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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren)
Energy Delivery of Ohio, Inc. to Implement)
a Capital Expenditure Program.)

Case No. 12- 0530 -GA-UNC

In the Matter of the Application of Vectren)
Energy Delivery of Ohio, Inc. for Authority)
to Change Accounting Methods.)

Case No. 12- 0531 -GA-AM

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APPLICATION

Pursuant to R.C. 4909.18 and 4929.111, Vectren Energy Delivery of Ohio, Inc. ("VEDO") respectfully requests Commission authority to implement a capital expenditure program ("CAPEX Program") and for accounting authority to (1) capitalize post-in-service carrying costs on investments under the CAPEX Program for assets placed in service but not yet reflected in rates, (2) defer depreciation expense and property tax expense directly associated with the CAPEX Program 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" as defined by R.C. 4905.03(A)(5) and a "public utility" as defined by R.C. 4905.02.

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

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to install, upgrade, or replace information technology systems; (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. Pursuant to R.C. 4909.18 and 4929.111, VEDO proposes to implement the CAPEX Program to provide for the capital activities described below. Specifically excluded from the CAPEX Program are capital expenditures associated with non-jurisdictional services and VEDO's distribution replacement rider, as is explained in paragraph 4(b) below.

a. Infrastructure Expansion.

Expenditures in this category include main line extensions to serve new customers, main-to-meter service line installations, meter installations and installation of compressed natural gas facilities. Expanding VEDO's infrastructure to offer service to neighborhoods and customers previously without access to natural gas and to provide compressed natural gas stations available to serve commercial fleets provides an opportunity for economic development in VEDO's service territory.

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, that are not covered by VEDO's distribution replacement rider.

c. Programs Reasonably Necessary to Comply with Commission Rules, Regulations or Orders.

Expenditures in this category include investments in buildings, fleet, tools and equipment, metering and instrumentation.

5. R.C. 4929.111(B) requires, "An application submitted under division (A) of this section [4929.111] shall specify the total cost of the capital expenditure program." Accordingly, the attached Exhibit A lists the cost of each component of the CAPEX Program and the total cost of the CAPEX Program for the 15 months ending December 2012. The total amounts listed in Exhibit A may vary from year to year because the CAPEX Program budget is based upon costs incurred (Account 107) rather than the date plant becomes used and useful and transferred to plant in service (Account 101, Gas Plant in Service). This timing difference between the date costs are incurred and the date plant is placed in service will result in actual total CAPEX Program costs that are different than the budget estimates in Exhibit A, with a corresponding increase or decrease in actual expenditures eligible for accounting treatment under R.C. 4929.111(B).

6. The CAPEX Program is consistent with VEDO's obligation to furnish necessary and adequate service and facilities pursuant to R.C. 4905.22, which such services and facilities will be just and reasonable when placed into service.

7. 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."

8. Pursuant to R.C. 4929.111(F), VEDO requests authority to make any accounting accruals necessary to establish the regulatory assets requested herein, in addition to any allowance for funds used during construction. 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. 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 CAPEX Program are placed in service and cease when rates reflecting the costs of these assets are effective.

9. VEDO will not request recovery of deferred CAPEX Program costs more than one time each calendar year.

WHEREFORE, VEDO respectfully requests Commission approval to implement the CAPEX Program, recognize post-in-service carrying costs on investments under the program, defer associated depreciation and property tax expenses, establish the necessary regulatory asset(s) to accumulate the deferred costs, and for all other necessary and proper relief.

Date: February 3, 2012

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'M. Whitt', is positioned above a horizontal line.

Mark A. Whitt (Counsel of Record)

Melissa L. Thompson

WHITT STURTEVANT LLP

PNC Plaza, Suite 2020

155 East Broad Street

Columbus, Ohio 43215

614.224.3911

whitt@whitt-sturtevant.com

thompson@whitt-sturtevant.com

ATTORNEYS FOR VECTREN ENERGY
DELIVERY OF OHIO, INC.

**VECTREN ENERGY DELIVERY OF OHIO, INC.
CAPITAL EXPENDITURE PROGRAM**

CAPEX PROGRAM COSTS
(Millions)

<u>Expenditure Program Category</u>	<u>Oct. 1-Dec. 31, 2011</u>	<u>2012</u>
Infrastructure Expansion	\$0.6	\$5.7
Infrastructure Improvement and Replacement	\$4.5	\$11.0
Programs Reasonably Necessary to Comply with Commission Rules, Regulations or Orders.	\$0.4	\$2.7