



Public Utilities Commission

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June 29, 2023

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

RE: *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy Ohio for Authority to Adjust Its Distribution Replacement Rider Charges, Case No. 23-0273-GA-RDR.*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations regarding the application filed by Vectren Energy Delivery of Ohio to update its Distribution Replacement Rider, in Case No. 23-0273-GA-RDR.

Respectfully submitted,

Adam Burns
Accounting and Finance Division
Public Utilities Commission of Ohio

Enclosure
cc: Parties of Record

**Vectren Energy Delivery of Ohio
Case No. 23-0273-GA-RDR (DRR)**

BACKGROUND

Vectren Energy Delivery of Ohio, Inc. d/b/a CenterPoint Energy (CEOH or Company) is an Ohio corporation engaged in the business of providing natural gas distribution service to approximately 330,000 customers in West Central Ohio.¹ CEOH is a public utility and a natural gas company as defined under R.C. 4905.02 and 4905.03, respectively, and, therefore, is subject to the Public Utilities Commission Ohio's (Commission) jurisdiction. The Commission's Opinion and Order in Case No. 07-1080-GA-AIR approved a Stipulation and Recommendation authorizing CEOH to establish the Distribution Replacement Rider (DRR) for a period of five years or until new rates are approved pursuant to a base or alternative rate case.

The purpose of the DRR is to permit CEOH to seek recovery of: (1) the return of and return on plant investment, including post-in-service carrying costs (PISCC), and certain incremental expenses incurred in implementation of its accelerated bare steel and cast iron mains and service lines replacement program; (2) deferred expenses associated with the Company's riser investigation pursuant to Case No. 05-0463-GA-COI; (3) costs for replacement of prone-to-fail riser; (4) incremental costs related to the Company's assumption of ownership and responsibility for repairing customer service lines; and (5) actual annual Operations and Maintenance expense savings as an offset to costs otherwise eligible for recovery under the DRR.

The Commission's Opinion and Order in Case No. 13-1571-GA-ALT approved a Stipulation and Recommendation authorizing CEOH to continue the DRR program for investments beginning in 2013 through 2017 and to expand the program's scope.

On March 30, 2018, in conjunction with its base rate case filed in Case No. 18-0298-GA-AIR, CEOH filed an alternative regulation case in Case No. 18-0299-GA-ALT (collectively, 2018 Rate Case Proceedings), resulting in the DRR balance as of December 31, 2017 being included in CEOH's base rates and extending the DRR program for six years, for investment from January 1, 2018 through December 31, 2023.

By May 1 of each year, the Company must file an application detailing the investments and costs incurred during the previous calendar year and a summary of its construction plans for the next year. CEOH bears the burden of proof regarding the justness and reasonableness of the DRR rates proposed each year. Further, Staff will perform an investigation of the annual application and make recommendations on the justness and reasonableness of the application. Other parties may file comments on the applications, and the Commission will set unresolved issues for hearing. Parties will use their best efforts to achieve implementation of new DRR charges to take effect on a service rendered basis on September 1 of each year.

¹ *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Adjust its Distribution Replacement Rider Charges*, Case No. 22-0455-GA-RDR, Application at 1 (April 29, 2022).

Pursuant to the 2018 Rate Case Proceedings, the DRR is capped annually for the Residential and Group 1 General Service customers, as follows:²

DRR Investment Year	Recovery Period	Applicable Cap
2018	9/1/19 - 8/31/20	\$ 2.50
2019	9/1/20 - 8/31/21	\$ 5.00
2020	9/1/21 - 8/31/22	\$ 7.50
2021	9/1/22 - 8/31/23	\$ 10.00
2022	9/1/23 - 8/31/24	\$ 12.00
2023	9/1/24 - 8/31/25	\$ 13.75

OVERVIEW

CEOH filed its application on April 29, 2022 (Application). In its Application, COEH indicates that in 2022 it replaced 58.5 miles of bare steel and 5.5 miles of cast iron mains, replaced 5,250 BS/CI service lines (with an additional 323 service lines retired) and moved 3,637 inside meters outside as part of its replacement program. COEH proposed a Mains Replacement Program revenue requirement of \$21,156,212 and \$23,123,469 for the Service Line and Riser Replacement Program for a total DRR revenue requirement of \$44,279,682.

CEOH's Application proposed the following DRR rates and charges:

Company Application		
Rate Schedule	DRR Rate per Customer per Month	DRR Rate per Billing CCF
310, 311, and 315	\$9.85	
320, 321, and 325 (Group 1)	\$12.80	
320, 321, and 325 (Group 2 & 3)		\$0.03230
345		\$0.01357
360		\$0.00773

STAFF REVIEW

Staff reviewed the Company's Application and testimony, issued data requests seeking additional supporting data, verified the calculations contained within the Application, and traced representative samples back to their source data. Staff's investigation was designed to ensure that the Company's policies and practices comport with sound ratemaking principals and Commission policies, confirm that its books and records are reliable sources of cost data, and ultimately determine if the rider increases sought in the Application are just and reasonable.

² 2018 DRR Extension Case, Stipulation and Recommendation at 7 (January 4, 2019).

During Staff's investigation, Staff found the Company correctly calculated the revenue requirement and the underlying calculations (Depreciation, Cost of Removal, PISCC, O&M Savings Allocations, and Property Taxes). Staff confirmed that the proposed monthly rates were properly calculated and under agreed upon rate caps. Staff further sampled and reviewed vendor support, materials and supplies from inventory, and labor calculations from the Company's business operations software for both mains and service lines. Staff confirmed the underlying support and found no occurrences of erroneously entered in-service dates.

STAFF FINDINGS AND RECOMMENDATION

Based on its investigation and findings, Staff concludes that CEOH's Application is just and reasonable. Additionally, Staff requests the Company continue to work with Staff to provide timely responses to Data Requests and look to find ways to expediate the review process. Staff recommends, the application be approved as proposed with a total revenue requirement of \$44,279,682.

**This foregoing document was electronically filed with the Public Utilities
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6/29/2023 11:27:37 AM

in

Case No(s). 23-0273-GA-RDR

Summary: Staff Review and Recommendation regarding the application filed by Vectren Energy Delivery of Ohio to update its Distribution Replacement Rider electronically filed by Zee Molter on behalf of PUCO Staff.