

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)
Gas Company for Approval to Change) Case No. 15-0222-GA-AAM
Accounting Methods)

**APPLICATION OF OHIO GAS COMPANY FOR AUTHORITY TO ESTABLISH A
REGULATORY ASSET**

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January 28, 2015

ON BEHALF OF OHIO GAS COMPANY

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Pursuant to Rev. Code § 4905.13, Ohio Gas Company ("Ohio Gas") files this Application with the Public Utilities Commission of Ohio, ("Commission") for authority to modify its accounting procedures. Ohio Gas is seeking authority to establish a regulatory asset and defer, for accounting and financial reporting purposes, the related expenditures to be incurred by Ohio Gas associated with its implementation of a Geographic Information System ("GIS") designed to support a wide range of operational needs. In support of its Application, Ohio Gas states:

1. Ohio Gas is a natural gas company within the meaning of R.C. 4905.03(A)(6), and as such, is a public utility subject to the jurisdiction of the Commission.
2. R.C. 4905.13 authorizes the Commission to establish systems of accounts to be kept by public utilities and to prescribe the manner in which these accounts shall be kept. In Rule 4901:1-13-13, Ohio Administrative Code, the Commission has adopted the Uniform System of Accounts ("USOA") for gas utilities established by the Federal Energy Regulatory Commission ("FERC") for use in Ohio. For Ohio regulatory purposes, the system of accounts is only applicable to the extent that

it has been adopted by the Commission. Therefore, the Commission may modify the USOA prescribed by FERC as it applies to utilities within Ohio.

3. Ohio Gas is implementing a GIS system that will become part of the operational systems used to operate its natural gas distribution system.
4. GIS systems are being widely utilized in the utility industry to take advantage of technology to digitize mapping and to develop database information that permits queries and analysis. The GIS system being implemented by Ohio Gas will support its mission in many ways, including a) providing reliable and uninterrupted service to its customers; b) allowing Ohio Gas to take prompt action when concerns arise; c) maintaining Ohio Gas infrastructure through regular inspections, surveys, responses to customer inquiries, and routine maintenance and repair activities; d) providing additional means to effectively respond to inquiries from the Ohio Utilities Protection Service ("OUPS"), including prompt responses to requests for marking the location of underground facilities; and, e) complying with Commission regulations including rates, efficiency, pipeline safety, minimum service standards for providing service, consumer safeguards, and various records management and reporting requirements.
5. The one-time incremental expenditures associated with the GIS system are expected to total approximately \$1 million for the first phase of the project. The costs of the first phase are primarily related to implementation and integration of the GIS, data conversion, and training. A second phase addressing additional mapping of service lines and user applications will be required, but the scope and anticipated costs of that phase will not be known until the first phase is

completed. Costs were incurred starting in 2014, and are expected to continue through mid-2016. This estimate is based on current work plans. Actual costs are being tracked and recorded as incurred and may vary from this estimate.

6. The costs of implementing the GIS are prudent and necessary business expenses incurred by Ohio Gas that will benefit customers. Because GIS did not exist at the time current rates were established for Ohio Gas in 1985, these costs are not recovered in Ohio Gas's current base rates, and the incurrence of these costs may result in a significant and unavoidable negative impact on Ohio Gas's earnings.
7. Ohio Gas requests that the Commission authorize Ohio Gas to revise its accounting procedures and permit Ohio Gas to defer income statement recognition of the incremental GIS costs incurred by Ohio Gas after January 1, 2014. The recovery of the deferred amount will be addressed through a separate proceeding or in Ohio Gas's next base rate case proceeding. Ohio Gas also requests authority to recover carrying charges on the deferred balance, computed at 4%. Ohio Gas proposes to record all costs as a regulatory asset on its balance sheet in Account 182, Other Regulatory Assets. Commission approval for this deferral accounting treatment is necessary for Ohio Gas to indicate the probability of recovery of such expenditures under generally accepted accounting principles ("GAAP").
8. These deferred expenses will remain in Account 182, until a new rider can be established in a separate proceeding or in Ohio Gas's next general rate case proceeding, and recovery of the deferred expenses commences. At that time,

Ohio Gas will reduce the new regulatory asset and charge the applicable expense account.

9. After approval of this Application, Ohio Gas will file an annual report, prior to June 1 of 2015, 2016, and 2017, beginning in 2015 for calendar year 2014, which sets forth GIS expenses on an annual and cumulative basis. This GIS report will include monthly expenditures for each component of GIS deferred by Ohio Gas on an annual basis.
10. Ohio Gas proposes that Commission Staff ("Staff") annually review all reported program expenses, with a report to be filed by Staff no later than 90 days subsequent to Ohio Gas's filing of the annual report. The Staff's report shall set forth those expenditures, if any, that it recommends should not be deferred for future recovery. Staff's review of Ohio Gas's GIS expenses, for which deferral treatment is requested, should include a detailed examination and a determination that the deferred costs are properly recorded on Ohio Gas's books. Ohio Gas shall have 30 days after the filing of Staff's report to accept the Staff's recommendations, or file objections thereto. If Ohio Gas files objections to Staff's findings, the Commission shall establish a procedural schedule for the filing of testimony and for an evidentiary hearing.
11. Staff approval of the reports of the amounts being deferred will not constitute Staff's approval of the amount that may be recoverable from customers. Total recovery and the method of recovery of the amounts deferred shall be established in a separate proceeding or base rate case.

12. Ohio Gas is attaching with this Application, a detailed description of the GIS project (Attachment 1).
13. The requested change in accounting procedure does not result in any increase in any rate or charge, and the Commission can therefore approve this Application without a hearing.

WHEREFORE, for the reasons stated herein, Ohio Gas respectfully requests the Commission grant the accounting authority requested in this Application.

Respectfully submitted,

/s/ Frank P. Darr

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ON BEHALF OF OHIO GAS COMPANY

Ohio Gas Company – Geographic Information System

GIS Related Business Processes

The Ohio Gas Company's (OGC) mission is to provide efficient, safe, reliable and affordable service to residential, commercial and industrial customers in its area of service in northwest Ohio. The term "Geographic Information System" (GIS) includes the data, software, hardware/network infrastructure, and applications used for mapping, geographic-based queries, and spatial analysis—to support a wide range of operational needs. OGC recognizes that GIS technology can play an important role in a wide range of business areas that support the OGC's mission including:

- Providing reliable and uninterrupted service to all of its customers,
- Taking prompt action when concerns arise,
- Maintaining OGC infrastructure through regular inspections and surveys, responses to customer inquiries and routine maintenance and repair activities,
- Active participation in the Ohio Utilities Protection Service (OUPS) including prompt responses to requests for marking the location of underground OGC facilities to prevent damages to underground facilities,
- Distribution Integrity Management Program (DIMP) which centers on ensuring compliance with Pipeline and Hazardous Material Safety Administration (PHMSA) regulations,
- Compliance with Public Utilities Commission of Ohio (PUCO) regulations which include rates, efficiency, pipeline safety, minimum standards for providing service, consumer safeguards and various records management and reporting requirements.

A business process is an activity or collection of related activities which are carried out by OGC for meeting their mission. Each business process follows some flow of steps with a defined result (e.g., required report, completed repair). A large number of OGC business processes depend on maps or other records, in digital or hard copy form, containing geographically-referenced information. In most cases, these business processes have their basis in one or more "mandates"—State or Federal regulations, formal policies, contracts, and other formal authorizations. Understanding business processes and their dependence upon documents and GIS data and tools is the first step in defining GIS needs for OGC. The GIS team has identified more than 40 GIS-related business processes organized into the following categories:

- Infrastructure planning, engineering, and distribution system support (IP)
- system measurement, monitoring, and control (GM)
- Infrastructure inspection, repair, and maintenance (II)
- Financial management and planning (FM)
- Customer management and services (CM)
- Marketing, public information dissemination, and company promotion (MP)
- Miscellaneous and special projects (MS)

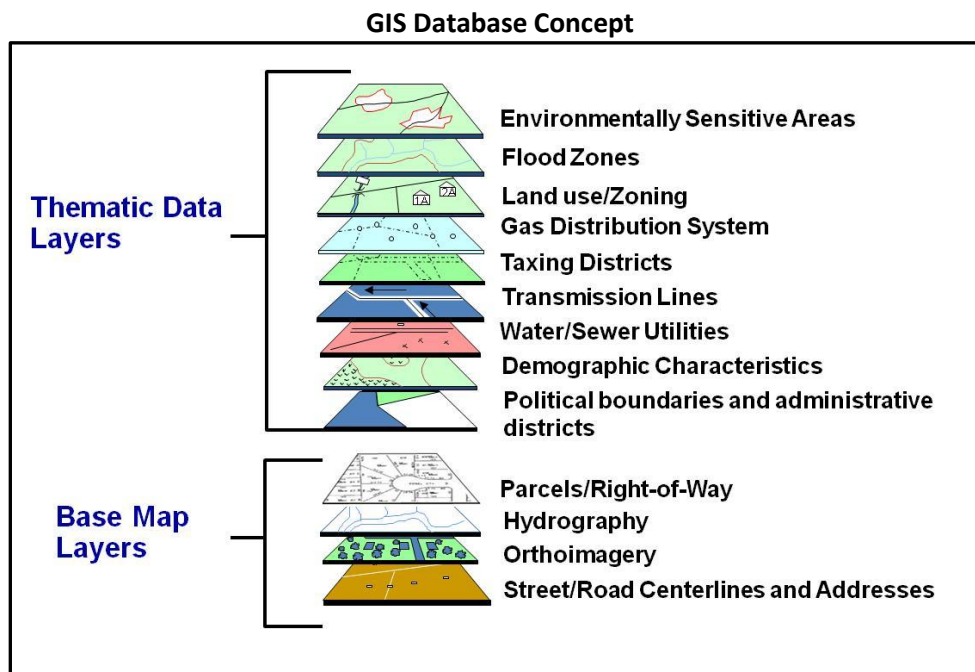
Of all the OGC business processes for which there is a potential use of GIS data and technology, three related business areas are of particular significance and in themselves provide a strong justification for moving ahead with GIS implementation:

- Federal (DOT) and State (PUCO) regulatory compliance: This includes a wide range of data collection and compilation, best practices, and reporting required by (PHMSA) and (PUCO). Many of OGC's current inspection and reporting activities are in response to Federal statutes and are covered in Title 49, Parts 191 to 192 of the Code of Federal Regulations (CFR). A large part of these data management and reporting requirements depend upon high-quality data on infrastructure, operations, and customer service—much of which can be efficiently managed or accessed through GIS. See: <http://primis.phmsa.dot.gov/dimp/> and <http://www.puco.ohio.gov/puco/index.cfm/docketing/annual-reports/>.

- Building greater efficiency into field operations: As is expected in a distribution utility, an enormous amount of labor time, expenditures for equipment and supplies, and vehicle usage is devoted to field operations—scheduled inspections and surveys, routine and emergency repair and maintenance, response to OUPS requests, response to customer calls, etc. Automated applications in the office and in the field (through mobile devices) offer benefits in reduced labor time and direct costs, quicker turn-around time, more effective record keeping, and better information about distribution system. GIS technology, working in coordination with other IT tools that the OGC has or plans to put in place put the company in a better position to manage the demands of expansion and possible increases in regulatory requirements (information collection and reporting).
- Reducing reliance on hard copy maps and records: OGC has put in place some effective automated systems and applications including, for example, the GOALS enterprise application (customer management and work tracking), SCADA system, and a number of Access databases for managing some programs. But there is still a heavy reliance on hard copy records including maps, paper forms, and reports. This situation has a number of disadvantages including: a) additional time for duplicate data entry and hard copy records handling, b) more possibility of error and inconsistency, c) access (hard copies stored in one location), d) potential for losing or misplacing the hard copy record, and d) barriers to integration of different information sources. There is also the very real concern of catastrophic loss or damage to existing records from major storm events or fire. GIS with automated database and records management applications can positively address all of these areas.

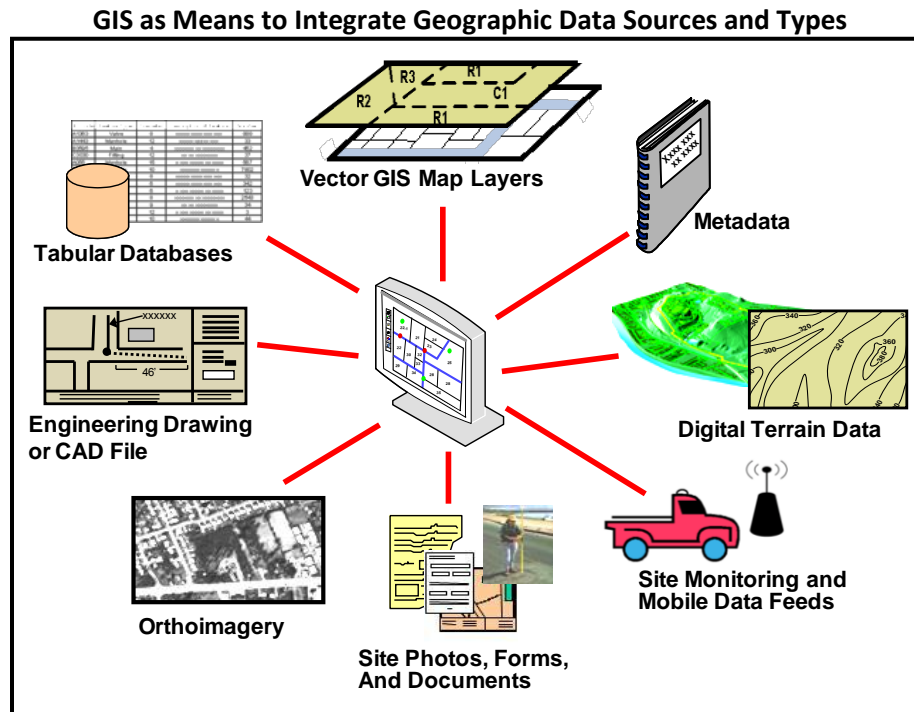
Implementation and Integration

A critical need for implementation is building a comprehensive GIS database consisting of a series of digital map layers and attribute database information that supports queries and analysis—as well as tools and procedures to keep the data updated and to improve its quality and accuracy over time.



In information systems, the term “integration,” in general, implies merging, combining, or establishing a system connection among separate processes, applications, or databases. The objectives of the integration effort are to accomplish the following:

- Eliminate duplicate data or redundant data maintenance processes
- Create and simplify a flexible software environment
- Create links between separate systems to support easy exchange of or access to of data maintained on different system platforms



Conversion

The main elements of the database conversion are:

- Use existing sources to the greatest extent possible to build the database and put it into operation as soon as possible while meeting all specifications for data content, format, and quality.
- Use high-accuracy and up-to-date GIS base map sources from County governments as the reference foundation.
- Concentrate on mapping high-priority features using the best information possible.
- Capture the best possible location for meters and service lines.
- Include an attribute field for each feature that identifies the source and date of capture – as an indicator of quality – to be used as a basis for incremental accuracy improvements.
- Scan and index documents to a map location or a specific GIS feature.

GIS Applications

A GIS Application is a specific use of the GIS software (ESRI ArcGIS) and the GIS database (MS SQL Server) to provide the user with needed information. GIS applications will use, to the greatest extent possible, off-the-shelf (OTS) functions of the software and other core software components as well as special-purpose packages that are integrated with the core GIS software to perform the following:

- Provide an answer in response to a particular system query
- Update the database or a GIS layer from an application designed for efficient data maintenance
- Generate a new GIS layer or extract derived from the database in a desired file format
- Derive or extract a database table from the management system
- Create a map using GIS functionality to display a text report, table, or graph

In some cases, major development work may be required to implement an application. The following types of customizations may be required to simplify company-wide access:

- Creating “intelligent” interactive forms for data entry
- Creating data quality control and quality assurances
- Programming complex analysis functions
- Building custom numerical or analytical models
- Field observation capture for incremental accuracy improvements

Ongoing Operations

Ongoing GIS operations will be supported by the following components:

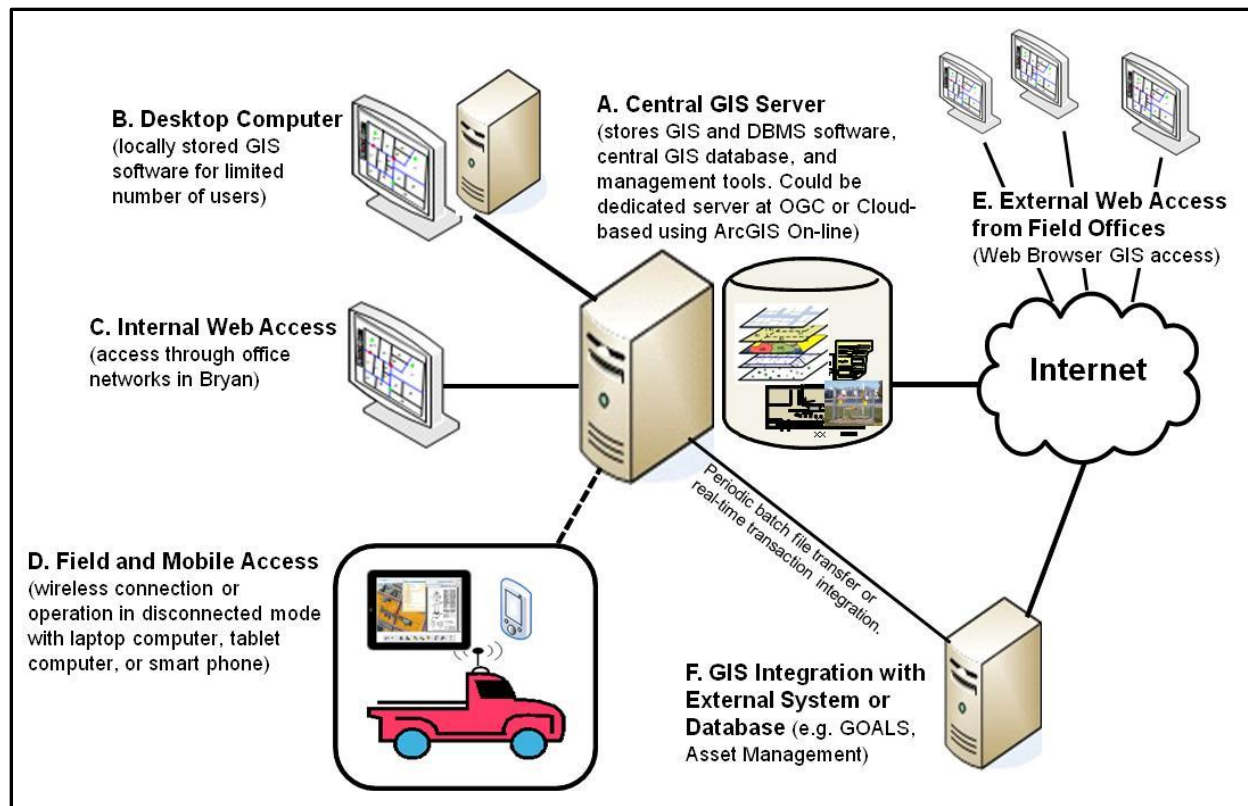
- GIS Manager and Technician
- GIS Project Committee with representatives from various departments to oversee implementation work and to support design and development activities
- IT compliance with infrastructure, software, and security standards and to support GIS integration
- Regular internal and external training

With an initial GIS database fully developed quality checked, workflow procedures will be put in place to leverage field visits with GPS/GNSS devices and GIS applications to gather data on positions and attributes. Workflow procedures include:

- Clear responsibilities and triggers for data updates
- Effective and quality-controlled data update applications striving for incremental accuracy improvements

Ultimate Configuration

Ultimately, the OGC GIS will be configured as follows:



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