff (Staff) has conducted an investigation in the above-referenced matter and hereby submits its findings to the Commission.

These Comments were prepared by the Commission's Rates and Analysis Department. Included are findings and recommendations resulting from financial reviews of additions to plant-in-service and Columbia Gas of Ohio, Inc.'s (Columbia, Applicant, or Company) proposed revenue requirement and other matters related to its Infrastructure Replacement Program (IRP) and associated Infrastructure Replacement Program rider (Rider IRP) and a review of the Company's Demand Side Management (DSM) program and associated Demand Side Management rider (Rider DSM).

In accordance with the Commission's Entry dated March 2, 2022, copies of these Comments have been timely filed with the Commission's Docketing Division. These Comments contain the results of Staff's investigation, and do not purport to reflect the views of the Commission, nor is the Commission bound in any manner by the representations and/or recommendations set forth herein.

BACKGROUND

Columbia is a public utility and a natural gas company pursuant to Chapter 4905, Ohio Revised Code, which is engaged in the business of providing natural gas distribution service to approximately 1.4 million customers in 61 of Ohio's 88 counties.

On April 9, 2008, the Commission approved an amended Stipulation in Case Nos. 07-478-GA-UNC and 07-237-GA-AAM (Risers Stipulation) that included, among other things, the establishment of Rider IRP. The purpose of the rider was to recover expenditures associated with the Company's three-year replacement of risers identified as "prone to fail" and customer service lines with potentially hazardous leaks. Under the Risers Stipulation approved and adopted by the Commission, the Company must file annual applications supporting proposed adjustments to its rates and Staff was directed to review and report on the reasonableness of the proposed rates.

On July 23, 2008, the Commission approved Columbia's application in Case No. 08-833-GA-UNC to implement specific DSM programs for the Small General Service Class of customers that were developed by the stakeholder group in that case. The approved programs for residential customers included the Home Performance Program,

Low-Cost Product Rebates, New Homes Program, Warm Choice®, and Furnace Market Research. Approved Commercial Programs included Small Business Energy Efficiency Incentives, Small Business Energy Saver Audits, Advanced Energy Design Partnership, and the Innovative Technology Program. Additionally, the Financing Program includes an Energy Efficiency Loan Fund.

On March 3, 2008, Columbia filed Case Nos. 08-72-GA-AIR, 08-73-GA-ALT, 08-74-GA-AAM, and 08-75-GA-AAM seeking authority to increase its gas distribution rates, approval of an alternative regulation plan, approval to change accounting methods, and authority to revise its depreciation accrual rates. On December 3, 2008, the Commission approved a Stipulation in the 08-72-GA-AIR, *et al.* (Rate Case Stipulation) cases that, *inter alia*, expanded Rider IRP to include three separate components, established Rider DSM to allow Columbia to recover the costs for implementing the DSM programs approved in Case No. 08-833-GA-UNC, and established procedural schedules for annual applications to modify Riders IRP and DSM. The three components of Rider IRP are designed to allow Columbia recovery of costs incurred during a test year to replace aging or hazardous infrastructure and include:

The first component is set forth in Case Nos. 07-478-GA-UNC and 07-237-GA-AAM, for recovery of costs associated with the replacement of natural gas risers that are prone to failure along with the costs associated with the future maintenance, repair and replacement of customer service lines that have been determined by Columbia to present an existing or probable hazard to persons and property. Columbia was to identify and

replace approximately 320,000 risers at an approximate cost of \$160 million over a period of approximately three years.

The second component is the recovery of costs associated with the Company's Accelerated Mains Replacement Program (AMRP). Under the AMRP, Columbia's plans call for it to replace approximately 3,770 miles of bare steel pipe, 280 miles of cast iron/wrought iron pipe and approximately 360,000 steel service lines over a period of 25 years at an estimated annual cost of \$73 million. Columbia maintains that these types of mains (priority pipe) typically have a greater probability to leak due to their material type, protection, age and other characteristics.

The third component recovers costs associated with the Company's installation of Automatic Meter Reading Devices (AMRD) on all residential and commercial meters served by Columbia over approximately five years, which began in 2009.

On December 14, 2011, in Case No. 11-5028-GA-UNC, the Commission approved Columbia's application to initiate a shared savings mechanism for its DSM programs. With this shared savings mechanism, Columbia is able to earn a tiered incentive by properly managing their DSM program and meeting targeted levels of natural gas savings at a prorated budget cost level per annum.

The approved procedural schedule for annual applications to modify Riders IRP and DSM calls for the Company to submit a pre-filing notice containing schedules with a combination of actual and estimated data by November 30 each year followed by an application by February 28 of the succeeding year, that contains updated, actual schedules supporting rates to go into effect on May 1 of that year.

On January 31, 2018, the Commission approved a stipulation in Case No. 16-2422-GA-ALT that, among other things, called for continuation of the IRP for an additional five years (for recovery of IRP investments made from January 1, 2018, through December 31, 2022), adjustment of the rate caps and guaranteed minimum levels of O&M savings, and continuation of the filing requirements and schedules adopted in the 08-72-GA-AIR and 11-5515-GA-ALT cases.

On November 24, 2021, Columbia submitted a pre-filing notice in this case containing schedules with nine months of actual and three months of projected data in support of requested increases to Riders IRP and DSM to go into effect on May 1, 2022. On February 25, 2022, the Company filed its application in this case with updated schedules containing actual data for calendar year 2021 and requesting that the test year for its application begin on January 1, 2021, and end on December 31, 2021, and a date certain for property valuation be set at December 31, 2021.

On March 2, 2022, the Attorney Examiner in this case issued an Entry establishing a procedural schedule for the case as follows:

- (a) March 25, 2022 – Deadline for filing of motions to intervene.
- (b) March 25, 2022 – Deadline for Staff and intervenors to file comments on the application.
- (c) March 31, 2022 – Deadline for Columbia to file a statement, informing the Commission whether the issues raised in the comments have been resolved.
- (d) April 1, 2022 – Deadline for expert testimony by all parties.
- (e) In the event that some or all of the parties enter into a stipulation resolving some or all of the issues in this case, the

parties must file such a stipulation with the Commission by 10:00 a.m. on April 6, 2022.

- (f) In the event all of the issues are not resolved or the parties enter into a stipulation, a hearing shall commence on April 7, 2022, at 10:00 a.m. Given the continuing COVID-19 health emergency, the hearing will be held using remote access technology that facilitates participation by telephone and/or live video on the internet. Additional details and instructions regarding remote access to the hearing will be provided by future entry. Any party requesting a continuance of the hearing must file a motion to continue the hearing with the Commission by 10:00 a.m. on April 6, 2022.

SCOPE OF STAFF'S INVESTIGATION

Staff divided its review into two parts – part one, investigating the application and supporting schedules for Rider IRP and part two, investigating the application and supporting schedules for Rider DSM. The overall scope of Staff's investigation was designed to determine if Columbia's filed exhibits justify the reasonableness of the revenue requirement proposed by the Company that is used as a basis for the annual adjustments to Riders IRP and DSM. These Comments summarize Staff's review, identify exceptions to the Company's Application, and provide recommendations to address the exceptions.

IRP INVESTIGATION

1. IRP Investigation Summary

As noted above, Rider IRP is comprised of three components – the accelerated mains replacement program, or "AMRP"; the risers and hazardous service lines program, collectively termed "Risers"; and the automated meter reading devices, or "AMRD."

Staff reviewed and analyzed the documents associated with each of these components Columbia filed and traced them to supporting work papers and source data. Staff audited actual capital expenditures, over/under-collections, and O&M savings data contained in the notice of intent filing. As part of its review, Staff issued data requests, contacted Company representatives to obtain clarifying and follow-up data, and performed independent analyses when necessary. Staff also reviewed Columbia's progress towards implementing its IRP. When investigating the Company's operating income, Staff reviewed expenses associated with depreciation, amortization of post in-service carrying charges, property taxes, AMRP customer education expenses, any AMRP operating and maintenance savings, and charges associated with the riser education and riser identification programs. To investigate the proposed rate base, Staff reviewed the information on all IRP assets contained in the Applicant's plant ledgers and supporting continuing property records. Staff selected a sample of transactions for detailed review. Finally, Staff reviewed the calculations for deferred depreciation, deferred post-in-service carrying cost (PISCC), depreciation, capitalized PISCC, and deferred taxes on liberalized depreciation.

2. IRP Progress

As part of the Joint Stipulation and Recommendation in Case No. 11-5515-GA-ALT approved by the Commission in its Opinion and Order issued November 26, 2012, Columbia clarified the scope of the AMRP to include interspersed non-priority mains, first generation plastic mains, and ineffectively coated steel mains. Therefore, the

Company has included the costs of retiring these portions of non-priority pipe in conjunction with its infrastructure replacement projects in this Application.

In 2021, Columbia completed 233 AMRP projects associated with replacement of priority and non-priority pipe. This represents a total of 1,082,227 feet of steel pipe; 19,927 feet of iron pipe; 196,528 feet of pre-1955 ineffectively coated steel pipe; 68,715 feet of post-1954 coated steel pipe; and 188,664 feet of plastic pipe. In addition, the Company reports that it replaced 24,134 hazardous customer service lines.

In total, the Company anticipated replacing 4,100 miles of priority pipe through the AMRP program, and approximately 360,000 service lines. The following table outlines the Company's progress in each of the categories of priority pipe and service line replacements:

Company Progress – Priority Pipe and Service Line Replacements

Category	Anticipated Total to Be Replaced	Total Replaced Through 2021	Percent Complete
Bare Steel	3,667 miles	2,093.4 miles	57%
Pre-1955 Unprotected Coated Steel	155 miles	240.2 miles	155%
Cast Iron	279 miles	115.8 miles	42%
Customer Service Lines	360,000	422,383	117%

Staff notes the Company’s progress of Priority Pipe and Service Line Replacements “Total Progress through 2021” exceeded the Company’s “Anticipated Total to be Replaced” for Pre-1955 Unprotected Coated Steel with a completion percentage of 155 percent and Customer Service Lines with a completion percentage of 117 percent.

In addition to the priority pipe described above, the Company has replaced certain non-priority pipe:

Company Progress – Non-Priority Pipe

Category	Total Replaced Through 2021
Post-1954 Coated Steel	123.3
Plastic	331.1

As stated in previous Rider IRP cases, Columbia completed AMRD deployment throughout its system in 2013 and replacement of all previously identified prone-to-fail risers in June 2011. However, the Company will continue to include expenses such as depreciation, taxes, etc. in the schedules supporting future applications to increase Rider IRP until the risers are included in the Company's base rates.

3. IRP Competitive Bidding and Ohio Labor

Columbia employs a competitive bidding process for the majority of the capital work associated with AMRP projects using two types of bids. The majority of Columbia's capital work associated with AMRP projects are performed by contractors under competitive bid "blanket" contracts. Blanket contracts were established across Columbia's operating areas and contractors provided bid prices based on the expected number of contract units (*e.g.*, feet of pipe replaced, number of service lines replaced, etc.) that would be completed during the term of the contract. The Company reports the majority of the work to replace the hazardous service lines was performed by Columbia employees and it sometimes uses Company personnel to perform AMRP work, depending on the availability of the Company employees and the nature of the work to be performed.

Staff confirmed, none of the contractors selected by Columbia are affiliated with the Company. Columbia includes language in its bid packages stating a preference that Ohio labor be used whenever possible as long as the price and quality of work is not negatively impacted. The Company reports in 2021, approximately 89% of the contractor labor force for AMRP projects was from Ohio.

4. Columbia’s Proposed IRP Recovery

Columbia proposes a revenue requirement of \$237,254,840 for the AMRP, \$52,022,523 for the Risers, and \$3,656,983 for the AMRD Program. Using the billing determinants for the AMRP, Risers, and AMRD established in the 2008 Stipulation approved by the Commission in Case No. 08-72-GA-AIR, the following table outlines the Company’s proposed allocation of the revenue requirement attributable to each component:

Company Proposed Rates

IRP Program	Total Revenue Requirement	<u>Monthly Rate Per Customer Class</u>		
		Small General Service	General Service	Large General Service
AMRP	\$ 237,254,840	\$ 9.86	\$ 114.66	\$ 3,998.82
Risers	\$ 52,022,523	\$ 2.89	\$ 3.61	\$ -
AMRD	\$ 3,656,983	\$ \$0.16	\$ 1.89	\$ -
<u>Total</u>	\$ 292,934,346	\$ 12.91	\$ 120.16	\$ 3,998.82

Staff notes the proposed monthly IRP charge of \$12.91 for SGS customers is below the cap of \$14.95/month established in the approved Stipulation and Recommendation in Case No. 16-2422-GA-ALT for this class of customers.

5. Staff's IRP Comments and Recommendations

Staff has completed its investigation of Columbia's proposed Rider IRP application. Staff completed an audit of actual data for expenditures from October 2020 through December 2020, as prescribed in the stipulation filed in Case Number 18-1701-GA-RDR. Staff also audited actual data for expenditures from January 2021 through September 2021. Due to the timing of the filing in February 2022, Staff was unable to complete an audit of actual expenditures from October 2021 through December 2021. Therefore, Staff recommends the actual fourth quarter data for 2021 be audited in the next annual filing. Staff identified O&M expenses pertaining to late fees and associated financing charges totaling \$330.60 during its review of the Company's AMRP schedule 9a. Staff recommends these expenses be removed from the revenue requirement and rates be updated accordingly. Staff recommends an adjusted revenue requirement of \$237,254,509 for the AMRP. This results in a rate of \$3,998.81 for the LGS class, while all other rate classes remaining the same. Staff identified the Company's progress of Priority Pipe and Service Line Replacements "Total Progress through 2021" exceeded the Company's "Anticipated Total to be Replaced" for Pre-1955 Unprotected Coated Steel with a completion percentage of 155 percent and Customer Service Lines with a completion percentage of 117 percent. Currently the Company has a pending IRP

renewal application in Case No. 21-638-GA-ALT, Staff avers the Company should update Anticipated Total to be Replaced values for Pre-1955 Unprotected Coated Steel and Customer Service Lines in said Case No. 21-638-GA-ALT, with regards to the percentage replaced for hazardous service lines and non-hazardous service lines.

Staff further recommends in the 2023 application, 2022 investment year, the Company remove all capitalized incentives related to financial performance. Staff has traditionally excluded capitalized incentives which are premised on financial performance. Based upon the Company's response to interrogatories¹, Staff was unable to verify the portion of capitalized incentives attributable to financial performance. In future applications, Staff recommends the Company provide adequate and sufficient documentation and supporting data to allow Staff to evaluate and quantify the amount of incentives capitalized attributable to financial performance included in IRP rate base.

Based upon the investigation described above, Staff finds the Company has supported its filing with adequate data and information to ensure the IRP revenue requirement and resulting rider rates are just and reasonable. As a result, Staff recommends the Commission approve Columbia's Application for the IRP, with the exception of Staff's recommendations as previously identified.

¹ Case No. 21-1185-GA-RDR Staff Data Requests # 27 and #29.

DSM INVESTIGATION

1. DSM Background

On November 24, 2021, Columbia filed a notice of intent to adjust Rider DSM rates and subsequently filed an Application on February 25, 2022, to adjust Rider DSM rates, with rates to become effective May 1, 2022. The Company proposes an increase in rates from \$0.2086 per Mcf to \$0.2132 per Mcf.

2. DSM Review

Staff audited nine months (i.e., January - September 2021) of actual expenses, revenues, over/under-collections, and shared savings data contained in the notice of intent filing. Additionally, Staff audited the Company's revenues and expenditures for the last quarter (October – December) of 2020, as agreed to by the parties in Case No. 17- 2374-GA-RDR. Staff compared the forecasted revenue and expenses from the notice of intent filing to the actual revenues and expenses submitted in the February filing.

Staff's audit included an examination of schedules, workpapers, confirmation of calculations and a prudence review to determine eligibility for recovery. Staff reviewed the Company's schedules and documents for completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff reviewed expense transactions for prudence and appropriateness for recovery, as well as to determine whether these transactions were truly incremental to the amount in base rates. Staff conducted this audit through a combination of interrogatories and document reviews and requested documentation as

needed until it was either satisfied that the costs were substantiated or concluded that an adjustment was warranted.

During this annual audit, Staff reviewed the incurred costs and revenues associated with the following programs: Home Performance Solutions, Simple Energy Solutions, New Home Solutions, Furnace Market Research, Small Business Energy Solutions, Residential Energy Efficiency Education for Students, Energy Design Solutions, Innovative Energy Solutions, Home Energy Report Program, Residential Energy Code Training and Evaluation, High Efficiency Heating System Rebate, EPA Portfolio Manager, Online Energy Audit, Program Administration, Program Development, and Warm Choice.

Staff also reviewed Columbia's testimony filed with this application and DSM Schedules 1-6 which supported the DSM rate and shared savings calculations.

3. DSM Findings

Pursuant to the Stipulation and approved by the Commission in Case No. 08-72-GA-AIR, base rates established in this rate case included \$7.1 million for the Warm Choice program. Annual spending in excess of this \$7.1 million would be eligible for recovery through this Rider.

Based upon its review, Staff finds that Columbia calculated its proposed Rider DSM rate accurately with no exceptions noted.

4. Staff's DSM Comments and Recommendations

Staff has completed its audit of Columbia's DSM actual expenses, revenues, over/under-collections, and shared savings data and recommends: 1) approval of the proposed DSM rate of \$0.2132 per Mcf; and 2) due to the timing of the February filing, that Staff audit the October – December 2022 actual DSM expenditures during the 2023 annual audit.

Respectfully submitted,

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On Behalf of the Staff of
The Public Utilities Commission of Ohio

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Comments and Recommendations** submitted on behalf of the Staff of the Public Utilities Commission of Ohio was served via electronic mail upon the following parties of record this 25th day of March 2022.

/s/ Thomas Lindgren

Thomas Lindgren

Assistant Attorney General

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Summary: Comments and Recommendations Submitted on Behalf of the Staff of
the Public Utilities Commission of Ohio electronically filed by Mrs. Kimberly M.
Naeder on behalf of PUCO