

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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

In the Matter of the Application of)
Columbia Gas of Ohio, Inc. for Approval to) Case No. 12-3222-GA-AAM
Change Accounting Methods.)

FINDING AND ORDER

The Commission finds:

- (1) Columbia Gas of Ohio, Inc. (Columbia or the Company) is a public utility as defined in Section 4905.02, Revised Code, and a natural gas company under Section 4905.03, Revised Code, and, as such, is subject to the jurisdiction of this Commission.
- (2) On August 29, 2012, in Case No. 11-5351-GA-UNC, et al. (11-5351), the Commission modified and approved Columbia's application for authority to implement a capital expenditure program (CEP) for the period of October 1, 2011, through December 31, 2012, pursuant to Sections 4909.18 and 4929.111, Revised Code.¹ The Commission approved Columbia's request to modify its accounting procedures to provide for capitalization of post-in-service carrying costs on those assets of the CEP that are placed into service, but not reflected in rates as plant in service, as well as deferral of depreciation expense and property taxes directly attributable to those assets of the CEP that are placed into service, but not reflected in rates as plant in service. The Commission authorized Columbia to accrue CEP-related deferrals only up until the point where the accrued deferrals, if included in rates, would cause the rates charged to the Small General Service (SGS) class of customers to increase by more than \$1.50 per month (deferral cap). At that point, accrual of all future CEP-related deferrals is required to cease, until such time as Columbia files to recover the existing accrued deferrals and establish a

¹ *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Implement a Capital Expenditure Program, Case No. 11-5351-GA-UNC, et al., Finding and Order (August 29, 2012) (CEP Order).*

recovery mechanism under Section 4909.18, 4929.05, or 4929.11, Revised Code. The Commission also required Columbia to docket an annual informational filing by April 30 of each year that details, inter alia, the monthly CEP investments and the calculations used to determine the associated deferrals. (CEP Order at 11-13.)

- (3) On December 24, 2012, Columbia filed an application, pursuant to Sections 4909.18 and 4929.111, Revised Code, seeking authority to continue its CEP, including deferral of the related carrying costs, depreciation expense, and property tax expense, in 2013 and succeeding years, 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 per month. Columbia proposes to compute and defer the cost of its CEP-related investments in accordance with the CEP Order. According to the application, a cumulative investment of \$72 million is projected for Columbia's CEP during the period from January 1, 2013, through December 31, 2013. Columbia states that it is not requesting cost recovery as part of this application and that recovery of any approved deferrals will be requested in a separate proceeding. Columbia submits that approval of the application will not result in an increase in any rate or charge, and, therefore, the application should be considered as an application not for an increase in rates under Section 4909.18, Revised Code.
- (4) Additionally, Columbia states that it will include in its future annual informational filings all of the information required by the Commission in the CEP Order, including the Company's projected capital expenditures budget for the current and following calendar year. Columbia proposes that the projected CEP investments in the annual informational filing be the maximum allowable level of investment eligible for deferral in accordance with Section 4929.111(B), Revised Code. Columbia asserts that the accounting treatment requested in its application is consistent with Staff's recommendations, as approved by the Commission, in 11-5351.

- (5) On April 26, 2013, Columbia docketed its annual informational filing in 11-5351 (2013 filing).
- (6) By entry issued in the above-captioned cases on June 11, 2013, a comment period was established in order to assist the Commission in its review of Columbia's application. Pursuant to the entry, initial and reply comments were due to be filed by July 11, 2013, and July 25, 2013, respectively.
- (7) In accordance with the established procedural schedule, comments were filed by Staff on July 11, 2013. No other comments were filed in these proceedings.
- (8) In its comments, Staff emphasizes that, because Columbia seeks approval to continue the CEP and the associated deferrals until the deferral cap is reached, no further applications will be forthcoming from the Company until that point is reached. As Columbia's annual informational filings would stand in place of future applications, Staff explains that it reviewed and considered both the application filed in the present cases and the 2013 filing in 11-5351, in the course of developing Staff's comments and recommendations. Staff finds that Columbia's application and the 2013 filing comply with the CEP Order and, accordingly, recommends that the Company's application be approved, subject to Staff's further recommendations.
- (9) Specifically, Staff recommends that the Commission establish a process to permit intervening parties and Staff to object to continued authority for Columbia's CEP and related deferrals through a review of the Company's annual informational filings. Staff states that, under Columbia's proposal to continue the CEP and associated deferrals until the deferral cap is reached, there is no provision for intervening parties or Staff to object to any of the information provided by the Company in its annual informational filings. Staff proposes a 30-day automatic approval process that would require Staff and any intervening party to file objections to the information, or lack thereof, contained in Columbia's annual informational filings. Staff notes that, if there are no objections filed within 30 days of the date on which Columbia's annual informational filing is docketed, the Company's CEP and ongoing deferral

authority would be deemed approved. Staff further notes that, if Staff or any intervening party files objections within 30 days, an attorney examiner appointed by the Commission should issue an entry soliciting comments on the matters raised in the objections. Staff asserts that its proposal would provide for the efficient process that Columbia seeks, while allowing Staff and interested parties the opportunity to review the Company's annual informational filings, which was contemplated with the Commission's adoption of the annual informational filing requirement in 11-5351.

- (10) Additionally, Staff recommends that the Commission clearly state that approval of Columbia's CEP and the associated deferrals does not guarantee recovery of CEP expenditures or deferrals. Staff advises the Commission to make clear that only deferral authority is approved in these cases and that Columbia's eligibility for recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, and reasonableness, will be considered when the Company applies to recover the authorized deferrals.
- (11) Section 4929.111(A), Revised Code, provides that a natural gas company may file an application with the Commission under Section 4909.18, 4929.05, or 4929.11, Revised Code, to implement a CEP 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.

Section 4929.111(C), Revised Code, requires the Commission to approve the application, if the Commission finds that the CEP is consistent with the natural gas company's obligation

under Section 4905.22, Revised Code, to furnish necessary and adequate services and facilities, which the Commission finds to be just and reasonable.

- (12) Upon review of Columbia's application and Staff's unopposed comments, the Commission finds that the Company has demonstrated that the CEP is consistent with its obligation under Section 4905.22, Revised Code, to furnish necessary and adequate services and facilities, which the Commission finds to be just and reasonable. Further, the Commission finds that Columbia's application will not result in an increase in any rate or charge. Accordingly, the application should be considered as an application not for an increase in rates under Section 4909.18, Revised Code.
- (13) With the modifications and clarifications set forth below, the Commission finds Columbia's proposed CEP, as modified herein, to be both reasonable and consistent with Section 4929.111, Revised Code. Accordingly, Columbia is authorized, pursuant to Sections 4909.18 and 4929.111, Revised Code, to implement the CEP and modify its accounting procedures as necessary to carry out the implementation of the CEP, consistent with this finding and order and the CEP Order, in 2013 and succeeding years, 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 per month.
- (14) While the Commission approves Columbia's application for 2013 and succeeding years, we agree with Staff that a process should be adopted to allow interested persons and Staff to comment on the information provided by the Company in its annual informational filings due on April 30 of each year (CEP Order at 12). Therefore, the Commission directs that any comments and reply comments should be filed within 30 days and 40 days, respectively, of the date of Columbia's annual informational filing. After receipt of each annual informational filing and review of any comments submitted, the Commission will determine whether there should be further review of Columbia's approved deferral authority at that time. If the Commission finds such further review to be necessary, within 60 days after the filing of each annual

informational filing, an appropriate procedure for the review will be established. If such a review is initiated, Columbia may continue to accrue appropriate deferrals, unless and until the Commission orders otherwise. The Commission notes that Columbia's annual informational filings, as well as any comments and reply comments, should be filed in the above-captioned cases. With these modifications, we find that Columbia's application should be approved, subject to our review of the Company's annual informational filings and any comments or reply comments filed in response.

- (15) Additionally, the Commission emphasizes that, consistent with Columbia's application, we approve the Company's request for deferral authority, but do not authorize recovery of the deferred amounts at this time. The question of recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, and reasonableness, will be considered when Columbia files an application to recover the deferred amounts. As we stated in the CEP Order, the Commission has not granted cost recovery for any CEP-related items, and the prudence and reasonableness of the magnitude of Columbia's CEP-related regulatory assets and associated capital spending will be considered by the Commission in any future proceedings seeking cost recovery, at which time the Company will be expected to provide detailed information regarding the expenditures for our review (CEP Order at 13).

It is, therefore,

ORDERED, That Columbia's application be approved, subject to the Commission's review of the Company's annual informational filings and any comments or reply comments received in response. It is, further,

ORDERED, That Columbia be granted the necessary and appropriate accounting authority to implement the CEP, consistent with this finding and order and the CEP Order in 11-5351. It is, further,

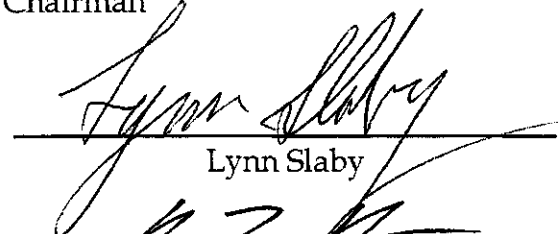
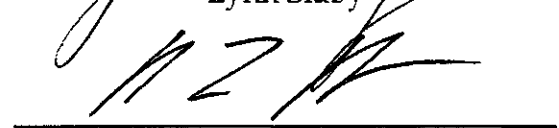
ORDERED, That nothing in this finding and order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,


ORDERED, That a copy of this finding and order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman


Steven D. Lesser

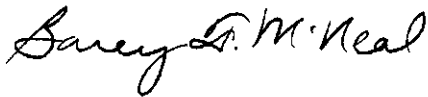

Lynn Slaby

Asim Z. Haque


M. Beth Trombold

SJP/sc

Entered in the Journal

OCT 09 2013


Barcy F. McNeal

Barcy F. McNeal
Secretary