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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application of Columbia)
Gas of Ohio, Inc. for Authority to Modify its)
Accounting Procedures to Provide for the Defer-)
ral of Expenses Related to the Commission's)
Investigation of the Installation, Use, and Per-)
formance of Natural Gas Service Risers)

Case No. 07-237-GA-AAM

APPLICATION OF
COLUMBIA GAS OF OHIO, INC.

Pursuant to Rev. Code § 4905.13, Columbia Gas of Ohio, Inc. ("Columbia") requests that the Commission grant the authority requested in this Application and permit Columbia to defer the expenses it has incurred in connection with the Commission's investigation of natural gas service risers. In support of its Application, Columbia states:

1. On April 13, 2005, the Commission issued an Entry in Case No. 05-463-GA-COI in which it initiated a Commission-ordered investigation into the type of gas service risers being installed in Ohio, the conditions of installation, and the overall performance of natural gas services risers. In various entries issued in Case No. 05-463-GA-COI the Commission directed the state's four large LDCs, including Columbia, to identify a sample number of installed risers, and to remove a number of risers and submit them to a testing laboratory selected by the Commission. In a report filed on November 24, 2006, the Commission's Staff made a number of recommendations in the case, and the Commission currently has those Staff recommendations under consideration.

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2. On August 3, 2005, the Commission issued an Entry in Case No. 05-463-GA-COI in which it recognized that the large LDCs will bear the costs associated with the Commission's investigation, and indicated that the Commission "would entertain applications for accounting deferrals for the cost of this investigation...." This Application is filed pursuant to that Entry.

3. The Commission's April 13, 2005 Entry provided for the hiring of a consultant to assist the Commission's Staff in the performance of this review throughout the process. On June 29, 2005 the Commission issued an entry seeking bids from qualified laboratories capable of performing appropriate testing of gas service risers. The Request for Proposal, developed by a Commission consultant, identified two types and three categories of risers for testing. The three categories are new risers, no leak risers removed from service, and leaking risers removed from service.

4. Pursuant to a Commission Entry issued August 3, 2005 in Case No. 05-463-GA-COI, LDCs were required to remove and replace qualified no-leak risers and, at no cost to the property owners, provide property owners with a new riser from the LDC's list of approved manufacturers. In this same Entry, the Commission held that the measures taken in Case No. 05-463-GA-COI are necessary for the protection of public safety and that the costs of the investigation should be borne by the local distribution companies. In recognition of this finding, the Commission stated that it would entertain applications for accounting deferrals for the cost of this investigation, and would review such applications on a case-by-case basis.

5. On November 24, 2006, the Staff filed its Report of Investigation in Case No. 05-463-GA-COI in which Staff concluded that certain types of field-assembled, or "Design A" risers, were more prone to failure if not assembled and installed properly. This report included a recommendation that distribution system operators conduct a riser inventory of their system for

determination of the types and locations of risers in their system. Columbia agreed with the Staff's recommendation to conduct a riser inventory of its system in Comments filed on February 2, 2006 in Case No. 05-463-GA-COI.

6. Columbia is cooperating with the Commission in this investigation, and has incurred, and will continue to incur, costs as a result of its compliance with the Commission's directives in Case No. 05-463-GA-COI. The Commission's investigation will result in Columbia's incurrence of the following types of costs, among others:

- a. Payments to the Commission for statistical analysis performed by consultants used to estimate Columbia's riser population by type.
- b. Training development and training costs related to riser testing and performance of the survey.
- c. Labor and expenses incurred in the collection of riser samples for the Commission's investigation.
- d. Commission assessments for the testing of risers and preparation of the Staff report.
- e. Contract and company labor costs incurred to conduct the survey.
- f. Project management costs, including labor and expenses for survey management; data management; report generation and invoice process for contracted services.
- g. Incremental expenses incurred at Columbia's contact center as a result of increased call volumes as customers inquired about the riser survey and related riser matters.

- h. Mailing costs incurred to communicate with customers about riser related matters.
- i. Carrying charges on the deferred balance.

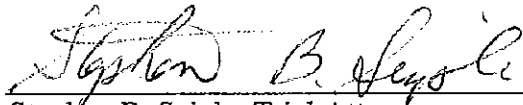
7. As of January 31, 2007, Columbia has incurred expenses of \$251,197 in order to comply with the Commission's directives in Case No. 05-463-GA-COI. Columbia further estimates that it will take a minimum of six months to complete its riser survey at an estimated cost of up to \$8,000,000. Columbia may also incur other types of expenses, depending on future orders issued in Case No. 05-463-GA-COI.

8. Pursuant to the Commission's August 3, 2005 Entry in Case No. 05-463-GA-COI, Columbia requests authority to revise its accounting procedures to provide for the deferral of costs already incurred, retroactive to the date the expenses were incurred, and for all future costs that will be incurred, as a result of Columbia's compliance with the Commission's directives in Case No. 05-463-GA-COI, with the appropriate level of recovery of the deferrals to be addressed either through a separate proceeding or Columbia's next base rate case proceeding. Columbia also requests Commission approval to recover carrying charges on the deferred balance.

9. The requested deferral is an accounting procedure that does not result in any increase in any rate or charge, and the Commission can therefore approve this application without a hearing.

Wherefore, for the reasons stated herein, Columbia respectfully requests that the Commission grant the accounting authority requested in the Application.

Respectfully submitted,

A handwritten signature in cursive script, reading "Stephen B. Seiple", written in dark ink over a horizontal line.

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