

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Commission's)
Review of Chapter 4901-7, Ohio)
Administrative Code, Standard Filing) Case No. 08-558-AU-ORD
Requirements for Rate Increases filed)
Pursuant to Chapter 4909, Revised Code.)

**JOINT COMMENTS OF THE OHIO GAS ASSOCIATION, THE EAST OHIO GAS
COMPANY DBA DOMINION EAST OHIO, COLUMBIA GAS OF OHIO, INC., DUKE
ENERGY OHIO, INC., AND VECTREN ENERGY DELIVERY OF OHIO, INC.**

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JOINT COMMENTS

I. INTRODUCTION

On May 7, 2008, the Public Utilities Commission of Ohio ("Commission") issued an Entry seeking comments on the Commission Staff's ("Staff") proposed changes to the Commission's rules relating to the standard filing requirements for applications requesting an increase in rates [Chapter 4901-7 of the Ohio Administrative Code ("O.A.C.")]. The Entry established a deadline for initial comments of June 24, 2008, and reply comments of July 23, 2008. On June 2, 2008, Ohio's electric distribution utilities ("EDUs") filed a Motion to extend the deadlines for initial and reply comments. On June 11, 2008, the East Ohio Gas Company dba Dominion East Ohio, Columbia Gas of Ohio, Inc., Duke Energy Ohio, Inc., and Vectren Energy Delivery of Ohio, Inc. (collectively, local distribution companies or "LDCs") jointly moved for an extension of the comment deadlines and supported the June 2, 2008, EDUs' Motion request to extend the deadlines from June 24 to July 15 and July 23 to September 30, 2008, for initial and reply comments, respectively. The Attorney Examiner granted the requested extension on June 12, 2008. Accordingly, the LDCs respectfully submit the following comments for the Commission's consideration.

II. JOINT COMMENTS ON STANDARD FILING REQUIREMENTS BY SECTION

A. Section 4901-7-01, Chapter II, Paragraph (A)(7): Schedule Format¹

Staff's proposed addition states:

All schedules submitted must also be provided to the Staff in an electronic format. The electronic format must use links to retrieve data from related schedules and, if necessary, relevant working papers. Schedules and work papers containing numerical data shall be submitted on spreadsheets that contain active formulas and calculations, and must be linked so that changes propagate through the schedules and work papers.

The implication of Staff's proposed language is that utilities must link all work papers, schedules, and any other file that is used to produce the revenue requirements model, the cost of service, and the rate design model. Such electronic linkage is not possible given the fact that spreadsheet links point to specific files on specific servers or drives and, when files are transmitted via e-mail or CD-ROM, the files no longer exist in their original locations. Thus, inter-file links will not operate. However, the LDCs understand and appreciate Staff's desire to have tools that help save time preparing the Staff Report and put the consumer groups and other parties in the case on equal footing with the applicants and are happy to oblige to the extent reasonably possible. For example, in each of their most recent rate cases, Duke and VEDO provided the Staff and the parties in the case an electronic copy of Schedules A through E of the Standard Filing Requirements ("SFRs") which Staff was able to use to format its schedules and to expedite its review. Accordingly, the LDCs recommend that the Commission incorporate some reasonable boundaries to Staff's proposal, perhaps by adding a qualifying phrase, such as, "To the extent practicable..." at the beginning of the newly proposed language. If some reasonable limits are not placed on Staff's proposed

¹ At page number II-8 or 19.

language in this paragraph, the LDCs recommend that the Commission reject the proposal on the grounds that compliance would be impractical if not impossible.

B. Section 4901-7-01, Chapter II, Paragraphs (B)(1) – (6): Supplemental Filing Requirements - Schedules S-1, S-2.1, S-2.2, and S-2.3²

The LDCs request that the Commission eliminate Schedules S-1, S-2.1, S-2.2 and S-2.3, which contain, respectively, the applicant's most recent financial forecast of capital expenditures, income statement, balance sheet items and changes in financial position. Staff has proposed elimination of the Section F schedules, which are duplicated to some degree in the S-1, S-2.1, S-2.2 and S-2.3 schedules described in the supplemental filing requirements. The projected information contained in the S schedules is not at a level of detail that would assist parties in assessing an applicant's proposed jurisdictional revenue requirement.

C. Section 4901-7-01, Chapter II, Paragraph (B)(9): Executive Summary³

Currently, Paragraph (B)(9) of Chapter 2, requires a discussion in Schedule S-4.2 of the utility's management process in each of seven major areas (with numerous sub-categories under each):

- a) Plant operations and construction
- b) Finance and accounting
- c) Rates & tariffs
- d) Communication and public affairs
- e) Administrative and corporate support services
- f) Human resources
- g) Integrated resource planning

The S-4.2 schedule routinely exceeds 1,000 pages, and can require hundreds of hours to draft and compile.

² At page numbers II-12 – II-16 or 22-25.

³ At page number II-17 or 26.

Staff proposed adding the sub-categories of “ring fencing” and “risk management” to the “Administrative and corporate support services” category, and rearranging several sub-categories to other main categories. The result is that Staff proposed nine major areas (compared to the previous seven), as follows:

- a) Plant operations and construction
- b) Finance and accounting
- c) Rates & tariffs
- d) Communications and public affairs
- e) Administrative and corporate support services
- f) Information Technology
- g) Transportation
- h) Human resources
- i) Conservation/demand-side management/Integrated resource planning

Importantly though, Staff’s proposed revisions would require an applicant to provide a discussion on only any three categories that are identified and requested by Staff, rather than for all nine areas.

Additionally, Staff’s proposed changes include a new requirement that “[p]ertinent elements to incorporate for each functional area should include organization chart[s], diagrams and flow charts, performance indicators, standards of performance and prepared testimony of applicant utility personnel or other expert witnesses.”

The LDCs have several concerns regarding Staff’s proposal for this section. First, although it appears that Staff is appropriately attempting to reduce the requirements in this section, Staff does not go far enough. These requirements have not historically been of great use in evaluating financial performance during the test year and, based on recent Staff and auditor reports, appear to play only a limited role in the evaluation of management processes. Eliminating or continuing to reduce the amount of information required in this section would reduce time and expense in preparing rate cases, without adversely impacting other parties’ ability to request and review pertinent

information in rate cases. Moreover, with the proposed additions to (B)(8) (Schedule S-4.1), which added the specific areas of risk management and ring fencing (plans and methods for protecting the regulated distribution company) as elements of the applicant's corporate process that must be discussed in Schedule S-4.1, Staff's proposed requirements in paragraph (B)(9) are redundant and unnecessary. These two sections should be amended to reduce the amount of information required, either by reducing the number of elements to be discussed or by possibly eliminating the requirements in (B)(9).

Second, there is significant ambiguity regarding the process and timing of how Staff intends to effectuate its recommendation. Specifically, it is not clear how or when Staff would identify the categories on which a discussion is required. In order to timely prepare its rate case, applicants will need significant notice and lead time on which topics they must discuss. Accordingly, clarification is needed for this recommendation to be practical.

Finally, the added requirements of flow charts, organization charts, and testimony is vague and potentially onerous. This information could be produced to Staff during the normal course of its review of an applicant's filing. It is not clear what is added to the process by requiring this information at the time of filing.

D. Section 4901-7-01, Chapter II, Paragraphs (C)(8): Supplemental Information⁴

The LDCs request that the Commission revise the description for Paragraph (C)(8) to specifically allow utilities to provide a worksheet showing monthly test year data and totals that agree with Schedule C-2.1, column 1 in the account format used by

⁴ At page numbers II-24 or 30.

the applicant for accounting and planning purposes. This would take the place of requiring utilities to provide the test year monthly amounts by FERC, FCC, NARUC, or PUCO account. When an LDC maintains its accounting records and prepares budgets on a basis other than FERC, FCC, NARUC, or PUCO accounts, such as by general ledger accounts established to report transactions by the nature of the revenue or expense, considerable effort is required to state the test year revenues and expenses in the format currently required for the filing. In addition, facilitating Staff's review of the filing against the company's accounting and budgeting records is complicated by the use of different formats.

E. Section 4901-7-01, Chapter II, Paragraph (C)(13): System Layout Maps⁵

This paragraph requires utilities to file copies of the general system layout maps for the service territory. Given the security risks related to making such maps publicly available, the LDCs suggest that this section be revised such that the maps simply be made available to Staff for inspection or otherwise be kept confidential.

F. Section 4901-7-01, Chapter II, Paragraph (C)(17): Supplemental Information⁶

Staff proposes to add a new supplemental requirement. While the LDCs do not have any substantive concerns regarding this proposal, the LDCs suggest that it may make sense logistically to replace Supplemental (C)(23), which is being deleted, with the newly proposed (C)(17) so that the numbering for the existing items (C)(17) through (C)(22) would remain unchanged.

⁵ At page II-25 or 31.

⁶ At page II-27 or the second 32.

G. Section 4901-7-01, Chapter II, Paragraph (C)(27): Affiliates⁷

Staff proposed new paragraph (C)(27), which is identical to existing paragraph (C)(48) at page II-33 or 37. The LDCs recommend that this requirement only be included in the SFRs once. Accordingly, the LDCs request that the Commission reject Staff's proposal or delete existing paragraph (C)(48).

H. Section 4901-7-01, Chapter II, Paragraph (C)(40): Standard Journal Entries⁸

The LDCs request that the Commission revise this paragraph to require a listing of standard journal entries with descriptions of the entries rather than the entries themselves. Providing such a listing and description of standard journal entries enables Staff and other parties to understand the nature of transactions recorded on a company's books without the burden of producing the hundreds of entries that may be recorded in just a single month.

I. Section 4901-7-01, Chapter II Section B, Paragraph (E)(1): Lead-Lag Study⁹

Staff proposed amending the Section B instructions for Schedule B-5 - Allowance for Working Capital to add language stating that an allowance for working capital shall be supported by a recent lead-lag study. As the Commission is aware, lead-lag studies are time- and resource-intensive. Accordingly, if an applicant does not request working capital, it should not have to undertake a lead-lag study. Additionally, the LDCs request that the Commission include an alternative approach for determining a cash working capital allowance. For example, to avoid the expenditure of cost and effort on lead/lag

⁷ At page II-29 or 34.

⁸ At page II-32 or 36.

⁹ At page II-6 or the first 49.

studies, the allowance could be based upon 45 days of non-fuel related operation and maintenance expenses. The LDCs' proposed change to this section is as follows.

"ANY ALLOWANCE FOR POSITIVE WORKING CAPITAL SHALL BE SUPPORTED BY A RECENT LEAD-LAG STUDY OR USE 1/8 OF OPERATION AND MAINTENANCE EXPENSES EXCLUDING FUEL, PURCHASED POWER OR NATURAL GAS PURCHASED. THE RECENT LEAD-LAG STUDY MUST ACCURATELY REPRESENT CONDITIONS DURING THE TEST PERIOD. A LEAD-LAG STUDY IS DEFINED AS A PROCEDURE FOR DETERMINING THE WEIGHTED-AVERAGE OF THE DAYS FOR WHICH INVESTORS OR CUSTOMERS SUPPLY WORKING CAPITAL TO OPERATE THE UTILITY."

J. Section 4901-7-01, Chapter II Section B, Paragraph (F)(1): Other Rate Base Items Summary¹⁰

Staff proposed adding "customer deposits" to the list of items to include on Schedule B-6. The LDCs do not object to this change so long as the customer deposits may continue to be based on a 13-month average rather than a date certain amount. In the alternative, if Staff intends for all items on Schedule B-6 to be consistently based upon a date certain amount, Staff should clarify this proposed rule accordingly.

K. Section 4901-7-01, Chapter II Section B, Schedule B-5.1¹¹

Staff's proposed revisions eliminate lines for customer deposits, interest on customer deposits, fuel stock, and deferred nuclear fuel cost. The LDCs request that, in addition to Staff's recommendations, the Commission add a line that lists the net of the "revenue lag" and the "expense lag" to identify the "net cash working capital" in order to distinguish between cash and other forms of working capital.

¹⁰ At page II-6 or the second 49.

¹¹ At Schedule B-5.1.

L. Section 4901-7-01, Chapter II Section B, Schedule B-6¹²

Staff proposed adding "customer deposits" to Schedule B-6. For the same reasons discussed in Section (J), the LDCs recommend that this change be approved only to the extent that the customer deposits may continue to be based on a 13-month average rather than a date certain amount.

M. Section 4901-7-01, Chapter II, Section B, Paragraph (H): Gas Data¹³

The LDCs request that the Commission eliminate Schedule B-8, Gas Data, inasmuch as the information required by this schedule is reviewed as part of the gas cost recovery ("GCR") financial and management performance audit process. Moreover, the information is not used in determining jurisdictional revenue requirements and is of limited use in terms of assessing test year throughput because it is not normalized or broken down by customer class or rate schedule.

N. Section 4901-7-01, Chapter II, Section C, Paragraph (A): Account Classifications¹⁴

The LDCs request that the Commission revise the Section C Instructions to specifically allow utilities to report operating income and expense information for the test year in the account format used by the applicant for accounting and planning purposes rather than requiring the use of the "'Uniform System of Accounts' relative to the type of utility" or the use of FERC, FCC, NARUC, or PUCO accounts. When an LDC maintains its accounting records and prepares budgets on a basis other than FERC, FCC, NARUC, or PUCO accounts, such as by general ledger accounts established to report transactions by the nature of the revenue or expense, considerable effort is required to

¹² At Schedule B-6.

¹³ At page II-9 or 51.

¹⁴ At page II-3 or 90.

state the test year revenues and expenses in the format currently required for the filing. In addition, facilitating Staff's review of the filing against the company's accounting and budgeting records is complicated by the use of different formats.

O. Section 4901-7-01, Chapter II, Section C, Paragraphs (E)(1) and (2) : Comparative Balance Sheet and Income Statement¹⁵

The LDCs request that the Commission eliminate Schedules C-11.1 and C-11.2, Comparative Balance Sheet and Income Statement for the Most Recent Five Calendar Years, inasmuch as applicants are already required to provide such information in the annual reports submitted to the Commission. The historical information contained in the schedules is not normalized or at a level of detail that would assist parties in assessing the applicant's proposed jurisdictional revenue requirement.

P. Section 4901-7-01, Chapter II, Section C, Paragraphs (E)(1) and (2) and related Schedules: Revenue Statistics – Total Company and Jurisdictional¹⁶

The LDCs request that the Commission eliminate the information required by Schedules C-12.1 and C-12.2, Revenue Statistics - Total Company and Jurisdictional, regarding revenue by customer class and average revenue by customer class for gas companies because changes in commodity prices and in the mix of sales and transportation volume within a class makes the resulting figures meaningless for comparison purposes.

¹⁵ At page II-6 or 93.

¹⁶ At page II-6 or 93.

Q. Section 4901-7-01, Chapter II, Section D, Paragraph (D) and Schedule D-5: Comparative Financial Data¹⁷

For the same reasons noted regarding Schedules C-11.1 and C-11.2, the LDCs request that the Commission eliminate pages 1 through 3 of Schedule D-5, Comparative Financial Data, inasmuch as applicants are already required to provide such information in the annual reports submitted to the Commission. The historical information contained in the schedules is not normalized or at a level of detail that would assist parties in assessing the company's proposed jurisdictional revenue requirement.

Additionally, the LDCs request that the Commission eliminate pages 1 through 3 of Schedule D-5, Consolidated Financial Data, for the publicly traded parent-consolidated companies because such information is publicly available and the information does not assist parties in assessing the applicant's proposed jurisdictional revenue requirement.

R. Section 4901-7-01, Chapter II, Section E, Paragraph (B)(2): Current and Proposed Rate Schedules¹⁸

This proposed rule provides that the applicant will file proposed tariff schedules that are both underscored and redlined on the same copy, with the type of changes proposed designated in the margins. The LDCs agree that it is appropriate to keep all the scored and red-lined changes for tariffs on one copy. However, the LDCs request that the Commission eliminate the coding requirement (C, D, I, R, S, T) used to designate the type of change in the margins identifying proposed changes in Schedule E-2.1. The coding is an extremely time-consuming process that does not yield significant benefit. Moreover, the application of the coding differs from applicant to

¹⁷ At page II-2 or 135.

¹⁸ At page II-3 or 147.

applicant and does not provide meaningful insight into the nature of proposed changes. Finally, Schedule E-3, Rationale for Tariff Changes, provides parties with a complete explanation of the reason for proposed changes. Thus, this coding requirement should be eliminated from the Standard Filing Requirements of Section E(B)(2).

**S. Section 4901-7-01, Chapter II, Section E, Paragraph (C)(1)(d):
Schedule E-4.1**¹⁹

Staff's proposed addition states, "The proposed revenue total on Schedule E-4 must match the proposed revenue on Schedule C-2." The reference to "C-2" should be changed to "C-1" inasmuch as C-2 shows the revenue before the rate increase and C-1 has the final revenue number after the increase.

**T. Section 4901-7-01, Chapter II, Section E, Paragraph (C)(2)(b):
Schedule E-4.1**²⁰

In what appears to be a typographical error, the entire Schedule E-4.1 for "Proposed Annualized" has been deleted by Staff. If Staff does not intend to eliminate this schedule, the LDCs recommend that it be revised accordingly.

III. JOINT COMMENTS ON ELECTRONIC FILING

In general, the LDCs support the switch to electronic filing. The ability to file documents electronically significantly reduces overhead costs in the form of printing and shipping, especially when thousands of pages are filed.²¹ Reducing these costs by

¹⁹ At page II-6 or 150.

²⁰ At page II-6 or 150.

²¹ By way of example, in Columbia's recent filing of its Notice of Intent, between the 35 copies filed at the Commission, and the 455 copies shipped to applicable municipalities and authorities, the number of pages filed and mailed totaled 98,000. Including the copies of the Notice of Intent with the filing of all the copies of the Application, supplemental information, and testimony from the PUCO and intervening parties, roughly 190,000 pages have been filed and/or shipped thus far. The production of these documents amounts to over 42 hours spent producing copies.

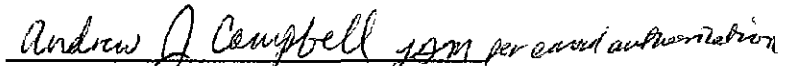
allowing Rate Case Notices of Intent and Applications to be filed electronically will greatly reduce the costs that are ultimately borne by the ratepayers. Electronic filing would also greatly reduce the administrative cost lost due to manual assembly of the copies of the Notice of Intent and Application.

Respectfully submitted,



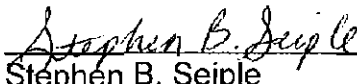
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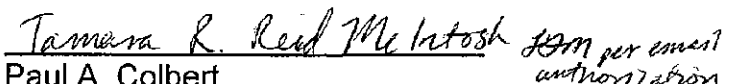
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