**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio )

Gas Company for Approval to Change ) Case No. 15-0222-GA-AAM

Accounting Methods )

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**APPLICATION OF OHIO GAS COMPANY FOR AUTHORITY TO ESTABLISH A REGULATORY ASSET**

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**January 28, 2015 ON bEHALF OF OHIO GAS COMPANY**

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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Pursuant to Rev. Code § 4905.13, Ohio Gas Company (“Ohio Gas”) files this Application with the Public Utilities Commission of Ohio, (“Commission”) for authority to modify its accounting procedures. Ohio Gas is seeking authority to establish a regulatory asset and defer, for accounting and financial reporting purposes, the related expenditures to be incurred by Ohio Gas associated with its implementation of a Geographic Information System (“GIS”) designed to support a wide range of operational needs. In support of its Application, Ohio Gas states:

1. Ohio Gas is a natural gas company within the meaning of R.C. 4905.03(A)(6), and as such, is a public utility subject to the jurisdiction of the Commission.
2. R.C. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts shall be kept. In Rule 4901:1-13-13, Ohio Administrative Code, the Commission has adopted the Uniform System of Accounts (“USOA”) for gas utilities established by the Federal Energy Regulatory Commission (“FERC”) for use in Ohio. For Ohio regulatory purposes, the system of accounts is only applicable to the extent that it has been adopted by the Commission. Therefore, the Commission may modify the USOA prescribed by FERC as it applies to utilities within Ohio.
3. Ohio Gas is implementing a GIS system that will become part of the operational systems used to operate its natural gas distribution system.
4. GIS systems are being widely utilized in the utility industry to take advantage of technology to digitize mapping and to develop database information that permits queries and analysis. The GIS system being implemented by Ohio Gas will support its mission in many ways, including a) providing reliable and uninterrupted service to its customers; b) allowing Ohio Gas to take prompt action when concerns arise; c) maintaining Ohio Gas infrastructure through regular inspections, surveys, responses to customer inquiries, and routine maintenance and repair activities; d) providing additional means to effectively respond to inquiries from the Ohio Utilities Protection Service (“OUPS”), including prompt responses to requests for marking the location of underground facilities; and, e) complying with Commission regulations including rates, efficiency, pipeline safety, minimum service standards for providing service, consumer safeguards, and various records management and reporting requirements.
5. The one-time incremental expenditures associated with the GIS system are expected to total approximately $1 million for the first phase of the project. The costs of the first phase are primarily related to implementation and integration of the GIS, data conversion, and training. A second phase addressing additional mapping of service lines and user applications will be required, but the scope and anticipated costs of that phase will not be known until the first phase is completed. Costs were incurred starting in 2014, and are expected to continue through mid-2016. This estimate is based on current work plans. Actual costs are being tracked and recorded as incurred and may vary from this estimate.
6. The costs of implementing the GIS are prudent and necessary business expenses incurred by Ohio Gas that will benefit customers. Because GIS did not exist at the time current rates were established for Ohio Gas in 1985, these costs are not recovered in Ohio Gas’s current base rates, and the incurrence of these costs may result in a significant and unavoidable negative impact on Ohio Gas’s earnings.
7. Ohio Gas requests that the Commission authorize Ohio Gas to revise its accounting procedures and permit Ohio Gas to defer income statement recognition of the incremental GIS costs incurred by Ohio Gas after January 1, 2014. The recovery of the deferred amount will be addressed through a separate proceeding or in Ohio Gas’s next base rate case proceeding. Ohio Gas also requests authority to recover carrying charges on the deferred balance, computed at 4%. Ohio Gas proposes to record all costs as a regulatory asset on its balance sheet in Account 182, Other Regulatory Assets. Commission approval for this deferral accounting treatment is necessary for Ohio Gas to indicate the probability of recovery of such expenditures under generally accepted accounting principles (“GAAP”).
8. These deferred expenses will remain in Account 182, until a new rider can be established in a separate proceeding or in Ohio Gas’s next general rate case proceeding, and recovery of the deferred expenses commences. At that time, Ohio Gas will reduce the new regulatory asset and charge the applicable expense account.
9. After approval of this Application, Ohio Gas will file an annual report, prior to June 1 of 2015, 2016, and 2017, beginning in 2015 for calendar year 2014, which sets forth GIS expenses on an annual and cumulative basis. This GIS report will include monthly expenditures for each component of GIS deferred by Ohio Gas on an annual basis.
10. Ohio Gas proposes that Commission Staff (“Staff”) annually review all reported program expenses, with a report to be filed by Staff no later than 90 days subsequent to Ohio Gas’s filing of the annual report. The Staff’s report shall set forth those expenditures, if any, that it recommends should not be deferred for future recovery. Staff’s review of Ohio Gas’s GIS expenses, for which deferral treatment is requested, should include a detailed examination and a determination that the deferred costs are properly recorded on Ohio Gas’s books. Ohio Gas shall have 30 days after the filing of Staff’s report to accept the Staff’s recommendations, or file objections thereto. If Ohio Gas files objections to Staff’s findings, the Commission shall establish a procedural schedule for the filing of testimony and for an evidentiary hearing.
11. Staff approval of the reports of the amounts being deferred will not constitute Staff’s approval of the amount that may be recoverable from customers. Total recovery and the method of recovery of the amounts deferred shall be established in a separate proceeding or base rate case.
12. Ohio Gas is attaching with this Application, a detailed description of the GIS project (Attachment 1).
13. The requested change in accounting procedure 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, Ohio Gas respectively requests the Commission grant the accounting authority requested in this Application.

Respectfully submitted,

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**On Behalf of Ohio Gas Company**