

**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. 13-2410-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. 13-2411-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(E) and 4905.02(A), 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 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. 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, 2014, through December 31, 2014, to provide for the capital activities described below.

- 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; certain customer main line extensions; and 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.

Specifically excluded from this program are capital expenditures associated with non-jurisdictional 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 \$110 million in 2014. 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 Program 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 DEO*, Case No. 12-3279-GA-UNC, Application at 3 (Dec. 20, 2012) (proposing same); Staff Comments at 10 (Aug. 12, 2013)

(recommending approval of application and noting authority to reallocate); Finding and Order at 5 (Oct. 9, 2013) (approving application “subject to Staff’s recommendations”).

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 accumulated 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 and October 9, 2013 Finding and Orders in Case Nos. 11-6024- and 12-3279-GA-UNC, respectively. 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. DEO proposes that the Commission grant it ongoing approval of its CAPEX Program and continuing deferral authority until such time as the aforementioned \$1.50-per-month cap is reached. DEO proposes that it shall continue providing similar information as contained in this Application in future annual informational filings. DEO recommends that the Commission establish a 30-day automatic approval process that provides the Staff and any intervening party an opportunity to file comments concerning the information contained in the Company’s annual update filings. DEO proposes that if no comments are filed within 30 days of the date the informational filing is docketed, ongoing deferral authority be deemed approved. In the event that comments are filed, however, DEO proposes that it be given 10 days to file reply

comments. If after receipt of any comments and reply comments the Commission finds that further review is necessary, DEO proposes that the Commission issue an entry establishing an appropriate procedure for review within 60 days. DEO proposes that if such a review is initiated it may continue to accrue appropriate deferrals unless and until the Commission orders otherwise. *See In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 13-1890-GA-UNC, Finding and Order at 6–7 (Dec. 4, 2013) (permitting same).

13. The requested approval of the program and change in accounting procedure does not result in any increase in rate or charge. The Commission may 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 19, 2013

Respectfully submitted,

/s/ Andrew J. Campbell

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ATTORNEYS FOR

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DOMINION EAST OHIO

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

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

<u>Expenditure Program Category</u>	<u>2014</u>
Infrastructure Expansion, Improvement or Replacement	\$42
Installation, Upgrade or Replacement of Information Technology	9
Programs Reasonably Necessary to Comply with Commission Rules, Regulations and Orders	<u>59</u>
	<u>\$110</u>

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Summary: Application electronically filed by Mr. Andrew J Campbell on behalf of The East Ohio Gas Company d/b/a Dominion East Ohio