



Public Utilities Commission

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July 15, 2022

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

RE: *In the Matter of the Annual Application of Columbia Gas of Ohio, Inc. for an Adjustment to the CEP Rider Rate, Case No. 22-621-GA-RDR.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendation in regard to Columbia Gas of Ohio, Inc.'s application in Case No. 22-621-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

**Columbia Gas of Ohio, Inc.
Capital Expenditure Program Rider
Case No. 22-621-GA-RDR**

INTRODUCTION

In accordance with the Public Utilities Commission of Ohio's (PUCO or Commission) Opinion and Order in Case No. 17-2202-GA-ALT (Order),¹ on February 25, 2022, Columbia Gas of Ohio, Inc. (Columbia or Company) filed an application to adjust its Capital Expenditure Program (CEP) Rider rate in Case No. 22-621-GA-RDR.

On February 23, 2022, the Commission selected Blue Ridge Consulting Services, Inc. (Blue Ridge 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 Columbia's CEP Rider.

On June 29, 2022, Blue Ridge submitted its audit for the 2022 annual adjustment to the CEP Rider rate for Columbia. (Blue Ridge Report).

This report provides Staff's conclusion and recommendations to the Commission in regard to Columbia's application to adjust its CEP rider as filed in Case No. 22-621-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 2011, the Company filed an application to implement a capital expenditure program and modify its accounting procedures in Case Nos. 11-5351-GA-UNC and 11-5352-GA-AAM. 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 Small General Service (SGS) class reach \$1.50 per month.²

In 2012, in Case Nos. 12-3221-GA-UNC and 12-3222-GA-AAM, the Commission authorized the Company to continue its CEP deferral beyond December 31, 2012, up and to the time where the

¹ *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation to Establish a Capital Expenditure Program Rider Mechanism*, Case No. 17-2202-GA-ALT, Opinion and Order (Nov. 28, 2018).

² *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Implement a Capital Expenditure Program*, Case No. 11-5351-GA-UNC, *et al.*, Finding and Order at 12-13 (Aug. 29, 2012).

accrued deferral would generate rates that result in an increased monthly charge of more than \$1.50 per month for the SGS class.³

In 2018, in Case No. 17-2202-GA-ALT, the Commission authorized the Company to implement a new alternative rate plan and create the CEP rider to recover historic and ongoing CEP costs and CEP deferrals (CEP Investment). The rates for incorporating historic CEP Investments through December 31, 2017, were set for SGS customers at \$3.51 per meter per month.⁴ The rates for recovery of ongoing CEP Investments were capped for SGS customers at \$1.05 per year for a maximum rate of \$7.71 in September 2022.⁵

COLUMBIA'S APPLICATION FOR CEP RIDER

On February 25, 2022, Columbia filed its Application to adjust the CEP Rider rate for SGS to \$7.33 beginning September 2022.⁶ The Application included a CEP Rider revenue requirement of \$158,140,477 through Dec. 31, 2021. The Company calculated a total revenue requirement for 2021 investments of \$32,249,989⁷ and an under recovery from the prior year of (\$786,570) resulting in a revenue requirement of \$31,463,419. CEP investments included plant additions of \$253,453,945 and retirements of \$21,737,837 for total plant in service of \$231,716,108; accumulated depreciation of \$74,686,591; and total deferred expenses and total deferred taxes on expenses (depreciation, PISCC, and property tax) of (\$12,041,890). Annualized operating expenses include depreciation, deferred depreciation amortization, PISCC amortization, property tax expense, and deferred property tax expense amortization.

On May 28, 2021, Columbia filed a rate case to adjust base rates in Case No. 21-637-GA-AIR (Rate Case). The Company and Staff note that there is potential for overlap between the implementation of the current CEP rider and the implementation of new base rates as a result of the base rate case. Staff addresses this in more detail below.

THE CEP RIDER INVESTIGATION

Staff divided its review into two parts: 1) investigating the application and supporting schedules 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 adjustment; and 2) plant investigation performing the review of the necessity, prudence and reasonableness of capital expenditures and deferrals related to Columbia's CEP Rider. The Commission selected Blue Ridge 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

³ *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Implement a Capital Expenditure Program*, Case No. 12-3221-GA-UNC, *et al.*, Finding and Order at 5 (Oct. 9, 2013).

⁴ *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval of an Alternative Form of Regulation to Establish a Capital Expenditure Program Rider Mechanism*, Case No. 17-2202-GA-ALT, Opinion and Order at 14 (Nov. 28, 2018).

⁵ *Id.* at 18.

⁶ *In the Matter of the Annual Application of Columbia Gas of Ohio, Inc. for an Adjustment to the Capital Expenditure Program Rider Rate (CEP Audit Case)*, Application at Schedule CEP-13 (Feb. 25, 2022).

follow-up data, and performed independent analysis when necessary. Finally, Staff reviewed the Order and stipulation from Case No. 17-2202-GA-ALT and the Opinion and Order and statement of issues from Case Nos. 20-49-GA-RDR and 21-23-GA-RDR to ensure the Company was in compliance with all recommendations and requirements.

Blue Ridge conducted an audit of Columbia's CEP capital expenditures. The Auditor reviewed the accounting accuracy and used and useful nature of Columbia'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 Auditor also assessed necessity, prudence, lawfulness, and reasonableness of the CEP expenditures. The Auditor reviewed the information required by the Request For Proposal; reviewed responses to data requests; conducted interviews; performed virtual field inspections and desk top reviews; reviewed the Company's processes and procedures; and performed various analyses as detailed in the Blue Ridge Report.

STAFF'S RESPONSE AND RECOMMENDATIONS

Staff has completed its investigation of Columbia's proposed CEP Rider application. Staff fully adopts the Blue Ridge Report. Based on the Auditor's recommendations, the new rate is approximately \$7.33 for residential customers (subject to Company final calculation). However, this new rate of \$7.33 is a temporary rate paid by customers in light of the pending rate case. When the rates for Columbia's Rate Case go into effect, the capital expenditures as of March 2021 included in this 2021 CEP rider will become part of Columbia's rate base and, therefore, these capital expenditures will be recovered in base rates. For this reason, the CEP rider rate must be reduced when Columbia implements rates resulting from its Rate Case.

Staff notes that the Company filed two sets of schedules in this case: one that includes total CEP investments for 2021 and one that incorporates changes that may result from the pending base distribution rate case, Case No. 21-637-GA-AIR et al. Staff recommends that the current rider be limited to 2021 assets and the current formula. The inputs used to calculate the 2021 CEP rate should not change as a result of the Rate Case. Annualized operating expenses include depreciation, deferred depreciation, amortization, PISCC amortization, property tax expense, and deferred property tax expense amortization should not change as a result of Columbia's Rate Case. The CEP rates should be based upon Columbia's CEP application in this case.

Once the base rates from the Rate Case go into effect, Staff recommends that the CEP rate be adjusted to cover assets invested after date certain in the rate case of March 31, 2021 through December 31, 2021, but all other parameters remain as approved in this CEP case. The Company states that the new rate would be approximately \$1.40.⁸ Staff recommends that the Company file timely revised tariffs for this case with the approval of the Rate Case. If there are changes or discrepancies between the rider and the base distribution rate case, Staff recommends that these issues be addressed in the base distribution rate case and/or in the next annual rider filing.

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 Columbia's application for the CEP rider as modified by these comments.

⁸ *Staff Data Request #4, Schedule CEP 13*. This rate is an approximate rate provided by the Company incorporating certain assumptions that may change. The rate is being included here to give an estimate of what the new rate may be. A final rate will be calculated by the Company at the time the new rate goes into effect.

**This foregoing document was electronically filed with the Public Utilities
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7/15/2022 10:41:58 AM

in

Case No(s). 22-0621-GA-RDR

Summary: Staff Review and Recommendation electronically filed by Ms. Nicci
Crocker on behalf of PUCO Staff