



Public Utilities Commission

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June 29, 2022

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

RE: *In the Matter of the Annual Application of Vectren Energy Delivery of Ohio, Inc., d/b/a CenterPoint Energy Ohio for Authority to Adjust Its Capital Expenditure Plan Rider Charges, Case No. 22-620-GA-RDR.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation of Vectren Energy Delivery of Ohio, Inc., d/b/a CenterPoint Energy Ohio's Application in Case No. 22-620-GA-RDR for approval of its capital expenditure program rider rate adjustment.

Sincerely,

A handwritten signature in black ink that reads "Marianne Townsend".

Marianne Townsend
Chief, Regulatory Utility Services
Rates and Analysis, Dept.
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

**Vectren Energy Delivery of Ohio, Inc.,
d/b/a CenterPoint Energy Ohio
Capital Expenditure Program Rider
Case No. 22-620-GA-RDR**

INTRODUCTION

In accordance with the Public Utilities Commission of Ohio's (PUCO or Commission) Opinion and Order in Case Nos. 18-49-GA-ALT, 18-298-GA-AIR *et al.* (Order),¹ on March 1, 2021, Vectren Energy Delivery of Ohio, Inc., d/b/a CenterPoint Energy Ohio (Company) filed an application to adjust its Capital Expenditure Program (CEP) Rider rate in Case No. 22-620-GA-RDR.

On February 23, 2022, the Commission selected Larkin & Associates, PLLC. (Larkin or Auditor) as the auditor to assist the Staff of the PUCO (Staff) in performing the review of the necessity, prudence and reasonableness of capital expenditures and deferrals related to the Company's CEP rider.

On June 22, 2022, Larkin submitted its audit for the 2022 annual adjustment to the CEP Rider rate for the Company (Larkin Report).

This report provides Staff's conclusion and recommendations to the Commission regarding the Company's application to adjust its CEP Rider as filed in Case No. 22-620-GA-RDR.

BACKGROUND

Under R.C. 4929.111, a natural gas company may file an application to implement a CEP for infrastructure expansion, improvement, or replacement; to install, upgrade, or replace information technology systems; or to comply with rules, regulation, or orders of the Commission or other governmental entity having jurisdiction. If the Commission finds that the CEP is consistent with the Company's obligation to furnish necessary and adequate services and facilities, and finds those services and facilities to be just and reasonable, the Commission shall approve the application and authorize deferral or recovery of both a regulatory asset for post in-service carrying costs (PISCC) on the portion of assets of the CEP placed in service but not reflected in rates as plant in service, and a regulatory asset for the incremental depreciation and the property tax expense directly attributable to the CEP but not reflected in rates.

In 2012, the Company filed an application to implement a CEP and modify its accounting procedures in Case Nos. 12-530-GA-UNC and 12-531-GA-AAM. In these cases, the Commission limited the CEP deferral authority from October 1, 2011, through December 31, 2012. The Commission authorized the Company to accrue CEP Deferral expense until the rates to recover the deferrals for the Residential and General Service, Group 1 class reach \$1.50 per month.²

In 2013, in Case Nos. 13-1890-GA-UNC and 13-1891-GA-AAM, the Commission authorized the Company to continue its CEP Deferral beyond December 31, 2012, until the accrued deferral would generate rates that result in an increased monthly charge of more than \$1.50 per month for the Residential and General Service, Group 1 class.³

¹ *In the Matter of the Application of Vectren Energy of Ohio, Inc. for Approval of an Alternative Rate Plan* (Alternative Rate Plan Order), Case Nos. 18-298-GA-AIR, 18-49-GA-ALT *et al.*, Opinion and Order (Aug. 28, 2019).

² *In the Matter of the Application Vectren Energy of Ohio, Inc. for Approval to Implement a Capital Expenditure Program*, Case No. 12-530-GA-UNC, *et al.*, Finding and Order at 9-10 (Dec. 12, 2012)

³ *In the Matter of the Application of Vectren Energy of Ohio, Inc. for Approval to Implement a Capital Expenditure Program*, Case No. 13-1890-GA-UNC, *et al.*, Finding and Order at 7 (Dec. 4, 2013).

In 2019, in Case Nos. 18-298-GA-AIR, 18-49-GA-ALT *et al.*, the Commission authorized the Company to implement a new alternative rate plan and create the CEP Rider to recover CEP deferrals. The rates to recover the CEP Deferral were capped at \$1.50 for Residential and General Service, Group 1 class.⁴

APPLICATION FOR CEP RIDER

The Company filed its application to adjust the CEP Rider rate for Residential and General Service, Group 1 class to \$0.62 beginning September 2022.⁵ The CEP Rider's revenue requirement for CEP investment through Dec. 31, 2021 is \$3,052,659. The rate includes CEP Deferrals only (not the underlying assets) and is a result of CEP investment from January 1, 2021 through Dec. 31, 2021. CEP Investments include plant additions of \$65,528,383 and retirements of \$2,689,403 for total plant in service of \$62,838,980; and total deferred expenses and total deferred taxes on expenses (depreciation, PISCC, and property tax) of \$40,592,259. Annualized operating expenses include depreciation, deferred depreciation amortization, PISCC amortization, property tax expense, and deferred property tax expense amortization.

THE CEP RIDER INVESTIGATION

Staff divided its review into two parts: 1) investigating the application and supporting schedules to determine if the Company's filed exhibits justify the reasonableness of the revenue requirement proposed by the Company that is used as a basis for the adjustment; and 2) plant investigation performing the review of the necessity, prudence and reasonableness of capital expenditures and deferrals related to the Company's CEP Rider. The Commission selected Larkin as the auditor to assist Staff in conducting the investigation.

Staff reviewed the Company's Application and supporting testimony, analyzed documentation associated with expenses and deferrals for depreciation, property tax, and PISCC. Staff also reviewed proposed tariffs, bill impacts, and revenue requirement calculations. As part of its review, Staff issued data requests, contacted Company representatives to obtain clarifying and follow-up data, and performed independent analysis when necessary. Finally, Staff reviewed the Order and stipulation from Case Nos. 18-298-GA-AIR, 18-49-GA-ALT *et al.*, and the Opinion and Order and statement of issues from Case No. 20-99-GA-RDR to ensure the Company was in compliance with all recommendations and requirements.

Larkin conducted an audit of the Company's CEP capital expenditures and deferrals. The audit reviewed the accounting accuracy and used and useful nature of the Company's non-IRP capital expenditures and related assets and corresponding depreciation reserve for investments and deferrals from January 1, 2021 through December 31, 2021. The audit also assessed necessity, prudence, lawfulness, and reasonableness of CEP investments. Larkin reviewed information required by the Request For Proposal and provided in responses to data requests; conducted interviews; performed field inspections and desk top reviews; reviewed the Company's processes and procedures; and performed various analyses as detailed in the Larkin Report.

STAFF'S RESPONSE AND RECOMMENDATIONS

Staff has completed its investigation of the Company's proposed CEP rider application. Staff fully adopts the Larkin Report. Based on the Auditor's recommendations, the new rate is approximately \$0.62 for residential customers (subject to Company final calculation).

⁴ *Alternative Rate Plan Order* at 51.

⁵ *In the Matter of Vectren Energy of Ohio Delivery of Ohio, Inc., d/b/a CenterPoint Energy Ohio's Capital Expenditure Program Rider (CEP Audit Case)*, Case No. 22-620-GA-RDR, Application at Exhibit No. KJT-1, Schedule 2 (March 1, 2022).

Based upon the investigation described above, Staff believes that the Company has supported its filing with adequate data and information to ensure that the CEP Rider's revenue requirement and resulting rider rates are just and reasonable. Therefore, Staff recommends that the Commission approve the Company's Application for the CEP Rider as modified by these comments.

**This foregoing document was electronically filed with the Public Utilities
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in

Case No(s). 22-0620-GA-RDR

Summary: Staff Review and Recommendation in the Matter of the Annual Application of Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio for Authority to Adjust Its Capital Expenditure Plan Rider Charges electronically filed by Ms. Nicci Crocker on behalf of PUCO Staff