

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Columbia)
Gas of Ohio, Inc. for Authority to Defer) Case No. 08-606-GA-AAM
Environmental Investigation and Remediation)
Costs.)

ENTRY

The Commission finds:

- (1) Columbia Gas of Ohio, Inc. ("Columbia") is a natural gas company within the meaning of Section 4905.03(A)(6), Revised Code, and, as such, is subject to the jurisdiction of the Public Utilities Commission of Ohio ("Commission").
- (2) Chapter 4905.13, Revised Code, 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 4901:1-13-01, Ohio Administrative Code (O.A.C.), 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 Ohio utilities.
- (3) On February 26, 1999, Columbia filed an Application for Authority to Modify its Accounting Procedures to Provide for Capitalization of Environmental Cleanup Charges in Case No. 99-195-GA-AAM. Within that application, Columbia requested it be authorized to capitalize environmental cleanup costs where those costs were equal to or greater than \$25,000 per site and are associated with facilities that either are currently used and useful in the rendition of service to customers or will be used and useful in the rendition of utility service.
- (4) On August 5, 1999, the Commission issued an Entry in Case No. 99-195-GA-AAM in which the Commission stated that the accounting proposed in Columbia's application was already permitted by existing rules and that no additional authority was required.

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- (5) On May 19, 2008 Columbia filed an application in this proceeding, requesting authority to defer, on its books, environmental investigation and remediation costs in those situations where Columbia no longer owns the site in question, or where the site is owned by Columbia but is no longer used and useful in the rendition of gas service to customers. Columbia also requests authority to recover carrying charges on the deferred balances.
- (6) According to the application, the majority of these environmental remediation costs are related to former Manufactured Gas Plant ("MGP") sites. MGPs were operated in Ohio from approximately 1850 through 1950 in order to produce commercial grade gas from the combustion of coal, oil and other fossil fuels. Although these MGPs no longer exist, the remains of the subsurface structures and associated residuals such as coal tar, scrubber wastes, chemicals and tanks are commonly found to remain under ground.
- (7) Pursuant to Chapter 3745-300, O.A.C., and the Federal Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), these environmental hazards should be removed in accordance with the applicable State and Federal standards or guidelines. As the generator of the wastes and as the owner of the property at the time of disposal (or their corporate successor), Columbia is identified by Chapter 3745-300, O.A.C., and/or CERCLA as a party responsible for removing the environmental and/or public health hazard.
- (8) Columbia's application requests that the Commission authorize Columbia to revise its accounting procedures and permit the deferral of all environmental investigation and remediation costs incurred by Columbia after January 1, 2008, in compliance with State and Federal regulations. Columbia also requests authority to recover carrying charges on the deferred balance.
- (9) The Commission has reviewed the application, as well as the applicable federal and state rules and statutes, and finds that these environmental investigation and remediation costs are necessary business costs incurred by Columbia in compliance with Ohio regulations and federal statutes. Columbia's request to modify its accounting procedures and to defer costs related to the environmental investigation and remediation costs described

above, incurred after January 1, 2008, is reasonable and should be approved. This deferral authority is limited to only those costs in excess of \$25,000 per site. Columbia should separately identify all costs to be deferred in a sub-account of Account 182, Other Regulatory Assets. Columbia is further authorized to accrue carrying charges on all deferred amounts between the dates the expenditures were made and the date recovery commences. The carrying charge rate shall be determined annually based on Columbia's embedded debt-only interest rate. The rate shall be exclusive of the equity component and there will be no compounding.

- (10) Since the requested authority to change Columbia's accounting procedures does not result in any increase in rate or charge, the Commission approves this application without a hearing. The recovery of the deferred amounts will be addressed in Columbia's next base rate case proceeding. As the Supreme Court has previously held, deferrals do not constitute ratemaking. *See, e.g., Elyria Foundry Co. v. Pub. Util. Comm.*, 114 Ohio St.3d 305 (2007).
- (11) Prior to their deferral on its books, we require Columbia to make an annual filing in this docket detailing the costs incurred in the prior 12-month period covered by the deferrals and the total amount deferred to date. Unless the Staff files an objection to any of the requested deferrals within 30 days of the filing, deferral authority shall be considered granted.


It is, therefore,

ORDERED, That Columbia Gas of Ohio be authorized to modify its accounting procedures and to defer costs related to the environmental investigation and remediation costs described above, subject to the conditions stated in Finding 11. It is, further,

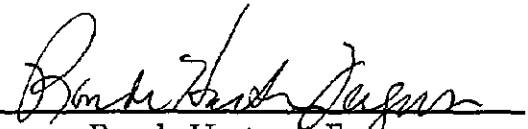
ORDERED, That nothing in this Entry shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,


ORDERED, That a copy of this entry be served upon Columbia Gas of Ohio.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Alan R. Schriber, Chairman


Paul A. Centolella


Ronda Hartman Fergus

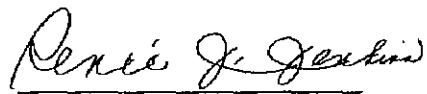

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Renee J. Jenkins
Secretary