

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc. to Implement)	Case No. 13-1890-GA-UNC
a Capital Expenditure Program.)	
)	
In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc. for Authority)	Case No. 13-1891-GA-AAM
to Change Accounting Methods.)	

APPLICATION

In accordance with R.C. 4909.18 and 4929.111, Vectren Energy Delivery of Ohio, Inc. (“VEDO” or “the Company”) respectfully requests Commission authority to implement an ongoing capital expenditure program (“CEP”) and for ongoing accounting authority to (1) capitalize post-in-service carrying costs on investments under the CEP for assets placed in service but not yet reflected in rates, (2) defer depreciation expense and property-tax expense directly associated with CEP assets placed in service, and (3) establish a regulatory asset to which post-in-service carrying costs, depreciation expense, and property-tax expense will be deferred for recovery to be requested in a separate, subsequent proceeding. In support of this application, VEDO states as follows:

1. VEDO 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” and “public utility” as defined by R.C. 4905.03(A)(5) and 4905.02, respectively.
2. R.C. 4929.111(A) provides, “A natural gas company may file an application with the public utilities commission under section 4909.18, 4929.05, or 4929.11 of the Revised Code to implement a capital expenditure program for any of the following: (1) Any infrastructure expansion, infrastructure improvement, or infrastructure replacement program; (2) Any program

to install, upgrade, or replace information technology system; (3) Any program reasonably necessary to comply with any rules, regulations, or orders of the commission or other governmental entity having jurisdiction.”

3. This application will not result in an increase in any rate, joint rate, toll, classification, charge, or rental. Therefore, this application is an application not for an increase in rates under R.C. 4909.18.

4. In accordance with R.C. 4909.18 and 4929.111, VEDO proposes to implement a program that is subject of this application for the period of January 1, 2013, through December 31, 2013, to provide for the capital activities described below. Specifically excluded from this program will be capital expenditures associated with non-jurisdictional services and, as discussed below, any CEP investments subsequently approved for recovery through another cost-recovery mechanism.

- a. *Infrastructure Expansion.* Expenditures in this category include main line extensions to serve new customers, main-to-meter service line installations for new customers, and meter installations for new customers.
- b. *Infrastructure Improvement and Replacement.* Expenditures in this category include distribution system betterments: pipeline, service line, regulating station, integrity management, or other improvements or replacements, including non-billable pipeline relocations associated with VEDO’s distribution and transmission systems. Excluded from this category is VEDO distribution and transmission investment related to Federal Pipeline Safety Requirements (see (d) below) and Distribution Replacement (see (e) below).

- c. *Programs Reasonably Necessary to Comply with Commission Rules, Regulations, and Orders.* Expenditures in this category include investments in buildings, fleet, tools and equipment, metering, and instrumentation.
- d. *Federal Pipeline Safety Requirements.* This category includes projects required to meet mandates from existing and new transmission integrity management rules; projects identified as accelerated actions as mandated by certain distribution integrity management program requirements; and capital expenditures resulting from new rules issued by the Pipeline Hazardous Materials & Safety Administration.
- e. *Distribution Replacement.* This category includes capital expenditures proposed for recovery in Case No. 13-1571-GA-ALT under VEDO's Distribution Replacement Rider ("DRR").

5. R.C. 4929.111(B) requires an application under R.C. 4929.111 to "specify the total cost of the capital expenditure program." Exhibit A to this application lists the planned cost of each component of the CEP, which VEDO estimates to be a maximum total investment of approximately \$61.5 million for the 12 months ended December 2013. The total amounts of assets placed in service under the program may vary from the amounts listed in Exhibit A because VEDO manages portions of its overall CEP plan in the aggregate rather than by individual projects, and because the CEP budget is based upon planned cash expenditures rather than the date plant becomes used and useful and is transferred to gas plant in service. This timing difference between the date cash expenditures are made and the date plant is placed in service will result in total program budget estimates in Exhibit A being either greater than or less than actual expenditures eligible for the accounting treatment permitted under R.C. 4929.111(D). Finally, VEDO may reallocate its CEP investments among the listed categories as the Company

deems necessary to meet the needs of its customers and its gas delivery system, while being mindful that substantial and frequent modifications that impair Staff's ability to monitor VEDO's CEP may cause the Commission to reexamine the Company's deferrals. *See In re Vectren Energy Delivery of Ohio*, Case No. 12-530-GA-UNC, Finding and Order at 4 & 21 (Dec. 12, 2012) (permitting same).

6. On August 22, 2013, VEDO filed an application in Case No. 13-1571-GA-ALT ("the DRR Application") to request an extension and expansion of its existing DRR mechanism originally approved in Case No. 07-1081-GA-ALT. If recovery of all or a portion of any of the capital expenditures included herein is approved in the DRR Application, VEDO will withdraw the corresponding amount from this application, as appropriate. In no circumstance shall the same expenditures or investments be recovered twice.

7. All of the costs set forth on Exhibit A include, as applicable, supervisory, engineering, general, and administrative overheads, and allowance for funds used during construction, and are net of any contributions, deposits, or other aid to construction.

8. The program is consistent with VEDO's obligation to furnish necessary and adequate service and facilities in accordance with R.C. 4905.22, and such services and facilities will be just and reasonable when placed into service.

9. In approving an application under R.C. 4929.111(C), "the commission shall authorize the natural gas company to defer or recover in an application that the natural gas company may file under section 4909.18, 4929.05, or 4929.11 of the Revised Code, both of the following: (1) A regulatory asset for the post-in-service carrying costs on that portion of the assets of the capital expenditure program that are placed in service but not reflected in rates as plant in service; (2) A

regulatory asset for the incremental depreciation directly attributable to the capital expenditure program and the property tax expense directly attributable to the capital expenditure program.”

10. In accordance with R.C. 4929.111(F), VEDO requests authority to make any accounting accruals necessary to establish the regulatory assets requested herein. Such accruals will be calculated in accordance with the system of accounts established by the Commission under R.C. 4905.13. Accordingly, VEDO adheres to the FERC Unified System of Accounts Prescribed for Natural Gas Companies and Generally Accepted Accounting Principles when accounting for the actual cost of capital projects, all of which are considered just and reasonable. Post-in-service carrying costs will be based on VEDO’s cost of long-term debt approved in the last rate case. The foregoing accruals will commence when the assets of the program are placed in service and cease when rates reflecting the costs of these assets are effective.

11. In this application, VEDO is only requesting approval of the implementation of the CEP and the authority for the accounting treatment described above. Recovery of any amounts deferred in accordance with this application will be addressed in a separate proceeding, not more than one time each calendar year, commencing no later than the point at which the accrued deferrals, if included in rates, would cause the rates charged to its Residential (Rate 310, 311, and 315) and General Service, Group 1 (Rate 320, 321, and 325) customers to increase by more than \$1.50 per month. VEDO would note, however, that a \$1.50 cap will prove insufficient if VEDO does not obtain approval of the DRR Application. VEDO further notes that it may be necessary to revisit the adequacy of any monetary cap, depending on the Commission’s actions regarding the DRR Application and increases in capital costs required to meet certain new federal pipeline safety regulations, as has been previously discussed. (*See* Case No. 12-530-GA-UNC Staff Sur. Comments at 14 (“the adequacy of the cap can be revisited in a future case if

VEDO is unsuccessful in obtaining an alternative recovery mechanism similar to its DRR for its modernization investments in the future”); *id.*, VEDO Supp. Reply Comments at 6 (recognizing that monetary cap could be recalculated “if an alternative rate mechanism is approved for recovery of the modernization investment”).) Accordingly, VEDO continues to reserve the right to raise any and all issues concerning monetary caps in a future filing, as appropriate. (*See id.*, VEDO 2d Supp. Reply Comments at 2.) This potential need to adjust the cap is demonstrated by comparing the budgeted expenditures set forth in the 2012 CEP to the higher level of expenditures in the 2013 CEP which reflects, among other things, the costs required to comply with new pipeline safety regulations.

12. In this application, VEDO accepts continuation of certain requirements established by the Commission’s December 12, 2012 Finding and Order in Case No. 12-530-GA-UNC, including the following:

- a. VEDO will calculate the total monthly deferral, post-in-service carrying costs, depreciation expense, property-tax expense, and incremental revenue using the specific formulas set forth in Staff’s surreply comments in Case No. 12-530-GA-UNC. VEDO will calculate its incremental revenue on an annual, calendar-year basis. *See In re Vectren Energy Delivery of Ohio*, Case No. 12-530-GA-UNC, Finding and Order at 19 (Dec. 12, 2012) (“VEDO’s calculation of incremental revenue should be performed on an annual basis . . .”).
- b. VEDO will offset the monthly regulatory asset amount charged to the CEP by those revenues generated from the assets included in the CEP for SFV customers, non-SFV customers, and any other revenue sources directly attributable to CEP investments.

- c. VEDO will calculate post-in-service carrying costs and depreciation and property-tax deferrals in a manner consistent with Staff's recommendations in Case No. 12-530-GA-UNC.
- d. VEDO will docket an annual informational filing by April 30 of each year that provides the information required by the Commission.
- e. As set forth above, VEDO will accrue CEP deferrals up until the point where the accrued deferrals, if included in rates, would cause the rates charged to its Residential (Rate 310, 311, and 315) and General Service, Group 1 (Rate 320, 321, and 325) customers to increase by more than \$1.50 per month. Accrual of all future CEP-related deferrals will cease once the \$1.50-per-month threshold is surpassed, until such time as VEDO files to recover the existing accrued deferrals and establish a recovery mechanism under R.C. 4909.18, R.C. 4929.05, or R.C. 4929.11.

VEDO makes clear that by accepting these requirements in this proceeding, it does not waive its right to revisit or challenge in any way the appropriateness of these requirements in any future proceeding.

13. VEDO proposes that the Commission grant VEDO ongoing approval of its CEP and continuing deferral authority until such time as the aforementioned \$1.50-per-month cap is reached. VEDO proposes that it shall continue providing similar information as contained in this Application in future annual informational filings. VEDO recommends that the Commission establish a 30-day automatic approval process that provides the Staff and any intervening party an opportunity to file objections concerning the information contained in the Company's annual update filings. If no objections are filed within 30 days of the date the informational filing is docketed, VEDO proposes that the CEP and ongoing deferral authority be deemed approved. In

the event such objections are filed, VEDO proposes that an attorney examiner appointed by the Commission should issue an entry soliciting comments on the matters raised in the objections.

14. The requested approval of the program and change in accounting procedure does not result in any increase in rate or charge. The Commission may therefore approve this application without a hearing.

WHEREFORE, VEDO respectfully requests Commission approval to implement the CEP, recognize post-in-service carrying costs on investments under the program, defer associated depreciation and property tax expenses, establish any necessary regulatory assets to accumulate the deferred costs, allow for subsequent adjustments of the CEP as appropriate to reflect the final order of the Commission regarding VEDO's proposed extension and expansion of its DRR that, if approved, will provide for recovery of some of the investments set forth herein, and for all other necessary and proper relief.

Dated: August 29, 2013

Respectfully submitted,

/s/ Andrew J. Campbell

Mark A. Whitt (Counsel of Record)

Andrew J. Campbell

Gregory L. Williams

WHITT STURTEVANT LLP

The KeyBank Building

88 East Broad Street, Suite 1590

Columbus, Ohio 43215

Telephone: (614) 224-3911

Facsimile: (614) 224-3960

whitt@whitt-sturtevant.com

campbell@whitt-sturtevant.com

williams@whitt-sturtevant.com

ATTORNEYS FOR VECTREN ENERGY
DELIVERY OF OHIO, INC.

**VECTREN ENERGY DELIVERY OF OHIO, INC.
CAPITAL EXPENDITURE PROGRAM (CEP)
FOR THE 12 MONTHS ENDING DECEMBER 2013**

PROJECTED PROGRAM COSTS
(\$Millions)

		<u>2013</u>
1	Infrastructure Expansion	\$ 9.5
2	Infrastructure Improvement and Replacement	4.2
	Programs Reasonably Necessary to Comply with	
3	Commission Rules, Regulations or Orders	3.2
4	Federal Pipeline Safety Requirements	[A] 9.8
5	Distribution Replacement	[B] <u>34.8</u>
6	Total	<u>\$ 61.5</u>

[A] Distribution and Transmission Capital Expenditures associated with compliance with various Federal Pipeline Safety regulations.

[B] Reflected in VEDO's 2013 DRR Filing (Case No. 13-1571-GA-ALT). Costs approved in that case for recovery in the DRR will be removed from the CEP.

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Case No(s). 13-1890-GA-UNC, 13-1891-GA-AAM

Summary: Application for Authority to Implement a Capital Expenditure Program electronically filed by Mr. Andrew J Campbell on behalf of Vectren Energy Delivery of Ohio