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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Application for Authority )  
To Modify Accounting Procedures to )  
Provide for the Deferral of Expenses )  
Related to the Commission's Investigation )  
Of the Installation, Use and Performance of )  
Natural Gas Service Risers. )

Case No. 07-<sup>294</sup>-GA-AAM

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APPLICATION FOR AUTHORITY TO MODIFY ACCOUNTING PROCEDURES  
OF VECTREN ENERGY DELIVERY OF OHIO, INC.

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Pursuant to Section 4905.13, Revised Code, Vectren Energy Delivery of Ohio, Inc. ("VEDO") respectfully requests that the Public Utilities Commission of Ohio ("Commission") grant the authority requested in this Application and permit VEDO to defer the expenses it has incurred and will incur in connection with the Commission's investigation of natural gas service risers.

**I. Background**

On April 13, 2005, in Case No. 05-463-GA-COI, the Commission issued an Entry ordering an investigation into the type of gas service risers being installed, the conditions of installation, and the overall performance of natural gas service risers in Ohio. The Commission indicated in that Entry that the investigation would be followed by a Staff report and a determination by the Commission of any additional steps to be taken. In subsequent entries, the Commission directed Ohio's four largest local distribution companies ("LDCs"), including VEDO, to identify a sample number of installed risers and to remove a number of risers for submission to a testing laboratory selected by the Commission. Specifically, in an August 3, 2005 Entry, the Commission directed LDCs to remove and replace qualified no-leak risers and provide property

owners with new risers at no cost to the property owners. Because the Commission recognized that LDCs would bear the costs associated with the Commission's investigation, the Commission indicated that it "would entertain applications for accounting deferrals for the cost of this investigation...." Accordingly, pursuant to that Entry and Section 4905.13, Revised Code, VEDO files this Application.

On November 24, 2006, the Commission Staff filed its Staff Report on the investigation and made several recommendations, which are currently under Commission review.<sup>1</sup> In its Report, Staff recommended, among other things, that LDCs conduct an inventory of the types and locations of risers in their systems. In comments filed on February 5, 2007, VEDO agreed with Staff, indicated that it intends to file a proposal for a comprehensive System Safety Initiative and, informed the Commission that VEDO is actively engaged in an inventory of its 217,000 outdoor meters to find and address customer safety issues and to document the types of facilities within VEDO's system. VEDO is currently contracting with Utility Technologies International Corporation ("UTI") to complete the riser inventory. VEDO used UTI to complete the initial random riser inventory.

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<sup>1</sup> Staff recommended that the Commission:

- Put LDCs on notice that proper installation of Design A risers (assembled in the field) is critical and that Design A risers with a low gasket force retention that are subjected to certain tensile loading and low temperature cycling are more prone to failure;
- Request LDCs to continue to track and monitor riser leak failures, report semi-annually all riser failures to the Commission Staff, and require those LDCs who have experienced riser failures to keep records on failure investigation and report to the Commission Staff what steps they have taken to prevent recurrence as required under 49 CFR Part 192.617;
- Require LDCs to conduct a riser inventory to learn the types and locations of risers in their systems;
- Order LDCs to incorporate new construction as part of their OQ requirements;
- Put LDCs on notice that failure investigation procedures should cover all service line failures;
- Remind LDCs that failure to comply with the final order could result in civil forfeitures; and,
- Order other action as the Commission deems appropriate at this time.

## **II. Request for Authority to Modify Accounting Procedures**

As a result of complying with the Commission's directives in Case No. 05-463-GA-COI, VEDO has incurred, and will continue to incur, the following types of costs, among others:

- a. contractor services, labor and related costs for the removal and replacement of the risers selected for the initial testing and ongoing investigation of leaking risers;
- b. labor and non-labor expenses related to the submission of monthly riser failure reports, the riser inventory, replacement of defective risers identified during the course of the inventory process, testing fees, and project and data management;
- c. the PUCO assessment to cover the costs of statistical analysis, testing, laboratory and other expenses incurred by consultants to analyze riser samples and estimate riser population;
- d. and, carrying charges on the deferred balance.

To date, VEDO has incurred at least \$201,869 in the above expense categories and expects to incur additional costs in those categories in the future. Based on its contract with UTI, VEDO further estimates that it will take a minimum of 9 months to complete its riser inventory and necessary replacements at an estimated cost of \$1.6 to \$2.0 million. VEDO may also incur costs in other categories depending on the Commission's determinations on Staff's recommendations and the input from interested stakeholders in Case No. 05-463-GA-COI.

Pursuant to Section 4905.13, Revised Code, and the Commission's August 3, 2005 Entry in Case No. 05-463-GA-COI, VEDO requests accounting authority for the

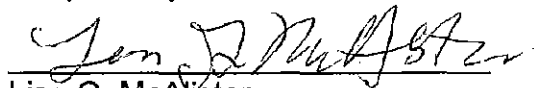
deferral of costs already incurred, retroactive to the date the expenses were incurred, and for all future expenses resulting from VEDO's compliance with the Commission's directives in Case No. 05-463-GA-COI, with recovery of the deferred costs to be addressed in VEDO's next base rate case. VEDO also requests Commission approval to recover carrying charges on the deferred balance.

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

### **III. Conclusion**

Based upon the foregoing, VEDO respectfully requests that the Commission grant the accounting authority requested in this Application.

Respectfully submitted,



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