

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of The East	)	
Ohio Gas Company d/b/a Dominion East	)	Case No. 12-3279-GA-UNC
Ohio to Implement a Capital Expenditure	)	
Program.	)	

In the Matter of the Application of The East	)	
Ohio Gas Company d/b/a Dominion East	)	Case No. 12-3280-GA-AAM
Ohio for Authority to Change Accounting	)	
Methods.	)	

**APPLICATION**

In accordance with R.C. 4909.18 and 4929.111, The East Ohio Gas Company d/b/a Dominion East Ohio (“DEO”) 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 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, DEO states as follows:

1. DEO is an Ohio corporation engaged in the business of providing natural gas service to approximately 1.2 million customers in northeast, western and southeast Ohio and, as such, is a “natural gas company” and “public utility” as defined by R.C. 4905.03(A)(5) and 4905.02, respectively.
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 to install, upgrade, or replace information technology system; (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. In accordance with R.C. 4909.18 and 4929.111, DEO proposes to implement a program that is subject of this application for the period of January 1, 2013, through December 31, 2013, to provide for the capital activities described below. Specifically excluded from this program are capital expenditures associated with non-jurisdictional services.

- a. *Infrastructure Expansion, Improvement or Replacement.* Expenditures in this category include distribution system betterments; pipeline, regulating station, or other improvements or replacements, including non-billable pipeline relocations, associated with DEO’s distribution, transmission, storage, production, and gathering systems that are not covered by DEO’s Pipeline Infrastructure Replacement program; storage well and compression station improvements or replacements; and certain customer main line extensions; main-to-curb and curb-to-meter service lines.
- b. *Installation, Upgrade or Replacement of Information Technology.* This category includes capital expenditures for upgrades to or replacements of computer systems utilized for accounting, billing, and utility operations, as well as communication systems.

Capitalized costs may include costs for hardware, software purchases or development, installation, and associated licenses.

- c. *Programs Reasonably Necessary to Comply with Commission Rules, Regulations, and Orders.* Capital expenditures in this category include those for required pipeline integrity or other regulatory compliance associated with pipeline safety, environmental compliance, metering, facilities, fleet, and other general plant associated with providing DEO's regulated services.

5. R.C. 4929.111(B) requires an application under R.C. 4929.111 to “specify the total cost of the capital expenditure program.” Exhibit A to this application lists the planned cost of each component of the CAPEX Program, which DEO estimates to be an investment of \$93 million in 2013. The total amounts of assets placed in service under the program may vary from the amounts listed in Exhibit A because DEO manages portions of its overall CAPEX plan in the aggregate rather than by individual projects, and because the program budget is based upon planned cash expenditures rather than the date plant becomes used and useful and is transferred to gas plant in service. This timing difference between the date cash expenditures are made and the date plant is placed in service will result in total program budget estimates in Exhibit A being either greater than or less than actual expenditures eligible for the accounting treatment permitted under R.C. 4929.111(D). Finally, DEO may reallocate its CAPEX-Program investments among the listed categories as the Company deems necessary to meet the needs of its customers and its gas delivery system, while being mindful that substantial and frequent modifications that impair Staff's ability to monitor DEO's CAPEX Program may cause the Commission to reexamine the Company's deferrals. *See In re Vectren Energy Delivery of Ohio*, Case No. 12-530-GA-UNC, Finding and Order at 4 & 21 (Dec. 12, 2012) (permitting same).

6. All of the costs set forth on Exhibit A include, as applicable, supervisory, engineering, general, and administrative overheads, and allowance for funds used during construction, and are net of any contributions, deposits, or other aid to construction.
7. The program is consistent with DEO's obligation to furnish necessary and adequate service and facilities in accordance with R.C. 4905.22, and such services and facilities will be just and reasonable when placed into service.
8. 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."
9. In accordance with R.C. 4929.111(F), DEO requests authority to make any accounting accruals necessary to establish the regulatory assets requested herein. Such accruals will be calculated in accordance with the system of accounts established by the Commission under R.C. 4905.13. Accordingly, DEO 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, all of which are considered just and reasonable. Post-in-service carrying costs will be based on DEO's cost of long-term debt approved in the last rate case. The foregoing accruals will commence when the assets of the program are placed in service and cease when rates reflecting the costs of these assets are effective.

10. In this application, DEO is only requesting approval of the implementation of the program and the authority for the accounting treatment described above. Recovery of any amounts deferred in accordance with this application will be addressed in a separate proceeding, not more than one time each calendar year, commencing no later than the point at which the accrued deferrals, if included in rates, would cause the rates charged to the General Sales Service – Residential and Energy Choice Transportation Service – Residential class of customers (collectively, “GSS Class”) to increase by more than \$1.50 per month.

11. In this application, DEO would also accept continuation of the requirements established by the Commission’s December 12, 2012 Finding and Order in Case No. 11-6024-GA-UNC, including the following:

- a. DEO will calculate the total monthly deferral, post-in-service carrying costs, depreciation expense, property-tax expense, and incremental revenue using the specific formulas set forth in Staff’s surreply comments in Case No. 11-6024-GA-UNC. DEO will calculate its incremental revenue on an annual, calendar-year basis. *See* Case No. 11-6024-GA-UNC, Staff Surreply Comments at 4 (“Staff agrees with DEO that a ‘calendar year calculation of incremental revenues’ is appropriate given a calendar year baseline and recognizes that calculating this [incremental-revenue] number annually still produces the desired result”); *see also In re Vectren Energy Delivery of Ohio*, Case No. 12-530-GA-UNC, Finding and Order at 19 (Dec. 12, 2012) (“VEDO’s calculation of incremental revenue should be performed on an annual basis . . .”).
- b. DEO will offset the monthly regulatory asset amount charged to the CAPEX Program by those revenues generated from the assets included in the CAPEX Program for SFV

customers, non-SFV customers, and any other revenue sources directly attributable to CAPEX Program investments.

- c. DEO will calculate post-in-service carrying costs and depreciation and property-tax deferrals in a manner consistent with Staff's recommendations in Case No. 11-6024-GA-UNC.
- d. DEO will docket an annual informational filing by April 30th of each year that provides the information required by the Commission.
- e. DEO will accrue CAPEX Program deferrals up until the point where the accrued deferrals, if included in rates, would cause the rates charged to the GSS Class of customers to increase by more than \$1.50 per month. Accrual of all future CAPEX-Program-related deferrals will cease once the \$1.50-per-month threshold is surpassed, until such time as DEO files to recover the existing accrued deferrals and establish a recovery mechanism under R.C. 4909.18, R.C. 4929.05, or R.C. 4929.11.

DEO would make clear that by accepting these requirements in this proceeding, it does not waive its right to revisit or challenge in any way the appropriateness of these requirements in any future proceeding.

12. The requested approval of the program and change in accounting procedure does not result in any increase in rate or charge. The Commission can therefore approve this application without a hearing.

WHEREFORE, DEO 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 any necessary regulatory assets to accumulate the deferred costs, and for all other necessary and proper relief.

Dated: December 20, 2012

Respectfully submitted,

/s/ Andrew J. Campbell

Mark A. Whitt (Counsel of Record)

Andrew J. Campbell

Gregory L. Williams

WHITT STURTEVANT LLP

The KeyBank Building

88 East Broad Street, Suite 1590

Columbus, Ohio 43215

Telephone: (614) 224-3911

Facsimile: (614) 224-3960

whitt@whitt-sturtevant.com

campbell@whitt-sturtevant.com

williams@whitt-sturtevant.com

ATTORNEYS FOR THE EAST OHIO GAS  
COMPANY D/B/A DOMINION EAST OHIO

**THE EAST OHIO GAS COMPANY D/B/A DOMINION EAST OHIO  
2013 CAPITAL EXPENDITURE PROGRAM**

**PROJECTED PROGRAM COSTS**  
**((\$Millions))**

<b><u>Expenditure Program Project</u></b>	<b><u>2013</u></b>
Infrastructure Expansion, Improvement, or Replacement	\$62
Installation, Upgrade, or Replacement of Information Technology	11
Programs Reasonably Necessary to Comply with Commission Rules, Regulations, and Orders	<u>20</u>
	<b><u>\$93</u></b>



**This foregoing document was electronically filed with the Public Utilities**

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**Case No(s). 12-3280-GA-AAM**

Summary: Application In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Change Accounting Methods. electronically filed by Mr. Andrew J Campbell on behalf of The East Ohio Gas Company d/b/a Dominion East Ohio