BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

Application **Not** for an Increase in Rates,
Pursuant to Section 4909.18, Revised Code

In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Implement a Capital Expenditure Program.	)	Case No. 12-3221-GA-UNC
In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Change Accounting Methods.	)	Case No. 12-3222-GA-AAM

APPLICATION NOT FOR AN INCREASE IN RATES OF COLUMBIA GAS OF OHIO, INC. FOR APPROVAL OF A CAPITAL EXPENDITURE PROGRAM AND FOR APPROVAL TO CHANGE ACCOUNTING METHODS

In Case Numbers 11-5351-GA-UNC and 11-5352-GA-AAM Columbia Gas of Ohio, Inc. ("Columbia") sought approval of a capital expenditure program ("CEP") and related accounting authority for part of 2011 and calendar year 2012. The Commission approved Columbia's application, with modifications, by Finding and Order dated August 29, 2012. Pursuant to Rev. Code §§ 4909.18 and 4929.111, Columbia files this Application with the Public Utilities Commission of Ohio, ("Commission") for authority to continue its capital expenditure program in 2013 and succeeding years, and for authority to defer related PISCC, depreciation expense and property taxes on those assets of the capital expenditure program that are placed into service, but not reflected in rates as plant in service. In support of its Application, Columbia states:

1. Columbia is a natural gas company within the meaning of Rev. Code § 4905.03(A)(6), and as such, is a public utility subject to the jurisdiction of the Commission.

2. In Case Nos. 11-5351-GA-UNC et al. the Commission authorized Columbia to implement its capital expenditure program and to modify account-

ing procedures as necessary to carry out the implementation of the capital expenditure program for the period of October 1, 2011, through December 31, 2012. The Finding and Order requires Columbia to make annual informational filings on April 30 of each year. The annual filing must detail the monthly CEP investments and the calculations used to determine the associated deferrals. The annual informational filings must include all calculations used to determine the monthly deferred amounts, including a breakdown of investments (by budget class), post-in service carrying charges ("PISCC"), depreciation expense, property tax expense, and all incremental revenue, as well as a capital budget for the upcoming year. The annual informational filings should also include an estimation of the effect that the proposed deferrals would have on customer bills, if they were to be included in rates. The Finding and Order further provides that Columbia may accrue CEP deferrals up until the point where the accrued deferrals, if included in rates, would cause the rates charged to the SGS class of customers to increase by more than $1.50/month. Accrual of all future CEP-related deferrals will cease once the $1.50/month threshold is reached, until such time as Columbia files to recover the existing accrued deferrals and establish a recovery mechanism under Rev. Code §§ 4909.18, 4929.05, or 4929.11. The final component that must be included in these informational filings is the projected annual CEP expenditure for current year which would be the maximum incremental investment available for deferral treatment under Rev. Code § 4929.111(A) for the calendar year, unless the commission in its discretion authorizes additional deferral under Rev Code § 4929.111(3)(D).

3. In this Application, Columbia is proposing to continue its capital expenditure program approved in Case Nos. 11-5351-GA-UNC et al. in 2013 and succeeding years, up until the point where the accrued deferrals, if included in rates, would cause the rates charged to Columbia's SGS customers to increase by more than $1.50/month as authorized in Case Nos. 11-5351-GA-UNC et al.

4. During the period January 1, 2013 through December 31, 2013 Columbia estimates its capital expenditure program will include an investment level of approximately seventy-two million dollars of net plant investment that qualifies for the accounting treatment under Rev. Code § 4929.111(A).

5. Pursuant to Rev Code § 4929.111(B) Columbia includes as Attachment A hereto its estimated total cost of the capital expenditure program covered by this application with treatment described more fully hereinafter. The actual expenditures will vary by category. The total amount expended could also vary due to Columbia's management of its capital expenditures budget in the aggre-

gate, rather than by individual categories, and due to the development of Columbia's capital expenditure budget based upon cash payments (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 cash payments are made and the date plant is placed into service will result in the total capital budget estimates detailed on Attachment A being different in a given year with a corresponding increase or decrease in the actual expenditures eligible for accounting treatment under Rev Code § 4929.111(B).

6. Columbia will include in its annual informational filing, on or before April 30 each year, all of the above-reference information required by the Commission in its Finding and Order, including its projected capital expenditures budget for the current and next calendar year in a similar format as shown on Attachment A hereto.

7. Columbia proposes the use of the projected CEP investment for the current and next calendar year included in its Annual CEP Report to be filed on or before April 30 each year be the maximum allowable level of investment eligible for deferral in accordance with Revised Code § 4929.111(B).

8. Columbia's capital allocation policy governs the allocation of capital, including the identification and prioritization of capital projects. The annual capital budget allocation approved by the NiSource Board of Directors is consistent with Columbia's obligations to furnish necessary and adequate services and facilities under Rev. Code § 4905.22. The following components are included in Columbia's capital expenditure program:

a) **Replacement/Public Improvement/Betterment** – Replacement of facilities for any of the following reasons: (1) physical deterioration; (2) meeting the requirements of governmental authorities related to street and highway construction; (3) accommodating existing customer requests for facility relocation; and, (4) improving system operating conditions and ensuring adequate distribution system capacity and/or system reliability. This Replacement/Betterment category may include, but is not limited to, costs related for installation of and/or improvements to mains and service lines, measuring and regulation stations, district regulator stations, excess pressure measuring stations, meters, meter sets, AMR devices, house regulators, and any associated buildings, land or land rights.

b) **Growth** – Facilities required to provide service to new customers or to provide increased load capacity to existing customers. This category may include, but is not limited to, costs associated with the installation of and/or improvement to mains and services (including service line installations to new customers served by existing mains), district regulator stations, excess pressure measuring stations, meters, meter sets, AMR devices, house regulators, and any associated land or land rights.

c) **Support Services** – Capital expenditures that are not directly related to gas facilities fall into this category which may include, but is not limited to, costs associated with the purchase of and/or improvements to buildings and structures (including associated land and land rights), environmental remediation at company owned facilities, office furniture and equipment, motorized equipment and trailers, power operated equipment, and other miscellaneous equipment.

d) **Information Technology** – Capital expenditures related to technology and communications infrastructure. This category may include, but is not limited to, costs associated with purchase and installation of communications equipment (including associated buildings, land or land rights), data processing equipment, data processing software, and software licenses.

9. For all categories described above the costs include (where applicable) Supervisory, Engineering, General, and Administrative overheads, and an Allowance for Funds Used During Construction, and are net of any contributions, deposits, or other aid to construction. None of the capital expenditures in the categories described above include costs targeted for inclusion in Columbia's Infrastructure Replacement Program or CHOICE/SSO Reconciliation Rider.

10. Columbia 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. Pursuant to the FERC

Unified System of Accounts, all amounts included are just and reasonable. Projects that are deemed "used and useful" in serving the needs of Columbia's customers are reported as in-service. Detailed gas plant accounting records are maintained to permit identification, analysis and verification of capitalized costs.

11. Rev. Code § 4929.111(A) authorizes a natural gas company to request approval of a capital expenditure program under Revised Code sections 4909.18, 4929.05 or 4929.11 to implement a capital expenditure program for any of the following:

(a) Any infrastructure expansion, infrastructure improvement, or infrastructure replacement program;

(b) Any program to install, upgrade, or replace information technology systems;

(c) Any program reasonably necessary to comply with any rules, regulations, or orders of the commission or other governmental entity having jurisdiction.

12. Rev. Code § 4929.111(C) provides for the Commission's approval of a capital expenditure program if the Commission finds the natural gas company's capital expenditure program is consistent with the company's obligations to furnish necessary and adequate services and facilities under section Rev. Code § 4905.22.

13. Pursuant to Rev. Code § 4929.111(D) the Commission shall authorize a natural gas company to defer or recover in an application filed under Rev Code § 4929.111 the following:

(a) A regulatory asset for post-in-service carrying costs on that portion of the capital expenditure program assets that are placed in service but not reflected in rates as plant in service;

(b) A regulatory asset for the incremental depreciation 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; and,

(c) A regulatory asset for the incremental property taxes directly attributable to the assets of the capital expenditure program that are placed in service but not reflected in rates as plant in service.

14. Rev. Code § 4929.111(F) authorizes a natural gas company to make any accounting accruals necessary to establish the regulatory assets authorized under Rev. Code § 4929.111(D), in addition to any allowance for funds used during construction. Pursuant to Rev. Code § 4929.111(G) any accrual or deferral for recovery shall be calculated in accordance with the system of accounts established by the Commission under Rev. Code § 4905.13.

15. The Finding and Order in Case Nos. 11-5351-GA-UNC et al. authorized the following accounting for Columbia's calculation and total monthly deferral of regulatory assets for that portion of the capital expenditure program assets that are placed in service but not reflected in rates as plant in service:

Total Monthly Deferral = (PISCC) + (Depreciation Expense) + (Property Tax Expense) – (Incremental Revenues)

Where:

PISCC = [(Previous Month's Cumulative Gross Plant Additions) – (Previous Month's Accumulated Depreciation) – (Previous Month's Cumulative Retirements)] * [(Long Term Debt Rate) / (12 Months)]

Depreciation Expense = [(Previous Month's Cumulative Gross Plant Additions) – (Previous Month's Cumulative Retirements) + (1/2 Current Month's Plant Additions) – (1/2 Current Month's Retirements)] * [(Depreciation Rate) / (12 Months)]

Property Tax Expense = [(Previous Year End[1] Cumulative Gross Plant Additions) – (Previous Year End[1] Cumulative Retire-

[1] The Finding and Order referenced "Previous Month's Cumulative" expenses, while Property Tax activity should be calculated off previous year activity. Upon consultation with Staff, Columbia concurs the property tax expenditures should be calculated based on previous year balances.

ments)] * (Percent Good Adjustment) * [(Effective Property Tax Rate) / (12 Months)]

Incremental Revenue = [(Current Month's Customers – Baseline Customers) * (Cost Portion of Rate)] + [(Consumption by non-SFV customers directly attributable to program investment) * (Cost Portion of Rate)] + (Other revenues directly attributable to program investment)

16. Pursuant to Rev. Code § 4929.111 (A-F) Columbia hereby requests continuation of its capital expenditure program and authority to continue to defer related carrying costs, depreciation expense and property tax expense up until the time these deferrals equate to a $1.50/month charge to SGS customers if included in rates. Specifically, Columbia requests it be permitted to compute and defer these costs in accordance the Commission's Finding and Order issued in Case Nos. 11-5351-GA-UNC et al.

17. The treatment requested in this Application is consistent with that recommended by Staff and approved by the Commission in Case Nos. 11-5351-GA-UNC et al. for the period October 1, 2011 to December 31, 2012.

18. In this Application Columbia is requesting continued authority to defer the aforementioned expenses through the use of the accounting authority and formulas described above. Columbia is not requesting recovery of any of the deferred amounts as part of this Application. Recovery of any amounts deferred pursuant to approval of this Application will be addressed in a separate proceeding.

19. 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 Rev. Code § 4909.18.

WHEREFORE, for the reasons stated herein, Columbia respectively requests the Commission grant the accounting authority requested in this Application.

Respectfully submitted,
COLUMBIA GAS OF OHIO, INC.

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ATTACHMENT A

Columbia Gas of Ohio, Inc.
2013 Capital Expenditure Program
Case Nos. 12-3321-GA-UNC and 12-3222-GA-AAM
Capital Investment Eligible for Accounting Treatment

Attachment A

Line No.	Budget Class	Investment
1	Replacement & Betterment	$30,900,000
2	Growth	35,000,000
3	Support Services	3,100,000
4	Information Technology	9,098,000
5	**Total Gross Plant Additions**	**$78,098,000**
6	Less: Retirements	(6,247,840)
7	**Total Net Plant Additions**	**$71,850,160**

Actual expenditures may vary from year-to-year and/or by category in any given year for the following reasons:

1. Calculations are dependent on when any given investment is placed in-service, not when the expenditures occur. This may result in a year-to-year variance from the annual expenditure totals shown above.

2. Columbia Gas manages capital expenditure budgets in total and allows for movement between categories in order to accommodate changing needs, priorities, and opportunities which may arise. These fluctuations may result in category-to-category variances in any given year.

None of the capital expenditures shown on this schedule include costs targeted for inclusion in either the Infrastructure Replacement Program (IRP) or the CHOICE/SSO Reconciliation Rider (CSRR).