

In the Matter of the Application of)
Vectren Energy Delivery of Ohio, Inc. to) Case No. 12-530-GA-UNC
Implement a Capital Expenditure)
Program.)

**REPLY COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

On February 3, 2012, Vectren Energy Delivery of Ohio, Inc. (“Vectren” or “the Company”) filed an Application for an estimated \$24.9 million Capital Expenditure Program (“CAPEX”), a program that could ultimately result in rate increases for Ohio customers.¹ The Application was the third CAPEX Application filed by a Local Distribution Company (“LDC”) pursuant to R.C. 4909.18 and 4929.111.² The CAPEX Application was for an Alternative Regulation case not for an increase in rates for the period October 1, 2011 through December 31, 2012.³ A CAPEX represents an opportunity for a gas utility to seek recovery of Post in Service Carrying Charges (“PISCC”) on assets that are placed in service but not yet included in the

³ Vectren Application at 3.

Company's rates as plant in service, deferral of depreciation expenses on those facilities, and deferral of property taxes associated with those facilities.

On February 9, 2012, the Office of the Ohio Consumers' Counsel ("OCC") filed a Motion to Intervene in these cases. On February 13, 2012, Ohio Partners for Affordable Energy ("OPAE") filed a Motion to Intervene. On March 5, 2012, the Attorney Examiner issued an Entry that established a procedural schedule for Initial Comments (April 16, 2012) and Reply Comments (April 27, 2012). Initial comments were filed by the Staff of the Public Utilities Commission of Ohio ("Staff"), Ohio Partners for Affordable Energy and OCC on April 16, 2012. OCC is submitting these Reply Comments pursuant to that schedule.

II. COMMENTS

Response to the Staff Comment that Vectren's calculation of the depreciation expense is properly formulated to be net of plant retirements.

The Staff commented that Vectren's proposed depreciation expense calculation properly subtracts the plant retirements from each month's gross plant additions prior to applying the applicable depreciation rate.⁴ In its comments, Staff also points out that the proposals by the other natural gas companies filing CAPEX applications calculate the depreciation expense on gross plant rather than plant net of retirements.⁵ Staff indicates that Vectren's methodology is correct and depreciation expense should be calculated on plant balances net of retirements.⁶ OCC supports Staff's comments because subtracting the plant retirements from gross plant additions prevents the calculation of the depreciation expense on inflated plant balances. Thus, calculating the depreciation expense net of plant retirements would result in a lower depreciation expense that the Companies would defer for ultimate collection from its customers.

⁴ Staff Comments at 8-9.

⁵ *Id.*

⁶ *Id.*

III. CONCLUSION

Vectren's Application was made pursuant to R.C. 4929.111 and R.C. 4909.18.⁷ R.C. 4909.18 clearly puts the burden of proof on Vectren. R.C. 4929.111 specifically requires that:

the capital expenditure program is consistent with the natural gas company's obligation under section 4905.22 of the Revised Code to furnish necessary and adequate services and facilities, which services and facilities the commission finds to be just and reasonable, the commission shall approve the application.⁸

R.C. 4905.22 states that:

Every public utility shall furnish necessary and adequate service and facilities, and every public utility shall furnish and provide with respect to its business such instrumentalities and facilities, as are adequate **and in all respects just and reasonable.**⁹

Because Vectren's Application is lacking in sufficient detail to enable a finding that the Capital Expenditure Program spending is needed to provide necessary and adequate services and facilities to the public, the PUCO should reject the Application. However, if the PUCO determines that the Application is reasonable, then OCC recommends the PUCO make the modifications discussed in OCC's Initial Comments and in the above Reply Comments.

Respectfully submitted,

BRUCE J. WESTON

/s/ Joseph P. Serio

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⁷ Vectren Application at 1.

⁸ R.C. 4929.111(C). (Emphasis added).

⁹ R.C. 4905.22. (Emphasis added).

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Reply Comments* was served via electronic service to the persons listed below on this 27th day of April 2012.

/s/ Joseph P. Serio

Joseph P. Serio

Assistant Consumers' Counsel

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Summary: Reply Reply Comments by the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Serio, Joseph P.