BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Implement a Capital Expenditure Program	)))))	Case No. 11-5351-GA-UNC
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods	))))	Case No. 11-5352-GA-AAM

SUPPLEMENTAL REPLY COMMENTS
OF COLUMBIA GAS OF OHIO, INC.

INTRODUCTION

On October 3, 2011, Columbia Gas of Ohio, Inc. ("Columbia") filed an Application for Authority to Implement a Capital Expenditure Program and for Approval to Change Accounting Methods ("Application") in the dockets listed above. Columbia is seeking the Commission's approval to create a capital expenditure program ("CEP") for the period from October 1, 2011, through December 31, 2012, and associated deferral authority ("accounting treatment") retroactive to October 1, 2011.

On January 27, 2012, the Commission granted motions to intervene by Office of the Ohio Consumers' Counsel ("OCC") and Ohio Partners for Affordable Energy ("OPAE"). On February 17, 2012, Commission Staff, the OCC, and OPAE filed initial comments. On February 27, 2012, Staff, the OCC, OPAE, and Columbia filed reply comments. In its January 27th Entry, the Commission stated that it would later "determine what further process may be necessary following the receipt of the comments and reply comments[.]"[1] Columbia now respectfully submits these supplemental reply comments.

---

[1] Entry at 3.

SUPPLEMENTAL RESPONSE TO STAFF COMMENTS

The Impact of Incremental Revenue Should Be Properly Recognized

In its initial comments, Staff recommended that "[t]he revenue generated by net increases in the customer count over the [customer count used in the 2008 Rate Case as a] baseline [sh]ould be subtracted from the Total Monthly CEP regulatory asset prior to recording the deferral in order to prevent double recovery of the PISCC, deprec[i]ation and property tax expenses."[2] In particular, Staff recommended multiplying any net increase in customer accounts by only "the cost portion of the rate" for each particular class of customers.[3] In its reply comments, Staff then laid out a specific process for determining incremental revenue.[4] Staff further recommended that "other revenues directly attributable to program investment" be subtracted from the CEP regulatory asset, to the extent that the CEP generates other revenue streams from sources other than additional customers.[5]

Columbia reiterates its agreement with Staff's proposal to calculate incremental revenue through the multiplication of any net increase in customer accounts by the cost portion of the rate for each customer class.

Monthly Deferred PISCC Would Be Net of Depreciation

In its initial comments, Staff opined that the Plant Additions component of the monthly deferred Post-In-Service Carrying Charges ("PISCC") should be net of accumulated depreciation, so as to prevent Columbia from collecting carrying costs on a deferred expense.[6] Columbia, in its reply comments, argued that Staff's position was inconsistent with Columbia's recovery of PISCC in its annual Infrastructure Replacement Program ("IRP") filings and with the language of Rev. Code § 4929.111(D).[7]

Upon further consideration, Columbia agrees with Staff that the Plant Additions component of the monthly deferred PISCC may be determined net of accumulated depreciation.

---

[2] Staff Initial Comments at 10-11.

[3] *Id.* at 11.

[4] Staff Reply Comments at 6.

[5] Staff Initial Comments at 10.

[6] Staff Initial Comments at 11.

[7] Columbia Reply Comments at 3.

Monthly Deferred PISCC Would Be Net of Retirements Related to Incremental Capital Expenditures

In its Reply Comments, Staff joined with the OCC in arguing that the Plant Additions component of the monthly deferred PISCC also should be net of retirements for plant replaced under the CEP. OCC had argued, and Staff agreed, that netting retirements out of the PISCC calculation was consistent with past Commission holdings and would prevent Columbia from recovering PISCC on an overstated plant balance.[8] Columbia disagreed, noting that PISCC is calculated on the basis of gross plant additions in Columbia's IRP cases and that OCC's comments cited to stipulation provisions from other proceedings, which are not admissible in this proceeding.[9]

Upon further consideration of Staff's and OCC's comments, Columbia agrees that the Plant Additions component of the monthly deferred PISCC may be calculated on net plant additions. Net plant additions may be calculated as gross plant, less retirements and less depreciation in this proceeding.

To be clear, because the gross plant balance will include only those incremental capital investments associated with the CEP, only those retirements associated with making the incremental capital investments would be included in calculating the *net* plant balance on which to apply the deferral. Put differently, the only retirements Columbia would consider when netting the gross plant balance would be those retirements brought about as a result of the incremental CEP investments, not *all* retirements.

Monthly Deferral of Depreciation and Property Taxes Related to Incremental Capital Expenditures

Columbia agrees that monthly deferred depreciation and property taxes should be calculated in accordance with the formulas set forth in Staff's February 17, 2012 comments filed in these dockets.

Columbia Would File Annual Informational Reports

In its initial comments, Staff recommended that Columbia should make annual filings, each March 15th, "detail[ing] the monthly CEP capital invest-

---

[8] Staff Reply Comments at 3-4.
[9] Columbia Reply Comments at 7.

ments and the calculations used to determine the deferred amounts to be record-ed" for the prior year and providing "a capital budget for the upcoming year[.]"[10] Originally, Columbia did not address this recommendation in its reply comments.

Columbia now accepts Staff's proposal, with the following minor change. Columbia would recommend that the reporting date for these annual informational filings be April 30, rather than March 15. In mid-March, Columbia's accounting staff is tied up with the year-end closing of the company's books and the support of Columbia's annual IRP filing. With that change, Columbia would agree to Staff's proposal that Columbia file annual reports detailing the company's CEP capital investments and associated deferrals.

Columbia Would Limit The Duration Of Its Deferrals

In its initial comments, OCC suggests that the deferrals associated with Columbia's CEP program should be limited to "the date of new base rates going into effect or December 31, 2014, whichever date comes first[.]" OCC explained that imposing "a reasonable time limit for the deferrals" would ensure "that they do not grow to unreasonable levels."[11] Staff, in its reply comments, agreed with OCC's suggestion.[12] Columbia opposed OCC and Staff's suggestion, reasoning that the deferrals it is seeking will have minimal impacts on customer rates because they will be recovered over the life of the asset. Columbia further commented that OCC and Staff's suggestion would simply lead to additional rate case filings. Finally, Columbia noted that the applicable statute, Rev. Code § 4929.111, does not impose any limitations on CEP deferrals.[13]

Columbia remains opposed to imposing any specific time limit on filing an application to recover the deferred regulatory asset, for the reasons expressed in its reply comments. Nonetheless, Columbia is willing to accept a deferral limit that more directly addresses OCC and Staff's concern that a "protacted [deferral] * * * could result in rate shock for customers when the deferrals are ultimately included [in] rates[.]"[14] Accordingly, Columbia would propose that the deferrals under its CEP be allowed to accrue until the impact from those deferrals on the rates for Columbia's Small General Service ("SGS") customers would exceed

---

[10] Staff Initial Comments at 13.
[11] OCC Initial Comments at 12.
[12] Staff Reply Comments at 2-3.
[13] Columbia Reply Comments at 9-10.
[14] Staff Reply Comments at 3.

$1.50/month. By tying the deferral to this specific rate impact threshold, Columbia would avoid the "rate shock" that is at the root of OCC and Staff's concerns.

CONCLUSION

For the reasons stated in Columbia's Application, and with the compromises and modifications proposed in these Supplemental Reply Comments, Columbia respectfully requests that the Commission approve its Application filed in this docket.

Respectfully submitted,
COLUMBIA GAS OF OHIO, INC.

/s/ Eric B. Gallon
Eric B. Gallon

Stephen B. Seiple, Asst. General Counsel
Brooke E. Leslie, Counsel
200 Civic Center Drive
P. O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@nisource.com
          bleslie@nisource.com

Daniel R. Conway
Eric B. Gallon
Porter Wright Morris & Arthur LLP
Huntington Center
41 South High Street
Columbus, Ohio 43215
Tel: (614) 227-2270/2190
Fax: (614) 227-2100
Email: dconway@porterwright.com
          egallon@porterwright.com

Attorneys for Applicant
COLUMBIA GAS OF OHIO, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Supplemental Reply Comments was sent by electronic mail to the parties listed below on this 26th day of July, 2012.

/s/ Eric B. Gallon
Eric B. Gallon
Attorney for
COLUMBIA GAS OF OHIO, INC.

Joseph P. Serio
Assistant Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, OH 43215-3485
serio@occ.state.oh.us

Colleen L. Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
P.O. Box 1793
Findlay, OH 45839-1793
cmooney2@columbus.rr.com

Stephen A. Reilly
Assistant Attorney General
Public Utilities Commission of Ohio
180 East Broad Street, 6th Floor
Columbus, OH 43215
stephen.reilly@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/26/2012 5:12:37 PM

in

Case No(s). 11-5351-GA-UNC, 11-5352-GA-AAM

Summary: Comments Supplemental Reply Comments of Columbia Gas of Ohio, Inc. electronically filed by Mr. Eric B. Gallon on behalf of Columbia Gas of Ohio, Inc.