

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren )  
Energy Delivery of Ohio, LLC d/b/a ) Case No. 24-0832-GA-AIR  
CenterPoint Energy Ohio for Approval of an )  
Increase in Gas Rates )

In the Matter of the Application of Vectren )  
Energy Delivery of Ohio, LLC d/b/a ) Case No. 24-0833-GA-ALT  
CenterPoint Energy Ohio for Approval )  
of an Alternative Rate Plan )

In the Matter of the Application of Vectren )  
Energy Delivery of Ohio, LLC d/b/a ) Case No. 24-0834-GA-AAM  
CenterPoint Energy Ohio for Approval )  
to Change Accounting Methods )

In the Matter of the Application of Vectren )  
Energy Delivery of Ohio, LLC d/b/a ) Case No. 24-0835-GA-ATA  
CenterPoint Energy Ohio for Approval )  
of Tariff Revisions )

**APPLICATION TO INCREASE RATES AND CHARGES**

Company Name and Address: Vectren Energy Delivery of Ohio, LLC  
d/b/a CenterPoint Energy Ohio  
211 NW Riverside Drive  
Evansville, IN 47708

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Test Period: January 1, 2024 to December 31, 2024

Date Certain: December 31, 2024

Attorneys for Applicant:

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Filed: October 29, 2024

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**VERIFIED APPLICATION**

In accordance with R.C. 4909.18 and R.C. 4929.05, Vectren Energy Delivery of Ohio, LLC d/b/a CenterPoint Energy Ohio (CEOH) respectfully requests the Public Utilities Commission of Ohio (the Commission) approve this Application for an increase in distribution rates for natural gas service, an Alternative Rate Plan, changes in CEOH’s accounting methods, and revisions to CEOH’s tariffs. In support of this Application, CEOH states as follows:

1. CEOH is an Ohio corporation engaged in the business of providing natural gas service to customers in Ohio and, as such, is a “natural gas company” as defined by R.C. 4905.03(E), and a “public utility” as defined by R.C. 4905.02(A).

2. In accordance with Chapter I, Paragraph B of the Commission’s Standard Filing Requirements (SFRs) in Ohio Adm.Code 4901-7-01, Appendix A, CEOH filed a Pre-Filing Notice (PFN) on August 27, 2024, indicating its intent to file this Application for an increase in CEOH’s

natural gas distribution rates. Included with CEOH's PFN were exhibits with CEOH's proposed tariff schedules (PFN Exhibit 3) and the Schedule E-5 typical bill comparison (PFN Exhibit 4). As required by the SFRs, CEOH's PFN was filed with the Commission at least 30 days prior to the filing of this Application.

3. CEOH's Application is being filed in part to recognize in rate base the investment in pipelines, meters, and other jurisdictional assets that CEOH has made since its last rate case, Case No. 18-0298-GA-AIR, and to recover revenues sufficient enough to pay for CEOH's operating expenses, service CEOH's debt, and provide a reasonable rate of return on its property used and useful in the rendition of natural gas service to its customers.

4. This Application is being filed pursuant to R.C. 4909.18, and related sections of the Ohio Revised Code, for approval of changes in distribution rates for natural gas service for incorporated communities and unincorporated territories within CEOH's entire service area.

5. This Application is also being filed pursuant to R.C. 4929.05, and related sections of the Ohio Revised Code, for approval of CEOH's Alternative Rate Plan, for the continuation and modification of its existing Distribution Replacement Rider (DRR), Capital Expenditure Program (CEP) Rider, and Tax Savings Credit Rider (TSCR). Additional details regarding these proposals are set forth in the Exhibits to CEOH's Alternative Rate Plan being provided in accordance with Ohio Adm.Code 4901:1-19-06.

6. In accordance with R.C. 4909.43(B) and Chapter I, Paragraph A of the SFRs, on August 27, 2024, CEOH notified, in writing, the mayor and legislative authority of each municipality affected by this Application, of CEOH's intent to file said Application and the proposed rates to be contained therein. A copy of CEOH's notice was included in CEOH's PFN as PFN Exhibit 2.

7. In accordance with Ohio Adm.Code 4901:1-19-06(A), a notice of intent to file an application for its Alternative Rate Plan was also filed with the Commission and sent to the Directors of the Rates and Analysis Department and the Service Monitoring and Enforcement Department for Commission Staff. CEOH's municipal notice also indicated CEOH's intent to file for approval of an Alternative Rate Plan.

8. CEOH's current base rates were authorized by the Commission in Case No. 18-0298-GA-AIR and were based on a test period beginning October 1, 2017, and ending September 30, 2018, with a date certain of December 31, 2017. Since that test period, the valuation of the property used and useful in the rendition of natural gas service to its customers has materially increased, as have expenses associated with providing that service.

9. As authorized by the Commission's Entry dated September 19, 2024, the proposed base rates submitted with this Application are based on a test period beginning January 1, 2024, and ending December 31, 2024, with a projected date certain of December 31, 2024.

10. CEOH's primary reason for filing this Application is to recover a return on and of the plant investment placed in service since the date certain used in CEOH's last base rate case. In its proposed base rates, CEOH has included base rate investments through December 31, 2024, including DRR and CEP investments and related deferrals through December 31, 2024. Included with this Application are the A (Revenue requirements), B (Rate base) and C (Operating income) schedules that support the capital costs and expenses that CEOH seeks to recover in rates.

11. CEOH's current rates are projected to provide a 2.12% rate of return for the test period. This is substantially below the 7.48% rate of return found reasonable for CEOH by the Commission in CEOH's last base rate proceeding.

12. CEOH estimates that the rate changes proposed herein, if approved, would increase

gross revenues by approximately \$99.5 million, over the test period gross revenues generated from providing natural gas service to customers. In calculating its proposed revenue requirement, CEOH submits that the use of a 7.49% rate of return will provide CEOH with a fair and reasonable opportunity to recover its costs of service and earn a reasonable rate of return on its rate case investment. This increase equates to an approximate 29.6% annual increase in the average residential customer's total bill. Included with this Application are the D (Rate of return) schedules that support CEOH's requested rate of return.

13. To recover its proposed base rates revenues, CEOH proposes changes to the rates and charges in the following rate schedules: Residential Default Sales Service (Rate 310); Residential Standard Choice Offer Service (Rate 311); Residential Transportation Service (Rate 315); General Default Sales Service (Rate 320); General Standard Choice Offer Service (Rate 321); General Transportation Service (Rate 325); Large General Transportation Service (Rate 345); Large Volume Transportation Service (Rate 360).

14. CEOH also proposes a new rate schedule, Contract Transportation Service (Rate 375).

15. CEOH also proposes changes to its requirements for Choice Supplier participation under CEOH's Pooling Program, Sheet No. 21, and SCO Supplier participation in any SCO auction, Sheet No. 23.

16. CEOH also proposes changes to the amounts of certain Miscellaneous Charges, Sheet No. 30, Page 1, the elimination of its Avoided Disconnection Charge, Sheet No. 30, Page 2, and changes to the calculation of its Unauthorized Gas Usage Charge, Sheet No. 30, Page 2.

17. CEOH also proposes adjustments to its CEP Rider. Additional details regarding the proposed changes to the CEP Rider, including CEOH's proposed continuation and calculation of

CEP Rider charges, are set forth in the Exhibits to CEOH's Alternative Rate Plan.

18. CEOH also proposes adjustments to its TSCR, to be renamed Tax Adjustment Rider (TAR). Additional details regarding the proposed changes to the TAR, including CEOH's proposed continuation and calculation of the TAR charges, are set forth in the Exhibits to CEOH's Alternative Rate Plan.

19. CEOH also proposes to change the rate for its Gross Receipts Excise Tax Rider, Sheet No. 37.

20. CEOH also proposes adjustments to its DRR. Additional details regarding the proposed changes to the DRR, including CEOH's proposed continuation and calculation of the DRR charges, are set forth in the Exhibits to CEOH's Alternative Rate Plan.

21. CEOH is also proposing various revisions to non-rate rules, regulations, terms, and conditions contained in its tariffs, which are detailed and explained in CEOH's E Schedules.

22. CEOH also requests approval of all appropriate accounting authority as necessary to implement any deferrals, riders, and any other programs or proposals included with this filing or as may be approved by the Commission.

23. CEOH also requests a regulatory asset to track a percentage of cloud computing costs above or below a baseline level of test period costs to be deferred for recovery in a future base rate proceeding as well as a return on that asset using the pre-tax weighted average cost of capital.

24. CEOH also proposes to revise its depreciation accrual rates, will be providing a copy of the depreciation study supporting the proposed revisions with its direct testimony, and requests that the Commission approve CEOH's proposed revised depreciation rates.

25. CEOH also proposes to recover in base rates the regulatory assets approved in

connection with the Distribution Accelerated Risk Reduction (DARR) Rider, the DRR, and the CEP Rider. These regulatory assets are included in rate base and are comprised of (1) the remaining amount of the CEP and DRR Deferral Balances that were approved in CEOH's last rate case and have not yet been fully amortized; plus (2) any CEP and DRR Deferral Balances recorded since December 31, 2017 (the date certain in CEOH's last rate case) through December 31, 2024 (the date certain in this proceeding). For those amounts recorded since December 31, 2017, the balance includes not only CEP and DRR Deferral Balance on capital investment made since December 31, 2017, but also includes CEP Deferral Balances recorded before new base rates became effective (i.e. recorded from January 1, 2018, through August 2019) on capital investment made prior to December 31, 2017. These balances from 2018 through August 2019 on capital investment made prior to December 31, 2017, have not been recovered through the CEP Rider and are therefore included in proposed rates in this base rate case. Lastly, CEOH also proposes to recover as a regulatory asset deferred rate case expense.

26. As required by R.C. 4909.18 and the Commission's SFRs, CEOH has included the following schedules with the Application:

- a. Schedules A-1 through A-3, which provide certain financial data for the proposed test year and date certain and calculate a gross revenue conversion factor;
- b. Schedules B-1 through B-9, which report CEOH's rate base, including information and adjustments regarding property used and useful in rendering natural gas service to the customers affected by this Application;
- c. Schedules C-1 through C-12, which contain detailed schedules of CEOH's revenues and incomes from all sources, its operating costs and other expenditures, and certain adjustments that CEOH deems applicable; and a statement of the income and expense anticipated



under this Application;

d. Schedules D-1 through D-5, which contain a statement of CEOH's cost of capital and its financial condition summarizing assets, liabilities, and net worth;

e. Schedules E-1 through E-5 (the latter which was included in the Notice of Intent), which include CEOH's proposed tariff schedules, current tariff schedules, scored tariffs indicating provisions to be changed, narrative rationale for tariff changes, customer charge rationale, cost of service study, class and schedule revenue summary, annualized test-year revenues at proposed rates versus current rates, and typical bill comparison;

f. Schedules S-1 and S-2, which provide certain capital expenditures and other financial information;

g. Schedule S-3, which is a proposed notice for newspaper publication that discloses the substance of the Application and the specific requirements of R.C. 4909.18; and

h. Schedule S-4.1, which is an executive summary of CEOH's corporate process, as well as a summary of CEOH's management policies, practices, and organization employed to meet the corporate goals.

27. Subject to waivers provided in the Commission's September 19, 2024 Entry, CEOH is also delivering four print copies of the required Supplemental Information to be provided at Filing to the Utilities Department, Office of the Rate Case Manager, in accordance with the SFRs, Chapter II, Paragraph (C). Subject to waivers provided in the Commission's September 19, 2024 Entry, CEOH is also providing Commission Staff with one print copy of the supplemental information set forth in SFRs, Chapter II, Paragraph (D).

28. In compliance with Ohio Adm.Code 4901:1-19-06(C)(2), CEOH has also attached to the Application the following Alternative Rate Plan Exhibits:

a. Detailed Alternative Rate Plan, which states the facts and grounds upon which the proposed plan is based, and which sets forth the Alternative Rate Plan's elements, transition plans, and other matters as required by the rules. The exhibit, in conjunction with Schedule E-3, also states and supports the rationale for the initial proposed tariff changes for all impacted natural gas services;

b. Listing of the services which have been exempted, the case number authorizing such exemption, a copy of the approved separation plan, and a copy of the approved code of conduct;

c. Detailed discussion of how potential issues concerning cross-subsidization of services have been addressed in the Alternative Rate Plan;

d. Detailed discussion of how the Alternative Rate Plan is in compliance with section 4905.35 of the Revised Code, in substantial compliance with the policies of the state of Ohio specified in section 4929.02 of the Revised Code, how CEOH expects to continue to be in substantial compliance with the policies of the state specified in section 4929.02 of the Revised Code, after implementation of the Alternative Rate Plan, and a demonstration that the Alternative Rate Plan is just and reasonable; and

e. List of witnesses sponsoring the exhibits in the Alternative Rate Plan Application.

29. An electronic copy of CEOH's proposed Alternative Rate plan is being provided to the Office of the Ohio Consumers' Counsel and each party of record in its previous alternative rate plan or rate case proceeding, as required by Ohio Adm.Code 4901:1-19-06(B)(3).

30. At the time of the filing of this Application, CEOH does not believe that any municipal corporation has in effect any ordinance or franchise that does or will regulate the rates

or charges to any customer affected by this Application.

31. R.C. 4909.18 provides that an application filed thereunder shall be verified by the president or a vice-president and the secretary or treasurer of the applicant. Such verifications have been included with this Application.

32. In accordance with Ohio Adm.Code 4901-7-01, Appendix A, Chapter II, Paragraph (A)(6)(a) and Ohio Adm.Code 4901:1-19-06(B)(2), CEOH will file all prepared direct testimony in support of this Application within 14 days of this filing.

33. In accordance with Ohio Adm.Code 4901-1-02(D)(3), CEOH is electronically filing this Application, and also submitting one complete print copy of the Application to the Commission's Docketing division. CEOH also intends to provide Commission Staff with additional print copies of the Application, if requested.

WHEREFORE, because the rates, charges, and other provisions in the current rate schedules do not yield just and reasonable compensation to CEOH for providing natural gas service to the customers to which they are applicable, and do not yield a just and reasonable return on the value of the property used for furnishing that service, and because continuation of the rates currently in effect would be unconstitutionally confiscatory, CEOH respectfully requests that the Commission:

- a. Accept this Application for filing;
- b. Find that this Application and the attached Schedules filed herewith and incorporated herein, are in accordance with R.C. 4909.18 and the Commission's rules;
- c. Approve the Form of Notice in Schedule S-3 filed herewith;
- d. Find that the current rates, prices, and charges for natural gas distribution service are unjust, unreasonable, and insufficient to yield reasonable compensation to CEOH for natural

gas distribution service rendered;

e. Find that the proposed rates, prices, charges, and other provisions included in Schedule E-1 are just and reasonable, and approve such schedules and revisions in the form tendered herewith;

f. Find that CEOH is in compliance with R.C. 4905.35; that CEOH is in substantial compliance with the state policies as specified in R.C. 4929.02, and that CEOH is expected to continue to be in substantial compliance with the state policies specified in R.C. 4929.02 after the Alternative Rate Plan is implemented;

g. Find that the Alternative Rate Plan is just and reasonable as proposed and approve said plan;

h. Approve CEOH's requested automatic rate adjustments in accordance with R.C. 4929.11 to the extent applicable;

i. Approve any changes in CEOH's accounting methods that may be necessary to implement the Commission's approval of this Application;

j. Fix the date on or after which the rates, charges, and other provisions of this Application apply to the services provided by CEOH; and

k. Grant any other necessary and proper approval in order to implement the relief requested in this Application.

Dated: October 29, 2024

Respectfully submitted,

/s/ Christopher T. Kennedy  
Christopher T. Kennedy (0075228)  
WHITT STURTEVANT LLP  
The KeyBank Building, Suite 1590  
88 East Broad Street  
Columbus, Ohio 43215  
Telephone: (614) 224-3912  
[kennedy@whitt-sturtevant.com](mailto:kennedy@whitt-sturtevant.com)

Matthew R. Pritchard (0088070)  
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250 West Street, Suite 550  
Columbus, Ohio 43215  
Telephone: (614) 469-8000  
[mpritchard@mcneeslaw.com](mailto:mpritchard@mcneeslaw.com)

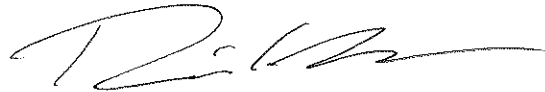
(All counsel willing to accept service by email)

ATTORNEYS FOR VECTREN ENERGY  
DELIVERY OF OHIO, LLC D/B/A  
CENTERPOINT ENERGY OHIO

## Verification

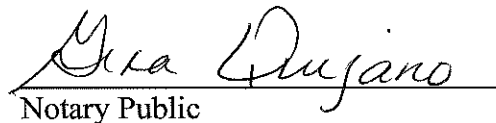
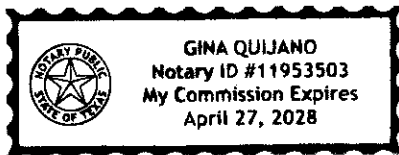
STATE OF TEXAS                   )  
  ) ss.:  
COUNTY OF HARRIS            )

Richard C. Leger personally appeared before me, a Notary Public, in and for said State, and being first duly sworn said that he is President of Vectren Energy Delivery of Ohio, LLC d/b/a CenterPoint Energy Ohio, and that the statements in the foregoing Application are true and that the data and facts set forth are accurate to the best of his or her knowledge and belief.



Richard C. Leger  
President  
Vectren Energy Delivery of Ohio,  
LLC d/b/a CenterPoint Energy  
Ohio

Sworn to before me and subscribed in my presence this 21<sup>st</sup> Day of October, 2024.



Notary Public

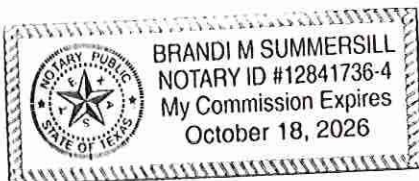
## Verification

STATE OF TEXAS                    )  
  ) ss.:  
COUNTY OF HARRIS            )

Patricia L. Martin personally appeared before me, a Notary Public, in and for said State, and being first duly sworn said that she is a Treasurer of Vectren Energy Delivery of Ohio, LLC d/b/a CenterPoint Energy Ohio, and that the statements in the foregoing Application are true and that the data and facts set forth are accurate to the best of his or her knowledge and belief.

*Patricia L. Martin*  
Patricia L. Martin  
Treasurer  
Vectren Energy Delivery of Ohio,  
LLC d/b/a CenterPoint Energy  
Ohio

Sworn to before me and subscribed in my presence this 2<sup>nd</sup> Day of October, 2024.



*Brandi M Summersill*  
\_\_\_\_\_  
Notary Public

## **CERTIFICATE OF SERVICE**

I hereby certify that a courtesy copy of the Application and Alternative Rate Plan Exhibits was served by electronic mail this 29th day of October, 2024 to the following:

Counsel for Commission Staff  
[ambrosia.wilson@ohioago.gov](mailto:ambrosia.wilson@ohioago.gov)  
[janet.gregory@OhioAGO.gov](mailto:janet.gregory@OhioAGO.gov)  
[ashley.wnek@ohioago.gov](mailto:ashley.wnek@ohioago.gov)

Administrative Law Judge (ALJ)  
[Patricia.Schabo@puco.ohio.gov](mailto:Patricia.Schabo@puco.ohio.gov)

Counsel for the Office of the Ohio Consumers' Counsel (OCC)  
[william.michael@occ.ohio.gov](mailto:william.michael@occ.ohio.gov)  
[john.steinhart@occ.ohio.gov](mailto:john.steinhart@occ.ohio.gov)  
[john.varanese@occ.ohio.gov](mailto:john.varanese@occ.ohio.gov)

In addition, a courtesy copy of the Application and Alternative Rate Plan Exhibits was provided by electronic mail to the following parties to CEOH's last rate case:

Counsel for Ohio Partners for Affordable Energy (OPAE)  
[rdove@keglerbrown.com](mailto:rdove@keglerbrown.com)

Counsel for Retail Energy Supply Association (RESA)  
[glpetrucci@vorys.com](mailto:glpetrucci@vorys.com)

Counsel for Interstate Gas Supply, Inc. (IGS)  
[natalia.messenger@igs.com](mailto:natalia.messenger@igs.com)

Counsel for the Environmental Law & Policy Center (ELPC)  
[emcconnell@elpc.org](mailto:emcconnell@elpc.org)

Counsel for the City of Dayton  
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/s/ Christopher T. Kennedy

One of the Attorneys for Vectren Energy Delivery  
of Ohio, LLC d/b/a CenterPoint Energy Ohio



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**ALTERNATIVE RATE PLAN EXHIBITS**

R.C. 4929.05(A) permits a natural gas company to “request approval of an alternative rate plan by filing an application under section 4909.18 of the Revised Code, regardless of whether the application is for an increase in rates.” The Public Utilities Commission of Ohio (Commission) “shall authorize the applicant to implement an alternative rate plan if the natural gas company has made a showing and the commission finds” (1) that “[t]he natural gas company is in compliance with section 4905.35 of the Revised Code and is in substantial compliance with the policy of this state specified in section 4929.02 of the Revised Code”; (2) that “[t]he natural gas company is expected to continue to be in substantial compliance with the policy of this state specified in section 4929.02 of the Revised Code after implementation of the alternative rate plan”; and (3) that “[t]he alternative rate plan is just and reasonable.” That alternative rate plan may include “any automatic

adjustment mechanism or device in a natural gas company's rate schedule.” R.C. 4929.11(B). In addition, the Commission maintains jurisdiction over every alternative rate plan that has been previously approved. R.C. 4929.08(A). Additionally, the natural gas company may seek to continue or modify a previously approved alternative rate plan. R.C. 4929.051(B); R.C. 4929.08(A).

In accordance with R.C. 4929.05 and other sections of R.C. Chapter 4929, Vectren Energy Delivery of Ohio, LLC d/b/a CenterPoint Energy Ohio (CEOH) hereby submits this application for approval of an alternative rate plan to continue three existing rate mechanisms: the Distribution Replacement Rider (DRR), Capital Expenditure Program (CEP) Rider, and Tax Savings Credit Rider (TSCR), subject to the proposed modifications discussed herein. In addition to the information required under the Commission’s Standard Filing Requirements pursuant to Ohio Adm.Code 4901-7-01, CEOH is also providing the information required under Ohio Adm.Code 4901:1-19-06(C)(2).

**1. Ohio Adm. Code 4901:1-19-06(C)(2)(a) Detailed alternative rate plan and related information.**

As explained below, certain of CEOH’s proposals assume base rates have become effective not later than February 2026 and prior to CEOH’s annual CEP Rider filing that would be filed by March 1, 2026. In the event new base rates have not become effective by that time, CEOH reserves the right to submit alternative schedules in any annual update filing for the mechanisms discussed herein that reflect CEOH’s proposals in this alternative rate plan, but would be willing to work with Commission Staff to adjust the timing and process for any initial or transitional period applicable to any alternative rate plan mechanism discussed herein.

**A. Continuation and Modification of the Replacement Program and DRR approved in Case No. 07-1081-GA-ALT, and later modified and expanded in Case No. 13-1571-GA-ALT, Case No. 18-0299-GA-ALT, and Case No. 22-0738-GA-ALT.**

CEOH's alternative rate plan proposes the continuation and modification of the Replacement Program and DRR first approved in Case No. 07-1081-GA-ALT, then further approved, modified, and expanded in Case Nos. 13-1571-GA-ALT, 18-0299-GA-ALT, and 22-0738-GA-ALT. The purposes of the Replacement Program are to (1) improve the safety and reliability of service due to the propensity of increased instances of leakage on bare steel and cast iron (BS/CI) assets when compared to assets composed of other materials such as plastic, and coated, and cathodically protected steel; (2) address safety risks posed by other covered assets; and (3) support compliance with applicable pipeline safety regulations.

Except as modified below, CEOH proposes continuing the Replacement Program and DRR using the existing annual timeline and cost recovery procedures, including rate design, that were previously approved in Case Nos. 07-1081-GA-ALT, 13-1571-GA-ALT, 18-0299-GA-ALT, and 22-0738-GA-ALT (the DRR authorization and extension proceedings).

The DRR is assessed monthly to recover the costs of the Replacement Program investments and associated deferrals. For the Residential customers (Rates 310, 311, and 315) and Group 1<sup>1</sup> General Service customers (Rates 320, 321, and 325), the DRR is a fixed charge, which is adjusted annually. For the remaining customers, the DRR is a volumetric charge.

**(1) Background.**

On January 7, 2009, in Case Nos. 07-1080-GA-AIR/07-1081-ALT, the Commission first approved the DRR to recover the costs of CEOH's accelerated BS/CI replacement program. The

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<sup>1</sup> CEOH Tariff for Gas Service, Sheet No. 59 defines "Group 1" as the Company's designation for a Customer meter with a rated capacity of 450 Cfh or less, and annual consumption less than 3,000 Ccf.

DRR was approved to be in effect for a five-year period ending in February 2014.

On August 22, 2013, in Case No. 13-1571-GA-ALT, CEOH filed an application to expand the scope of the Replacement Program and to extend the DRR to recover the associated costs incurred through December 31, 2017. On January 17, 2014, CEOH and the Commission's Staff entered into a Stipulation and Recommendation, which the Commission approved in an Opinion and Order dated February 19, 2014.

On March 30, 2018, CEOH filed an application in Case Nos. 18-0298-GA-AIR/18-0299-GA-ALT (2018 Rate Case) requesting, among other things, an increase in base rates and an extension of the Replacement Program and the DRR to cover investment through December 31, 2023. As explained in the application, CEOH reflected in its proposed rate base all Replacement Program investments through December 31, 2017.

On January 4, 2019, CEOH, Commission Staff, and other parties to the 2018 Rate Case entered into a Stipulation and Recommendation (the 2018 Rate Case Stipulation), which the Commission approved in an August 28, 2019 Opinion and Order in Case Nos. 18-0298-GA-AIR, 18-0299-GA-ALT, and 18-0049-GA-ALT (the 2018 Rate Case Order). The 2018 Rate Case Stipulation stated that the DRR balance as of December 31, 2017, is included in stipulated base rates. The 2018 Rate Case Stipulation also extended the DRR and Replacement Program for six years, for investment from January 1, 2018, through December 31, 2023.

On September 14, 2022, CEOH filed an application in Case No. 22-0738-GA-ALT (the 2024-2026 DRR Extension) to extend the DRR to recover Replacement Program costs incurred through the end of calendar year 2026, using the existing methodology to calculate and allocate the DRR revenue requirement as approved in the 2018 Rate Case Order. At the time of filing, CEOH stated that, for the proposed three-year extension of the DRR (calendar years 2024-2026),

the expected Replacement Program costs were approximately \$219,100,000. That cost estimate was based on historical costs per mile of main replaced/retired and per service line replacement during the last five years on projects throughout CEOH's service territories.

On June 22, 2023, CEOH and Commission Staff (the Signature Parties) submitted a Stipulation for the Commission's consideration to resolve all issues presented in the 2024-2026 DRR Extension. The Signature Parties stipulated to and recommended the following which was adopted by the Commission:

1. CEOH's September 14, 2022 Application to extend the DRR and Replacement Program shall be approved, except as otherwise specifically provided by the Stipulation. If a proposed term, condition, or item set forth in the Application is not addressed in the Stipulation, the said term, condition, or item shall be treated in accordance with the Application.
2. DRR and Replacement Program Completion. In the Company's future base rate case application (the Rate Case Application), CEOH will reflect DRR plant balances and DRR-related deferrals in the Company's proposed rate base, as of the Company's date certain.
  - a. Upon issuance of a Commission order on the Rate Case Application, CEOH shall reflect the new Commission-approved rate of return and Post In-Service Carrying Costs (PISCC) rates for the DRR investments through calendar year 2026 (the DRR Extension) not included in new base rates.
  - b. The Company's cumulative Replacement Program capital investment through the DRR Extension is limited to investment amounts included in the Application.
  - c. In the Rate Case Application, CEOH shall consider and address any need for an extension and continuation of the DRR and Replacement Program beyond the DRR Extension as well as the scope of the DRR and Replacement Program beyond the DRR Extension.
  - d. Nothing in the Stipulation shall be construed to (a) limit the Company's right to request any extension or modification of the DRR and Replacement Program in a future base rate case or alternative rate plan proceeding; (b) prohibit Staff from opposing any such extension or modification; or (c) modify CEOH's commitments in Paragraph 10(e) of the Stipulation and Recommendation filed in the 2018 Rate Case.
3. DRR Investment Caps and Carrying Charges. With respect to the DRR Extension, the Company shall not defer DRR costs (i.e., the DRR revenue requirement) in excess of the Company's proposed annual residential rate caps, as proposed in Paragraph 16 of the Application.

- a. If during the DRR Extension, the Company's actual costs result in a DRR monthly charge that exceeds the annual residential DRR cap for a given year, the revenue requirement will be reduced such that the monthly charge equals that year's residential rate cap.
- b. Any DRR-eligible capital investment in excess of the annual residential rate cap in a given DRR investment period shall remain DRR-eligible in future periods.
- c. The annual residential rate caps on monthly DRR charges shall not include any adjustments attributable to the reconciliation of costs recoverable and costs actually recovered.
- d. Nothing in the Stipulation prevents a Signatory Party from raising in a future base rate case or alternative rate plan proceeding the issue of annual residential rate caps or caps on investment recovered annually through the DRR for Replacement Program investments beyond the DRR Extension.
- e. Nothing in the Stipulation limits CEOH's right to request, in a future base rate case or alternative rate plan proceeding, the deferral authority described in Paragraph 16 of the Application for Replacement Program investments beyond the DRR Extension, or with respect to any other proposed capital investment recovery mechanism. Nor does the Stipulation prohibit Staff from opposing such deferral authority. (Jt. Ex. 1.0 at 2-4.)

**(2) DRR Investments and Annual DRR Rate Caps.**

In conjunction with this alternative rate plan, CEOH has reflected DRR plant balances and DRR-related deferrals in CEOH's proposed rate base, as of CEOH's date certain (December 31, 2024). Consistent with the Commission's decision in the 2024-2026 DRR Extension, CEOH proposes to recover through the DRR the Replacement Program investments placed in service through the end of 2026 and deferrals associated with those investments, subject to the following DRR Residential Rate Caps, which reflect CEOH's proposed modifications to the calculation and allocation of the annual DRR revenue requirement.

<b>DRR Effective Period</b>	<b>DRR Investment Period</b>	<b>DRR Residential Rate Cap</b> (per customer per month)
September 1, 2026 – August 31, 2027	Through December 31, 2025	\$2.86
September 1, 2027 – August 31, 2028	Through December 31, 2026	\$4.97

For purposes of this alternative rate plan, CEOH has used the same estimated gross plant additions for calendar years 2025 and 2026 that CEOH utilized in Case No. 22-0738-GA-ALT. The estimated investments levels for 2025 and 2026 utilized in Case No. 22-0738-GA-ALT are as follows (in thousands):

<b>Capital Investment (\$000s)</b>	<b>2025</b>	<b>2026</b>
Bare Steel/Cast Iron	\$40,400	\$0
Service Replacements	\$7,000	\$7,000
Ineffectively Coated Steel	\$32,000	\$52,300
<b>Annual Total</b>	<b>\$79,400</b>	<b>\$59,300</b>
<b>Total – 2 years</b>	<b>\$138,700</b>	

The DRR Residential Rate Caps identified above are based on when the DRR charges are revised and become effective September 1<sup>st</sup>, and also reflect the inclusion of DRR plant additions and deferrals through the date certain in CEOH’s proposed rate base (and removed from the DRR rate base). Any adjustments to the ratemaking assumptions underlying CEOH’s proposed residential rate caps would necessitate adjustments to the rate caps themselves, and accordingly CEOH reserves the right to propose such adjustments during this proceeding in response to the Staff Report and/or the recommendations of intervening parties. CEOH’s proposed DRR Residential Rate Caps also assume that new base rates are in effect – and investment and deferrals through December 31, 2024, have been excluded from the DRR charges – before May 1, 2026.

Consistent with the Stipulation approved in the 2024-2026 DRR Extension case, CEOH proposes that if CEOH’s DRR revenue requirement for any given DRR investment period for 2025 or 2026 results in a DRR monthly charge that exceeds the DRR Residential Rate Cap for that investment period, the DRR revenue requirement will be reduced such that the monthly charge equals the residential rate cap for that investment period. If the calculated DRR monthly charge for residential customers exceeds the DRR Residential Rate Cap for any particular investment

period, CEOH proposes to recover any excess DRR revenue requirement, without carrying charges, in CEOH's next base rates case. Further, CEOH's proposed DRR Residential Rate Caps assume that any annual reconciliation adjustments for over- or under-recoveries for the prior investment period continue to not be counted against the annual rate caps.

### **(3) DRR Deferral Calculation.**

CEOH is currently authorized to accrue deferrals for DRR plant that has been placed in service but not yet included in DRR charges. Those DRR plant-related deferrals (DRR-related deferrals or DRR Deferrals) include PISCC and depreciation expense. The DRR plant-related PISCC and depreciation expense deferrals are presently included in the DRR rate base, along with certain attendant tax impacts.

CEOH proposes that deferrals for DRR plant additions cease accruing when the associated DRR plant additions for that investment period are included in the DRR and the adjusted DRR charges are effective. For example, the deferrals accruing on 2025 DRR plant additions would cease to accrue when the 2025 DRR plant additions are included in the DRR charge for the September 1, 2026, through August 31, 2027, rate effective period. This proposed treatment is consistent with CEOH's existing treatment of the DRR deferrals.

CEOH further proposes that DRR deferrals continue to accrue under the current, previously approved PISCC and depreciation rates until such time as the Commission issues a final order in its pending base rates case approving new base rates. Upon issuance of the Commission's final order, CEOH proposes the following treatment for the PISCC rate: (1) the PISCC rate for accruing DRR deferrals related to DRR investments not included in approved base rates would not change until the beginning of the month following the Commission's final order; and (2) the new PISCC rate would be CEOH's weighted long-term cost of debt rate approved in its pending base rates case.



CEOH proposes to update depreciation rates at the beginning of the month following the Commission's final order to reflect those approved in its pending base rates case.

**(4) DRR Revenue Requirement Calculation and Allocation.**

For the DRR investment periods 2025 through 2026, CEOH proposes to calculate and allocate the DRR revenue requirement using the same schedules, methodologies, and formulas currently utilized, except for the following modifications. CEOH Witnesses Stewart, Garmon, Taylor, and Tieken discuss and support the modifications in their respective testimonies. For purposes of this discussion, CEOH assumes that DRR investment through date certain has been reflected in new base rates approved by the Commission and removed from the DRR rate base.

First, consistent with the Stipulation approved in the 2024-2026 DRR Extension, CEOH proposes to use the pre-tax rate of return approved by the Commission in its pending base rates case to calculate the annualized return on rate base.

Second, CEOH proposes to remove the annualized Operations and Maintenance (O&M) expense adjustment. Alternatively, if costs recoverable through the DRR were to continue to be offset by an annualized O&M expense adjustment, CEOH proposes that the cost reductions per mile used to calculate the annualized O&M expense adjustment be updated based on recent cost figures as reflected in CEOH's cost of service in its pending base rates case.

Lastly, CEOH proposes to update and utilize functional plant-related allocation factors in the DRR to account for the results of the Allocated Cost of Service Study (ACOSS) filed in CEOH's pending base rates case. Currently, the DRR costs are allocated based on the results of specific allocators from CEOH's 2018 Rate Case. The DRR costs are allocated based on Mains and Service allocation factors calculated based on the corresponding account balances. The Services component of the DRR includes both Services and Meters. CEOH proposes to modify

the Service allocation factors used within the DRR to account for the results of ACOSS filed in its pending base rates case to reflect meter investments. CEOH's direct testimony will identify and further discuss the specific DRR asset groups, proposed allocations, and ACOSS allocators. The updated allocations will include allocations for the applicable classes accordingly.

**(5) DRR Cost Recovery Mechanism and Procedures.**

CEOH's DRR mechanism is currently approved to allow recovery of Replacement Program investments incurred through December 31, 2026, and deferrals associated with those DRR plant-related investments. With this authority, during the pendency of its base rates case, CEOH proposes to file an application by May 1, 2025, to adjust the DRR charges, to reflect recovery of the Replacement Program investment incurred through December 31, 2024, and associated deferrals, with rates effective September 1, 2025. At such time as its pending base rates case is approved (anticipated in early 2026), CEOH will reset the DRR charges to only reflect the reconciliation component of the DRR mechanism. The existing cost recovery mechanism and processes approved by the Commission in Case No. 22-0738-GA-ALT will continue to apply to that application.

CEOH is not proposing to extend the DRR recovery mechanism for recovering further Replacement Program investment after calendar year 2026. Except as otherwise stated in this alternative rate plan, for future applications to adjust the DRR charges for Replacement Program investments incurred in 2025 through 2026, CEOH proposes to utilize the existing annual timeline and cost recovery procedures, including rate design, that were previously approved by the Commission in the prior DRR authorization and extension proceedings. This means, among other things, that CEOH will continue to file applications by May 1<sup>st</sup> of each year to adjust the DRR charges effective by September 1<sup>st</sup> of each year. Therefore, CEOH proposes Replacement Program

investments placed in service through calendar year 2026 would continue to be included in the DRR as currently authorized in the 2024-2026 DRR Extension. Beginning with the 2027 investment period, CEOH proposes to recover the costs of Replacement Program investment through the CEP Rider and treat the same as other CEP-eligible investment as discussed further herein. CEOH is proposing that all Replacement Program investment included in the DRR prior to the 2027 investment period (i.e., 2025 and 2026) would continue to be included in the DRR until the amounts are included in base rates at the conclusion of CEOH's next base rates case. CEOH proposes to continue to file the annual DRR Applications every May 1<sup>st</sup> until the remaining balances are reflected in base rates at the conclusion of CEOH's next base rates case. Specifically, CEOH intends to file its annual DRR Application on May 1, 2026, to seek recovery of the Replacement Program investment incurred January 1, 2025, through December 31, 2025 and associated DRR-related deferrals, subject to the proposed changes to the DRR as described herein, revised DRR Residential Rate Caps proposed herein, and in accordance with Paragraph 2(a) of the Stipulation approved in the 2024-2026 DRR Extension. CEOH proposes to make its annual DRR Application on May 1, 2027, to reflect costs through December 31, 2026, and include testimony and schedules that CEOH has historically included in the annual DRR filings.

Beginning in calendar year 2028, CEOH proposes to eliminate the DRR Construction Plans Report, which is provided to parties by February 1<sup>st</sup> pursuant to Case No. 07-1081-GA-ALT. In addition, since no additional DRR-related investment will be added to DRR rate base after the 2026 investment period, CEOH proposes that its annual DRR filing only include testimony and schedules that support the revenue requirement, over- or under-recoveries for the prior period, and proposed rates, and not include schedules previously sponsored by CEOH's engineering witness.

In addition, at such time the Commission issues an order in its pending base rates case, CEOH proposes to file revised DRR charges to remove investment through December 31, 2024, which would be captured in the date certain in its pending base rates case, and also proposes to update its schedules in the 2026 DRR Application for the 2025 investment period. CEOH reserves the right to include a second set of schedules with its 2025 DRR Application that reflect the removal of prior investment period DRR plant additions and deferrals that CEOH expects to be included in rate base in its pending base rates case proceeding. If its base rates case proceeding is still pending as of May 1, 2026, CEOH proposes to file its annual DRR Application at that time to seek recovery of the Replacement Program investment through December 31, 2025 and associated deferrals (the 2026 DRR Application), without removing prior investment period DRR plant additions and deferrals included in proposed rate base in its pending base rates case proceeding. Any recovery variances for future DRR charge effective periods (e.g., September 1, 2025, through August 31, 2026; and September 1, 2026, through August 31, 2027), would be included in future DRR reconciliation adjustments. As discussed previously herein, consistent with the Stipulation approved in the 2024-2026 DRR Extension, CEOH proposes that any annual reconciliation adjustments for over- or under-recoveries for the prior period would continue to not be counted against the annual DRR Residential Rate Caps.

**B. Extension and Modification of the Capital Expenditure Program (CEP) and CEP Rider approved in Case No. 18-0299-GA-ALT (the CEP Rider Case).**

CEOH's alternative rate plan proposes the extension and modification of the CEP Rider approved in Case No. 18-0299-GA-ALT. The purpose of the CEP Rider is to recover costs associated with CEOH's Capital Expenditure Program.

The CEP Rider is assessed monthly to recover the return on, and recovery of, the cumulative deferred balance, inclusive of the deferral of depreciation and property tax expense, and accrual of

PISCC, offset by any incremental revenue generated by CEP investments. For the Residential customers (Rates 310, 311, 315) and Group 1 General Service customers (Rates 320, 321, 325), the CEP Rider charge is a fixed charge, which is adjusted annually. For the remaining customers the CEP Rider charge is a volumetric charge. CEOH's CEP Rider revenue requirement does not currently allow for the recovery of, or the return on, the underlying CEP-eligible capital investment (CEP Plant). The 2018 Rate Case Order authorized CEOH to include the CEP Plant in rate base in its pending base rates case, based on the valuation of said assets as of the date certain for its pending base rates case. The CEP accounting authority approved by the Commission is such that deferrals associated with all CEP Plant continue until the costs begin to be recovered in rates. The return on the CEP Deferral Balances is calculated using CEOH's authorized pre-tax rate of return, with the return of the CEP Deferral Balances currently taking place over 62 years.

As described in this alternative rate plan, CEOH requests to extend and modify its CEP deferral and recovery authority, beyond the date certain in its pending base rates case, and for CEP investments made through December 31, 2030 (i.e., the 2030 investment period).

**(1) Background.**

R.C. 4929.111(A) provides that a natural gas company may file an application to implement a capital expenditure program for:

- (1) Any infrastructure expansion, improvement, or replacement program;
- (2) Any program to install, upgrade, or replace information technology systems; or
- (3) Any program reasonably necessary to comply with any rules, regulations, or orders of the Commission or other governmental entity having jurisdiction.

Pursuant to R.C. 4929.111(A), the Commission previously approved CEOH's CEP and related

accounting authority authorized by statute – inclusive of the deferral of depreciation and property tax expense and the accrual of PISCC – for investments made under CEOH’s CEP beginning October 1, 2011. *See* Case Nos. 12-0530-GA-UNC, 12-0531-GA-AAM, 13-1890-GA-UNC, and 13-1891-GA-AAM (the CEP Deferral Cases). As permitted under R.C. 4929.111 and the CEP Deferral Cases, CEOH has been deferring costs associated with CEP-eligible distribution and transmission investments that address pipeline safety integrity and fall within the broad statutory categories: Infrastructure Expansion, Infrastructure Improvement, Infrastructure Replacement, Federal Pipeline Safety Requirements, and Distribution Replacement.<sup>2</sup> CEOH has also been deferring costs in buildings, fleet, tools and equipment, and metering that are investments reasonably necessary to comply with Commission rules, regulations, and orders. Lastly, CEOH has been deferring capital expenditures for upgrades to or replacements of computer systems utilized for accounting, billing, and other utility operations. The Commission has found CEOH’s proposed Capital Expenditure Program reasonable, consistent with R.C. 4929.111, and consistent with CEOH’s obligation under R.C. 4905.22 to furnish necessary and adequate services and facilities. *See, e.g.,* Case Nos. 13-1890-GA-UNC & 13-1891-GA-AAM, Finding & Order (December 4, 2013) ¶¶ 11-12.

In the 2018 Rate Case Order, the Commission approved a Stipulation and Recommendation (the 2018 Rate Case Stipulation) that established new base rates effective September 1, 2019, included in base rates the underlying CEP-eligible capital investment (CEP Plant) and CEP Deferral Balances through December 31, 2017, and authorized the CEP Deferral Balances,

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<sup>2</sup> Although all pipeline replacements are considered CEP-eligible, CEOH has consistently excluded any replacement project recovered in the DRR from the CEP to avoid double recovery of any expenditure. Apart from that exclusion, the only other capital expenditures that CEOH would consider to be specifically excluded from the CEP would be capital expenditures associated with non-jurisdictional services. Since CEOH’s operations are 100% jurisdictional, CEOH does not have any non-jurisdictional services. As discussed herein, CEOH proposes to shift the recovery of all pipeline replacements placed in service after 2026 to the CEP Rider.

beginning with 2018 investments, to be annually reviewed and recovered through a new proposed CEP Rider. The 2018 Rate Order gave the CEP Rider a cap of \$1.50 per month per residential customer (Rates 310/311/315) (the CEP Rate Cap):

At such time as the CEP Rate Cap is reached, [CEOH] shall cease accruing CEP-related deferrals [(CEP Deferral Balances)] until [CEOH] files an application or applications<sup>3</sup> under R.C. 4909.18, 4929.05, or 4929.11 (i) to incorporate into base rates the CEP Rider revenue requirement, and (ii) to recover a return on and of the assets underlying the CEP deferrals. 2018 Rate Case Order at ¶ 8(d).

For the recovery mechanism, CEOH is required to submit its annual application by March 1 of every year to adjust the CEP Rider charges effective September 1 each year.

CEOH last adjusted its CEP Rider charges in September 2024 to reflect the return on and recovery of the cumulative deferred balance through December 31, 2023. *See* Case No. 24-0620-GA-RDR (the 2024 CEP Rider). The Residential CEP Rider charge reached the monthly cap of \$1.50 per month when revised rates became effective on September 1, 2024, after issuance of a final order in the Case No. 24-0620-GA-RDR proceeding. In its 2024 CEP Rider, CEOH filed a Statement of Resolution (2024 CEP Statement of Resolution), wherein Commission Staff and CEOH agreed on the Audit Report's adjustments to the CEP revenue requirement; CEOH committed to providing an update on the non-revenue recommendations in the next annual CEP Rider Application; and CEOH reported the 2024 CEP Statement of Resolution addressed the issue of whether the CEP Rate Cap has been reached. Specifically, in the interest of and for the purpose of resolving all issues in the 2024 CEP Rider proceeding, CEOH and Commission Staff agreed to the following:

- In CEOH's base rate case to be filed in 2024, CEOH will include for recovery in base rates the portion of the 2023 CEP Revenue Requirement above the CEP Rate Cap (the Excess 2023

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<sup>3</sup> "For purposes of this requirement, [CEOH]'s application shall be considered filed as of the date [CEOH] files a notice of its intent to file a recovery application or applications." 2018 Rate Case Order at 32.

Deferrals), which is not being recovered in the updated CEP rate in this proceeding, and which is being deferred without carrying charges, subject to Staff's and the Commission's review for prudence and reasonableness;

- In CEOH's base rate case to be filed in 2024, CEOH will include for recovery in base rates the 2024 CEP deferrals on 2023 and 2024 CEP plant additions through date certain (the 2024 Deferrals), subject to Staff's and the Commission's review for prudence and reasonableness;
- In CEOH's base rate case to be filed in 2024, CEOH will address, among other things, the continuation of CEOH's existing deferral authority related to CEP investments beyond the effective date of new base rates and the recovery of CEP deferrals beyond the date certain of the base rate case;
- [CEOH]'s existing deferral authority has not expired and will continue uninterrupted, provided CEOH files its Notice of Intent for its base rate case prior to the new CEP Rider charges taking effect; and
- In addition, . . . CEOH commits to working with Staff during its next base rate case to resolve any ambiguities or inconsistencies that Staff believes may be present in the procedures associated with the current CEP Rider mechanism. *In re Vectren Energy Delivery of Ohio, LLC*, Statement of Resolution, PUCO No. 24-0620-GA-RDR (July 30, 2024), p. 5 (footnote omitted).

## **(2) CEP Investments and Annual CEP Rate Caps.**

Consistent with the 2018 Rate Case Order and the 2024 CEP Statement of Resolution, CEOH has reflected the underlying CEP Plant investment from January 1, 2018, through December 31, 2024, in CEOH's proposed rate base, as of CEOH's date certain (December 31, 2024). CEOH has also reflected CEP Deferral Balances comprised of (1) the remaining amounts that were approved in CEOH's last rate case (the 2018 Rate Case) and not yet fully amortized; plus (2) any recorded since December 31, 2017 (the date certain in CEOH's last rate case) through December 31, 2024 (the date certain in its pending base rates case proceeding). For those amounts recorded since December 31, 2017, the balance includes not only CEP Deferral Balances on capital investment made since December 31, 2017, but also includes CEP Deferral Balances recorded before new base rates became effective (i.e., recorded from January 1, 2018, through August 28,



2019) on capital investment made prior to December 31, 2017. These balances from 2018 through August 2019 on capital investment made prior to December 31, 2017, have not been recovered through the CEP Rider and are therefore included in proposed rates in its pending base rates case.

In conjunction with this alternative rate plan, CEOH proposes to extend and modify its CEP deferral and recovery authority beyond the date certain in its pending base rates case, and requests authority to recover, through the CEP Rider, the underlying CEP Plant additions that CEOH makes through December 31, 2030, subject to the following residential rate caps:

<b>CEP Rate Effective Period</b>	<b>CEP Investment Period</b>	<b>Estimated Annual CEP Capital Investment</b>	<b>CEP Rate Cap on Rates 310/311/315</b>
September 1, 2026 – August 31, 2027	Through December 31, 2025	\$69M	\$4.90
September 1, 2027 – August 31, 2028	Through December 31, 2026	\$134M	\$10.88
September 1, 2028 – August 31, 2029	Through December 31, 2027	\$195M	\$18.10
September 1, 2029 – August 31, 2030	Through December 31, 2028	\$271M	\$27.61
September 1, 2030 – August 31, 2031	Through December 31, 2029	\$189M	\$34.41
September 1, 2031 – August 31, 2032	Through December 31, 2030	\$200M	\$36.52

Specifically, CEOH is proposing to extend the CEP Rider to recover CEP investments and deferrals through December 31, 2030, unless this period is modified in a subsequent base rates case or alternative rate plan proceeding, and is requesting authority for all accounting authority necessary to implement CEOH's CEP proposals as described herein.

CEOH is proposing that its proposed CEP Rate Caps be based on CEOH's estimated annual CEP investment for 2025-2030. CEOH's proposed CEP Rate Caps reflect CEOH's ratemaking proposals discussed elsewhere herein concerning the calculation and allocation of the CEP revenue requirement. Any adjustments to the ratemaking assumptions underlying CEOH's proposed CEP

Rate Caps would necessitate adjustments to the rate caps themselves, and accordingly, CEOH reserves the right to propose such adjustments during this proceeding in response to the Staff Report and/or the recommendations of intervening parties. CEOH's proposed CEP Rate Caps also assume that new base rates are in effect – and investment and deferrals through December 31, 2024, have been excluded from the CEP Rider charges – before September 1, 2026. Further, CEOH's proposed CEP Rate Caps identified above are based on when the CEP Rider charges are revised and become effective September 1<sup>st</sup>, and assume that any annual reconciliation adjustments for over- or under-recoveries for the prior period continue to not count against the annual CEP Rate Caps.

CEOH proposes that if the CEP revenue requirement for any given CEP investment period results in a CEP Rider monthly charge that exceeds the CEP Rate Cap for that investment period, the CEP revenue requirement will be reduced such that the monthly charge equals the residential rate cap for that investment period. In the event CEOH's CEP revenue requirement for any given CEP investment period for calendar years 2025 through 2029 results in a CEP monthly charge that exceeds the CEP Rate Cap for that investment period, CEOH proposes to recover any excess CEP revenue requirement, without carrying charges and without counting against the annual CEP Rate Caps, in the next annual CEP Rider filing. In the event the CEP revenue requirement exceeds the rate cap during the CEP investment period for calendar year 2030 (e.g., the last year of the CEP extension), CEOH proposes to recover any excess CEP revenue requirement, without carrying charges, in CEOH's next base rates case. In addition, any CEP-eligible investment in excess of the CEP Rate Cap in a given CEP investment period shall remain CEP-eligible for recovery through the CEP Rider and would continue to be reflected in the CEP Rider rate base in future rate effective periods.

### **(3) CEP Revenue Requirement Calculation and Allocation.**

As mentioned earlier, as approved in CEOH's 2018 Rate Case, the CEP Rider includes recovery of: (1) a return on the CEP Deferral Balances (e.g., deferred depreciation, property taxes, and PISCC, etc.), along with certain attendant tax impacts; and (2) a return of the CEP Deferral Balances through an annual amortization. The CEP Rider, however, does not currently allow for the recovery of, or the return on, the underlying CEP Plant. The CEP accounting authority approved by the Commission is such that deferrals associated with all CEP Plant continue until the costs begin to be recovered in rates.

In conjunction with this alternative rate plan, CEOH proposes several modifications to its current CEP Rider. CEOH Witnesses Stewart, Garmon, Taylor, and Tieken discuss and support the modifications in their respective testimonies. First, CEOH proposes to modify the CEP Rider revenue requirement to include: (a) the recovery of CEP Plant, including return on the net balances, depreciation expense, and property tax expense; (b) the recovery of associated accumulated deferred income tax (ADIT) related to the net capital investment as well as deferred property taxes; and (c) the recovery of CEP Residual Deferral Balances, which are those deferrals recorded in connection with (i) Excess Deferrals, defined as the portion of the 2023 and 2024 CEP revenue requirement above the CEP Rate cap; and (ii) Post-Test Year Deferrals, which are defined as the CEP Deferral Balances recorded after December 31, 2024 (i.e., post-test year or date certain in CEOH's pending base rates case), on CEP plant placed in service before the date certain in its pending base rates case.

Second, CEOH proposes to modify the CEP Rider revenue requirement to revise the calculation of the return on all CEP Deferral Balances, net of amortization; and revise the amortization period for CEP Deferral Balances. With respect to the amortization proposal, CEOH

proposes to amortize and recover the amounts of the CEP Deferral Balances over a one-year period, with the exception of the CEP Residual Deferral Balances, which CEOH proposes to amortize and recover the amounts over a four-year total period enabling full recovery before the end of 2030.

Third, CEOH proposes to modify the CEP Rider revenue requirement to exclude: (a) the incremental revenue offset; (b) the prior-year property tax true-up; and (c) the prior-year amortization recovered over/under. In the alternative, if the Commission does not accept CEOH's proposal to remove the incremental revenue offset from its CEP Rider, CEOH proposes that the calculation of the incremental revenue offset be updated to be consistent with the outcome of its pending base rates case. Specifically, this means the customer levels and rate component – which currently is CEOH's base rate that is exclusive of the equity return component – used to calculate the incremental revenue offset would be synchronized with the figures ultimately utilized in designing its base rates in its pending base rates case.

Fourth, CEOH proposes to calculate deferred PISCC on gross plant in service additions.

Finally, currently, the CEP Rider costs are allocated based on the results of the Rate Base allocator from CEOH's 2018 Rate Case. In conjunction with this alternative rate plan, CEOH proposes to modify the Rate Base allocation factors used within the CEP Rider to account for the results of ACOSS filed in its pending base rates case. CEOH's direct testimony will identify and further discuss the proposed allocations, and ACOSS allocators. The updated allocations will include allocations for the applicable classes accordingly.

If approved, the proposed changes would take effect with the calendar year 2025 investment period (i.e., the CEP Rider that would be filed on or before March 1, 2026).

#### **(4) CEP Deferral.**

CEOH's existing deferral authority has not expired and will continue uninterrupted, given that, consistent with the 2018 Rate Case Order and the 2024 CEP Statement of Resolution, CEOH filed its Notice of Intent for its base rates case prior to the new CEP Rider charges taking effect on September 1, 2024. CEOH is currently authorized to accrue deferrals for CEP Plant that has been placed in service but not yet included in CEP Rider charges. Those CEP Plant-related deferrals include PISCC, depreciation expense and property tax expense. The CEP plant-related PISCC, depreciation expense, and property tax expense deferrals are presently included in the CEP rate base, along with certain attendant tax impacts.

CEOH proposes that deferrals for CEP Plant additions cease accruing when the associated CEP Plant additions for that investment period are included in the CEP Rider and the adjusted CEP Rider charges are effective. This proposed treatment is consistent with CEOH's existing treatment of the CEP deferrals.

CEOH further proposes that CEP deferrals continue to accrue under the current, previously approved PISCC and depreciation rates until such time as the Commission issues a final order in its pending base rates case approving new base rates. Upon issuance of the Commission's final order, CEOH proposes the following treatment for the PISCC rate: (1) the PISCC rate for accruing CEP deferrals related to CEP Plant investments not included in approved base rates would not change until the beginning of the month following the Commission's final order; and (2) the new PISCC rate would be CEOH's weighted long-term cost of debt rate approved in its pending base rates case. CEOH proposes to update depreciation rates at the beginning of the month following the Commission's final order to reflect those approved in its pending base rates case.

CEOH proposes that, to continue CEP-related deferrals and the CEP Rider to cover CEP investments beyond the 2030 investment period, CEOH file an application pursuant to R.C. 4909.18, R.C. 4929.05, or R.C. 4929.11, requesting such authorization. CEOH proposes that such application, once filed, would extend CEOH's authority to accrue CEP-related deferrals, file annual updates to the CEP Rider, and implement approved CEP Rider charges until such time as the Commission issues a final opinion and order on CEOH's application. For purposes of this requirement, CEOH proposes its application would be considered filed as of the date CEOH files a notice of its intent to file said application.

#### **(5) CEP Cost Recovery Mechanism and Procedures.**

The CEP Deferral Cases have authorized CEOH to defer certain costs associated with CEP-eligible Plant, with those costs ultimately being recovered in rates. CEOH has made, and the Commission has approved, annual CEP Rider filings since 2020, with the most recent filing covering the 2023 investment period, which was approved on August 21, 2024, in Case No. 24-0620-GA-RDR. With this authority, during the pendency of its base rates case, CEOH intends to continue to file annual updates to its CEP Rider and record CEP Deferral Balances, as currently authorized by the Commission. Although CEOH is proposing to update the CEP Rider during the pendency of its base rates case, CEOH proposes to remove 2024 CEP Deferrals from the CEP Rider as of the effective date of new base rates.

Specifically, CEOH proposes to file its annual CEP Rider Application on March 1, 2025, to adjust the CEP Rider charges to reflect the return on, and recovery of, CEP Deferrals incurred through December 31, 2024, with rates effective September 1, 2025. The Residential customers would continue to be subject to the \$1.50 per month CEP Rate Cap. CEOH would use the CEP Rider filing in March 2025 to identify the CEP revenue requirement related to CEP Plant additions

through December 31, 2024, and the amount of the revenue requirement associated with the CEP Rate exceeding the \$1.50 per month CEP Rate Cap for Residential and the \$1.95 per month CEP Rate for Group 1 General Service Customers.<sup>4</sup> CEOH Witness Garmon discusses the request to modify the CEP Rider revenue requirement calculation to include the portion of the 2023 and 2024 CEP revenue requirement above the CEP Rate cap. At such time as its pending base rates case is approved (anticipated in early 2026), CEOH would reset the CEP Rider charges to only reflect the reconciliation component of the CEP mechanism. CEOH proposes it would then file its annual CEP Rider Application on March 1, 2026, to seek recovery of the CEP costs incurred January 1, 2025, through December 31, 2025, subject to the proposed changes to the CEP Rider presented in this alternative rate plan herein and the revised CEP Rate Caps proposed herein.

CEOH proposes that the CEP Rider charges be adjusted to exclude capital investments and related deferrals through December 31, 2024, at the time that CEOH's new base rates are effective. Any recovery variances for future CEP rate effective periods (e.g., September 1, 2025, through August 31, 2026; September 1, 2026, through August 31, 2027; etc.) would be included in future reconciliation adjustments. CEOH also proposes that any reconciliation adjustments for over- or under-recoveries for the prior period would not be counted against the annual CEP Rate Cap. If its general rate case proceeding is still pending as of March 1, 2026, CEOH will file its annual CEP Application presenting two sets of schedules: 1) based on the current recovery approach to recover the return on and recovery of the CEP Deferrals, without a reset beginning January 1, 2025 and 2) based on the proposed CEP changes presented in this alternative rate plan, including but not limited to earning a return on and of the underlying CEP-eligible capital investments through December 31, 2025.

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<sup>4</sup> The CEP Rider monthly charge for Group 1 General Service customers is 130% of the Residential CEP Rider charges.

Beginning with the 2027 investment period, CEOH proposes to recover the costs of Replacement Program investment through the CEP Rider and treat the same as other CEP-eligible investment as discussed further herein.

CEOH is not proposing any changes to the application timelines for the proposed reauthorization period. This means, CEOH proposes to follow the previously approved CEP Rider filing timeline which includes filing the CEP Rider application on March 1<sup>st</sup> of each year, with revised rates effective September 1<sup>st</sup> of each year. CEOH also intends to continue the currently approved rate design approved by the Commission.

CEOH proposes that any annual audit performed by Commission Staff or its designee in the annual CEP rider update proceedings be limited to assets and deferrals identified for recovery through the CEP Rider. CEOH believes that this approach would be a more efficient use of available resources, streamline the annual CEP audits, and avoid duplicative review of the same assets in annual CEP Rider proceedings and CEOH's next base rates case.

### **C. Continuation and Modification of the Tax Savings Credit Rider.**

#### **(1) Current TSCR Mechanism.**

The Commission approved a Joint Stipulation and Recommendation between CEOH, Commission Staff, and the OCC that created CEOH's current TSCR (Joint TSCR Stipulation) in its Finding and Order in Case. No. 19-0029-GA-ATA (2019 Tax Case).<sup>5</sup> Specifically, the Commission approved three of the four components of CEOH's proposed TSCR as modified by the stipulation to address the effects of the Tax Cuts and Jobs Act of 2017 (TCJA) on CEOH's tax expense accounting, including:

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<sup>5</sup> 2019 Tax Case, Finding and Order (July 1, 2020).



- Component A - return of normalized excess accumulated deferred federal income tax (EDIT) amortized based on the Average Rate Assumption Method (ARAM) beginning on January 1, 2018.
- Component B – return of non-normalized EDIT amortized over six years beginning on January 1, 2018.<sup>6</sup>
- Component C – the return on deferred interest accrued between the effective of the TCJA the date that amortization began, which was refunded to customers in 2020 and 2021.<sup>7</sup>

CEOH also proposed Component D, the recovery of financing costs (or incremental return), recognizing the impact of the reduction of accumulated deferred federal income tax (ADIT), which is recognized as cost-free capital and deducted from CEOH's rate base, related to the refund of EDIT to customers. Per the Joint TSCR Stipulation in the 2019 Tax Case and considering the then-ongoing COVID-19 emergency, the parties requested that the Commission not decide the Component D issue, which would have reduced the credits being returned to customers under Components A, B, and C, in its Finding and Order. Rather, the Joint TSCR Stipulation allowed the parties to litigate the Component D issue at a future date in 2020.<sup>8</sup> CEOH, Commission Staff, and the OCC filed briefs on the Component D issue in the Fall of 2020; however as of the date of this application, the Commission has not issued a decision in the 2019 Tax Case regarding Component D.

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<sup>6</sup> In 2023, CEOH, with Staff's consent, implemented a reclassification of normalized and non-normalized EDIT based on a private letter ruling issued by the Internal Revenue Service. This resulted in approximately \$9.2 million shifting from normalized to non-normalized EDIT. CEOH, again with Staff's consent, amortized the additional non-normalized EDIT balance to be refunded to customers over an additional three years. *In the Matter of the Application of Vectren Energy Delivery of Ohio, LLC d/b/a CenterPoint Energy Ohio for Approval of an Adjustment to its Tax Savings Credit Rider*, PUCO No. 23-1020-GA-RDR.

<sup>7</sup> *Id.* at 7-8, 13.

<sup>8</sup> *Id.* at 8.

The Commission's approval of the TSCR mechanism in the 2019 Tax Case included an annual process to update TSCR rates by filing an annual update by October 1 of each year with rates effective January 1 of each year.<sup>9</sup> Specifically, the proposed TSCR rates are subject to an annual review by Commission Staff with proposed rates automatically approved after 90 days unless suspended by Commission Staff, the Commission, or following a recommendation from an intervening party.<sup>10</sup> The proposed TSCR rates reflect projected normalized and non-normalized credits for the following year subject to a reconciliation of actual credits issued to customers against projected credits with any variance included for credit or recovery in subsequent TSCR proceedings without carrying costs.<sup>11</sup>

## **(2) Summary of Proposed Changes to TSCR.**

CEOH proposes the following changes to its TSCR in this application.

- Continue to refund normalized (protected) and non-normalized (unprotected) EDIT to customers (Components A and B).
- Recovery of historic and going forward financing costs associated with the reduction of ADIT due to the refund of EDIT to customers to eliminate the rate base offset so that CEOH has the opportunity to earn its full authorized return on its investments (Component D).
- Recovery of financing costs associated with the reduction of ADIT due to the payment of corporate alternative minimum tax (CAMT) to eliminate the rate base offset so that CEOH has the opportunity to earn its full authorized return on its investments (Component E).

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<sup>9</sup> *Id.* at 10.

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* The TSCR also initially included a flow back of credits for the Stub period.

- Changing the name of the TSCR to the Tax Adjustment Rider (TAR) to more accurately describe its purpose of reflecting the impacts of several tax issues.

CEOH is not proposing any changes to the annual process for updating the TSCR (TAR) other than those directly related to the proposed changes listed above, which are described below. Similarly, CEOH is only proposing changes to the TSCR (TAR) schedules as necessary to incorporate the proposed changes listed above. CEOH Witnesses Garmon, Hayes, and Tieken discuss various aspects of CEOH's proposed changes to the TSCR (TAR).

### **(3) Refund of EDIT.**

CEOH is not proposing any changes to the current methodology for refunding normalized and non-normalized EDIT to customers through the TAR (Components A and B). As of the date of this application, CEOH has concluded the full refund of Component C (Stub), and CEOH is in the process of refunding Component A (normalized EDIT) and Component B (non-normalized EDIT). CEOH proposes to continue refunding normalized EDIT amortized based on ARAM and non-normalized EDIT according to the terms in Case No. 23-1020-GA-RDR. CEOH would use the same allocation factors it currently utilizes to allocate the overall credit to rate schedules, but the percentages would be updated to reflect the updated percentages approved in its pending base rates case.

### **(4) Rate Base Offset Adjustment Related to Component D.**

As discussed by CEOH Witness Hayes, CEOH collects federal income tax expense using the normalized method of accounting, meaning that although CEOH uses straight-line depreciation of its assets (also called regulatory, book, or normalized accounting) to calculate federal income tax expense for inclusion in its revenue requirement for rate-making purposes, CEOH takes advantage of accelerated and bonus depreciation methods available under the tax code (also called

tax accounting) to calculate its federal income tax payment. Despite this difference in accounting methods, ultimately over the life of an asset the same amount of depreciation expense will be claimed for both regulatory and tax purposes. The difference between the recovery of tax expense using regulatory accounting and the payment of taxes using tax accounting creates a timing (or temporary) difference, which results in the creation of the ADIT tax liability – an account where tax expense funds are held for future tax payments. ADIT funds can be thought of as a zero-interest loan from the government, because taxes that would otherwise have been due today are now due in the future. Until CEOH is required to pay the future taxes, it may use the ADIT funds for capital investment. For ratemaking purposes, CEOH recognizes the ADIT funds as zero-cost capital and reduces its rate base by the ADIT, meaning that it does not earn a return on those funds.

The TCJA changed the federal corporate income tax rate from 35% to 21%. Based on this change, CEOH re-measured its ADIT balance to reflect the new 21% tax rate. Because the new tax rate was lower, the re-measurement resulted in an excess of ADIT funds that were no longer necessary for the payment of future taxes, referred to as EDIT. As EDIT is deducted from the ADIT funds available to CEOH, the balance of zero-cost capital decreases, which results in a net increase to CEOH's rate base. CEOH's Component D proposal was intended to address this aspect of the standard ratemaking formula that has not been accounted for yet. Because CEOH no longer retains this source of cost-free capital (i.e., the EDIT Funds), CEOH proposes to eliminate the rate base offset so that it has the opportunity to earn its full authorized return on its investments using the following steps.

1. Determine the amount of EDIT amortized in 2018 (the initial year for amortization of EDIT resulting from the TCJA).

2. Apply CEOH's currently approved weighted average cost of capital (WACC) to the amount determined in step 1.
3. For each subsequent year through the date the new rates are implemented in CEOH's pending base rates case, determine the amortization of EDIT and add that to the prior year's cumulative EDIT amortization and the prior year's cumulative return. Apply the currently approved WACC to the result and sum the result of step 2 and step 3. For the years 2018 through 2025, this amount is an estimated \$17,950,887 (subject to true up to the date that new base rates take effect). This represents the total loss of cost-free capital resulting from the amortization of EDIT from 2018 to 2025, which is the estimated total amount of years for which EDIT was amortized (refunded to customers) without a rate base adjustment. CEOH proposes to amortize this amount over six years (roughly the same period the Component D excess has been accumulating) and to include in the annual revenue requirement for the calculation of the TAR rate.
4. For years after new base rates are implemented, CEOH proposes a similar methodology of applying its then-approved WACC to the amount of EDIT amortized and refunded to customers during the applicable calendar year and including that amount in the annual revenue requirement for the calculation of the TAR rate, except that with annual inclusion in the TAR the calculation would exclude from the cumulative calculation each year's incremental return calculation. The calculation is described in more detail in CEOH witness Hayes testimony.

CEOH's proposal reasonably reflects the incremental impact that payment of EDIT (and the corresponding reduction of ADIT) has on CEOH's rate base. It also recognizes the fact that CEOH may need to finance funds to replace the loss of cost-free capital from ADIT.

**(5) Rate Base Offset Adjustment Related to CAMT.**

The Inflation Reduction Act of 2022 created the federal CAMT, which applies to tax years beginning after December 31, 2022. CEOH Witness Hayes provides a detailed description of the CAMT and its applicability to CenterPoint Energy, Inc., and by extension, to CEOH. In brief, the CAMT is a 15% minimum tax rate that is applied to an applicable corporation when that entity's regular federal tax liability would be less than 15%. In other words, if CEOH's regular federal tax liability is greater than 15%, CEOH pays its regular federal tax liability. But if CEOH's regular federal tax liability is less than or equal to 15%, then CEOH pays the 15% CAMT. Neither the payment of CAMT nor the creation of the CAMT credit changes CEOH's overall federal income tax expense or its normalized recovery of that expense through rates. Therefore, CEOH is NOT proposing to recover the cost of the CAMT payment as an additional tax expense.

As stated previously, CEOH recovers tax expense on a normalized basis, which results in the creation of an ADIT tax liability. CEOH treats the ADIT balance as cost-free capital and reduces its rate base by the ADIT balance, meaning that it does not earn a return on those funds. In years when CEOH's regular federal tax liability is less than 15% but it must pay the CAMT, CEOH can carry the difference between the regular federal tax liability and the CAMT paid as a credit to be used for the payment of regular federal taxes that exceed the CAMT in the future. This results in the creation of a carryforward tax credit asset (The CAMT credit). Each year that CEOH pays that CAMT, the CAMT credit amount is removed from ADIT and recorded to the CAMT credit account. This reduces the ADIT balance, which is a reduction to rate base, resulting in a net increase to CEOH's rate base.

Similar to its proposed treatment of this issue related to EDIT refunds (Component D), CEOH proposes to eliminate the rate base offset so that it has the opportunity to earn its full authorized return on its investments using the following steps.

1. CEOH's test-year rate base calculation in its pending base rates case includes adjustments to remove the ADIT balance, which is likewise adjusted to account for the CAMT credit balance.
2. CEOH proposes to track the annual incremental changes in the CAMT credit balance on an annual basis and to reflect a reduction to cost-free capital (and corresponding increase to rate base) and to apply its WACC to that amount. In each TAR filing, CEOH would compare the current CAMT credit asset balance to the amount included in the test-year rate base calculation and apply its then-approved WACC to the difference.
3. If the CAMT credit balance in the TAR filing is greater than the test-year balance, then CEOH would include the return calculated in step 2 as an addition to the revenue requirement for the calculation of the TAR rate. If the CAMT credit balance in the TAR filing is less than the test-year balance, then CEOH would include the return calculated in step 2 as a deduction to the revenue requirement for the calculation of the TAR rate.

## **2. Requirements for Alternative Rate Plans**

### **A. Ohio Adm. Code 4901:1-19-06(C)(2)(b), Statements regarding exemptions.**

CEOH has been granted exemptions by the Commission with respect to its provision of commodity service. *See* Case No. 07-1285-GA-EXM (original exemption); Case No. 12-0483-GA-EXM (modification). CEOH's approved code of conduct is currently set forth in Sheet No. 72 in its Tariff for Gas Service, and has been included with CEOH's Application in Schedule E-2.

**B. Ohio Adm. Code 4901:1-19-06(C)(2)(c), Cross-Subsidization.**

CEOH does not expect any cross-subsidization of services to occur under the proposed continuation and modification of the rate mechanisms identified herein. All customers will benefit from the continued provision of safe, affordable, and reliable service through CEOH's investments in its systems. All balances recovered or credited through these rate mechanisms will be subject to review by the Commission and its Staff. No revised rates or charges will take effect unless first subject to review and approval by the Commission. The associated rates and charges will also reflect appropriate allocations of cost responsibility to CEOH's customer classes subject to review and approval by the Commission.

**C. Ohio Adm. Code 4901:1-19-06(C)(2)(d), Compliance with Revised Code Provisions**

CEOH will address compliance with R.C. 4905.35, substantial compliance with R.C. 4929.02, and the justness and reasonableness of the alternative rate plan, in that order.

**(1) Compliance with R.C. 4905.35.**

R.C. 4905.35 provides in its entirety as follows:

- (A) No public utility shall make or give any undue or unreasonable preference or advantage to any person, firm, corporation, or locality, or subject any person, firm, corporation, or locality to any undue or unreasonable prejudice or disadvantage.
- (B)
  - (1) A natural gas company that is a public utility shall offer its regulated services or goods to all similarly situated consumers, including persons with which it is affiliated or which it controls, under comparable terms and conditions.
  - (2) A natural gas company that is a public utility and that offers to a consumer a bundled service that includes both regulated and unregulated services or goods shall offer, on an unbundled basis, to that same consumer the regulated services or goods that would have been part of the bundled service. Those regulated services or goods shall be of the same quality as or better quality than and shall be offered at the same price as or a better price than and under the same terms and conditions as or better terms and conditions than, they would have been had they been part of the company's bundled service.



(3) No natural gas company that is a public utility shall condition or limit the availability of any regulated services or goods or condition the availability of a discounted rate or improved quality, price, term, or condition for any regulated services or goods, on the basis of the identity of the supplier of any other services or goods or on the purchase of any unregulated services or goods from the company.

CEOH is compliant with R.C. 4905.35. In accordance with R.C. 4905.35(A), CEOH does not make or give any undue or unreasonable preference or advantage to any person, firm, corporation or locality, or subject any person, firm, corporation, or locality to any undue or unreasonable prejudice or disadvantage.

In accordance with R.C. 4905.35(B)(1), CEOH offers its regulated services or goods to all similarly situated consumers, including persons with which it is affiliated or which it controls, under comparable terms and conditions, as evidenced by CEOH's Supplier Code of Conduct and Affiliate Code of Conduct (*see, existing* Tariff Sheets No. 52 and No. 72). Consistent with the obligation to make its service offerings available on a comparable and non-discriminatory basis, CEOH has applied these principles in developing its service offerings, the terms and conditions upon which it provides public utility service, and its rates. Such services, terms and conditions, and rates have been reviewed and approved by the Commission and are currently incorporated in CEOH's tariff.

With respect to R.C. 4905.35(B)(2), CEOH does not presently have any bundled service offerings that include a regulated and unregulated service.

In accordance with R.C. 4905.35(B)(3), CEOH does not condition or limit the availability of any regulated services or goods, or condition the availability of a discounted rate or improved quality, price, term, or condition for any regulated services or goods, on the basis of the identity of the supplier of any other services or goods or on the purchase of any unregulated services or goods from CEOH.

**(2) Substantial compliance with R.C. 4929.02.**

The Commission's rules require CEOH to discuss its current compliance with state policy and its expected compliance with that policy following implementation of the proposed plan.

R.C. 4929.02 establishes Ohio's state policy regarding the provision of natural gas service and goods. The policy promotes, among other things, the availability of adequate, reliable, and reasonably priced services and goods as well as the unbundling and comparability of those services and goods. It supports effective choices for supplies and suppliers; encourages market access to supply- and demand-side services and goods; and acknowledges the importance of effective competition and the regulatory treatment needed to support competition.

CEOH currently works to promote, encourage, recognize, facilitate and ensure the goals in R.C. 4929.02 are met. CEOH's record of service in Ohio includes a proactive effort to work with stakeholders to implement unbundled and ancillary service offerings that provide customers with effective and convenient choices to meet their natural gas supply needs. CEOH's current tariff provides numerous options for service of varying terms and conditions to meet its customers' needs for the purchase and delivery of natural gas. CEOH's services provide all customers the opportunity to choose an alternative commodity supplier. CEOH's current rates provide no subsidies flowing to or from regulated services or goods. CEOH developed and implemented a successful residential and commercial natural gas choice program within the first two years of its ownership and operation of the CEOH system, and as approved in Case No. 12-1285-GA-EXM, it has implemented an auction-based commodity-service procurement since 2008.

Moreover, CEOH's bill inserts, public outreach initiatives, and customer service representatives provide information useful to customers in making choices about natural gas services and goods. CEOH continues to work with Commission Staff and other stakeholders to

ensure that customers understand CEOH's Choice program.

The Commission has previously ruled that CEOH is in compliance with R.C. 4929.02, based on information that is substantially unchanged. See Case No. 07-1285-GA-EXM, Opin. & Order (Apr. 30, 2008); Case No. 05-1444-GA-UNC, Opin. & Order (Sep. 13, 2006); Case No. 13-1571-GA-ALT, Opin. & Order (Feb. 19, 2014); Case Nos. 18-0298-GA-AIR and 18-0299-GA-ALT, Opin. & Order (Aug. 28, 2019) (approving application and stipulation filed under R.C. 4929.05), and Case No. 22-0738-GA-ALT, Opin. & Order (Oct. 18, 2023). CEOH will continue to comply with R.C. 4905.35 and to substantially comply with the policies specified in R.C. 4929.02, after implementation of CEOH's alternative rates plan proposals.

The continuation and modification of the rate mechanisms identified herein, in particular the DRR and CEP Rider, will further advance State policy. By encouraging CEOH to make investments in replacing and repairing aging infrastructure and ensuring timely recovery of CEOH's costs, the alternative rate plan will enhance CEOH's ability to continue offering adequate, reliable, and reasonably priced natural gas goods and services. The Commission has already considered and accepted these and other benefits associated with CEOH's existing mechanisms and similar mechanisms approved for other natural gas companies. These same benefits may reasonably be expected to accrue under CEOH's alternative rate plan, as further described in CEOH's supporting testimony. In addition, as described herein and in the supporting testimony, the Commission will also continue to review and approve revised DRR and CEP Rider charges to ensure that those charges remain just and reasonable.

In sum, implementation of these proposals, combined with CEOH's existing service and programs, will ensure continued and enhanced compliance with the policies contained in Section 4929.02, Revised Code.

**(3) The proposed plan is just and reasonable.**

For the foregoing reasons, and additional reasons set forth below, CEOH's proposed alternative rate plan seeking the continuation and modification of the rate mechanisms is just and reasonable. Specifically, with respect to CEOH's request to continue and modify the DRR, extend and modify the CEP Rider, and modify the TSCR (TAR), the Commission has previously approved and extended similar rate mechanisms for CEOH and other LDCs in Ohio. *See* Case No. 18-0049-GA-ALT (approving CEOH's CEP Rider); Case Nos. 13-1571-GA-ALT, 18-0299-GA-ALT, and 22-0738-GA-ALT (approving and extending CEOH's DRR); *see also* Case Nos. 20-1634-GA-ALT, 15-0362-GA-ALT, 11-2401-GA-ALT, and 08-0169-GA-ALT (approving and extending The East Ohio Gas Company d/b/a Enbridge Gas Ohio PIR Program and Cost Recovery Charge); Case No. 19-0468-GA-ALT (approving Enbridge Gas Ohio's CEP Rider); *see also* Case Nos. 21-0638-GA-ALT, 17-2202-GA-ALT, 16-2422-GA-ALT, and 11-5515-GA-ALT (approving and extending Columbia Gas of Ohio Inc.'s IRP and CEP Riders); Case No. 19-0791-GA-ALT (approving Duke Energy Ohio, Inc.'s CEP Rider); Case Nos. 14-1622-GA-ALT and 12-1687-GA-ALT (approving and extending Duke's AMRP); *see also* Case No. 19-0029-GA-ATA (approving CEOH's TSCR). Given that CEOH's alternative rate plan proposals in this proceeding related to the rate mechanisms identified herein are similar to proposals previously approved by the Commission and based on Commission precedent, and the record evidence provided in CEOH's supporting testimony, CEOH's alternative rate plan should be deemed to be just and reasonable.

**(4) Ohio Adm. Code 4901:1-19-06(C)(2)(e), List of Witnesses.**

In accordance with the Commission's rules, below is the list of witnesses who will sponsor testimony in support of CEOH's alternative rate plan.

- Matthew C. Stewart
- Jeff W. Garmon
- Joseph G. Hayes
- John D. Taylor
- Katie J. Ticken

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Summary: Application Application for Approval of Increase in Natural Gas Rates, Alternative Rate Plan, Change in Accounting Methods, and Tariff Revisions electronically filed by Mr. Christopher T. Kennedy on behalf of Vectren Energy Delivery of Ohio, LLC d/b/a CenterPoint Energy Ohio.