

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF OHIO VALLEY GAS CORP. AND)
 OHIO VALLEY GAS, INC. FOR APPROVAL OF)
 AN ADJUSTMENT TO THEIR RATES THROUGH) CAUSE NO. 44317 PSA 3
 THEIR PIPELINE SAFETY ADJUSTMENT)
 AUTHORIZED IN THE COMMISSION'S ORDERS)
 IN CAUSE NOS. 43209 AND 43208, AND TO) APPROVED: JUL 20 2016
 COMPLY WITH CERTAIN FINDINGS OF THE)
 COMMISSION'S ORDER IN CAUSE NO. 44147.)

ORDER OF THE COMMISSION

Presiding Officers:
Angela Rapp Weber, Commissioner
Aaron A. Schmoll, Senior Administrative Law Judge

On March 24, 2016, Ohio Valley Gas Corporation and its wholly owned subsidiary, Ohio Valley Gas, Inc. (collectively, "Ohio Valley" or "Joint Petitioners") filed with the Indiana Utility Regulatory Commission ("Commission") their Joint Petition in this Cause for approval of adjustments to its rates through its Pipeline Safety Adjustment ("PSA") as previously approved by the Commission's Orders in Cause Nos. 43209 and 43208, dated October 10, 2007 ("2007 Rate Orders"), as modified by the Commission's December 5, 2012 Order in Cause No. 44147 ("2012 Rate Order") and the Commission's July 3, 2013 Order in Cause No. 44317 ("2013 Order"). Joint Petitioners filed the direct testimony and accompanying exhibits of Ronald P. Salkie, Chief Financial and Information Officer on March 28, 2016. On May 9, 2016, the Joint Petitioners filed Supplemental Filing Amendment No. 1 to the Petition. On May 10, 2016, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Farheen Ahmed, Utility Analyst in its Natural Gas Division. After reviewing the Petition and the pre-filed testimony and exhibits submitted in this Cause, the Commission issued Docket Entries on May 25, 2016, and June 7, 2016, to which Joint Petitioners responded on June 3, 2016, and June 8, 2016, respectively.

The Commission held an evidentiary hearing in this Cause at 9:30 a.m. on June 9, 2016, in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Ohio Valley and the OUCC were present and participated. The testimony and exhibits of Ohio Valley and OUCC were admitted into the record without objection. No members of the general public appeared or sought to testify at the hearing.

Based upon the applicable law and the evidence presented, the Commission finds:

- 1. Notice and Jurisdiction.** Notice of the hearing in this Cause was given and published by the Commission as required by law. Joint Petitioners are public utilities as defined in Ind. Code § 8-1-2-1(a). Under Ind. Code § 8-1-2-42(g), the Commission has jurisdiction over changes to Joint Petitioners' rates and charges. Therefore, the Commission has jurisdiction over Joint Petitioners and the subject matter of this Cause.

2. Joint Petitioners' Characteristics. Joint Petitioners are corporations organized and existing under the laws of the State of Indiana. Joint Petitioners' principal office is located at 111 Energy Park Drive, Winchester, Indiana. Joint Petitioners render natural gas utility service to the public and own, operate, manage, and control plant and equipment used for the distribution and furnishing of such service. Joint Petitioners provide gas utility service to customers in Dubois, Jay, Randolph, Spencer, Wayne, Dearborn, Fayette, Franklin, Perry, Ripley, Union, Greene, Knox, Pike, Sullivan, and Vigo Counties in Indiana.

3. Background and Relief Requested. Pursuant to the Federal Pipeline Safety Improvement Act of 2002 ("2002 Act") and associated United States Department of Transportation regulations, Joint Petitioners are required to undertake a number of activities intended to enhance pipeline and public safety. These activities include annual submission of transmission pipeline maps to the National Pipeline Mapping System, public education programs, pipeline integrity assessments, and a pipeline integrity management program. The incremental cost of these activities is potentially recoverable from a utility's customers through the PSA. In the Commission's 2007 Rate Orders, the Commission approved a PSA mechanism to allow cost recovery of certain eligible incremental costs incurred to comply with federal and state gas pipeline safety regulations affecting Joint Petitioners' transmission and distribution facilities.

Under the 2007 Rate Orders, Joint Petitioners continued to treat each of their three pipeline service areas¹ as separate for ratemaking purposes. This included separate tracking of expenses to be recovered via the PSA tracker. In the 2012 Rate Order, the Commission ordered Joint Petitioners to file a reconciliation of their incurred PSA expenses under their PSA tracking mechanism, update the PSA tracker rates, and also to perform such reconciliation and update of the tracker rate on an annual basis. In the 2013 Order, the Commission maintained the three sets of PSA rates historically associated with Ohio Valley's three pipeline service areas because Joint Petitioners' PSA rates were for recovery of PSA expenses incurred prior to the 2013. In Cause No. 44317 PSA 2, Joint Petitioners transitioned to a common PSA tracker rate structure consistent with our approval of their base rates in the 2012 Rate Order.

In this Cause, Joint Petitioners seek authority to adjust their PSA tracker charges in order to recover additional PSA-related expenses incurred but not yet recovered as of December 31, 2014, as well as PSA-related expenses incurred during the 2015 calendar year.

4. Summary of Evidence Presented. Mr. Salkie provided testimony regarding the (a) reconciliation of PSA Expenses incurred from January 2015 to December 2015 for Ohio Valley's three pipeline service areas including PSA Expenses incurred but not yet recovered as of December 31, 2014, compared to the tracker revenue recoveries of PSA Expenses during the 2015 period and (b) proposed updated PSA tracker rates designed to recover remaining PSA Expenses incurred through December 2015 utilizing the combined PSA allocation factors for transmission and distribution mains. He indicated that Ohio Valley's operations are subject to the 2002 Act, which requires Joint Petitioners to undertake a number of activities intended to enhance pipeline and public safety.

Mr. Salkie testified that the scope of the federal pipeline safety regulations have expanded since the 2002 Act to include the transportation and distribution pipeline systems of natural gas utilities and

¹ The three pipeline service areas include: ANR Pipeline Company ("ANR") and Texas Gas Transmission, LLC ("Texas Gas") for Ohio Valley Gas Corporation and Texas Gas for Ohio Valley Gas, Inc.

other entities operating similar facilities. Joint Petitioners developed and implemented a Distribution Integrity Management Program (“DIMP”) plan and performed various assessments and other compliance activities under the DIMP plan in order to comply with the 2002 Act. Ohio Valley has incurred, is now incurring, and will continue to incur incremental compliance expenses in each of its three pipeline service areas. He explained that incremental expenses are those expenses incurred in addition to expenses included in the Joint Petitioners’ base rates.

Mr. Salkie also noted that Ohio Valley considers current internal payroll costs and transportation expenses charged to the PSA project or activity/function to be non-incremental expenses. In the schedules comprising Exhibit RPS-3, Joint Petitioners present the amount of expenses incurred for a PSA project or activity/function reduced by non-incremental expenses incurred for that project or activity/function to determine the incremental PSA expenses.

Mr. Salkie’s testimony includes both an explanation of unrecovered costs from 2014 as well as his proposed updated PSA tracker rates designed to recover all eligible expenses incurred through December 31, 2015, which are not already recovered. In the Joint Petitioners’ Amendment No. 1 to the Petition, Mr. Salkie set forth his reconciliation of recoverable expenses and revenue recoveries along with the rate derivation for the three pipeline service areas for the period January 1, 2015, through December 31, 2015. Exhibit RPS-3, Schedule 2 shows the recoverable expenses and revenue recoveries for Joint Petitioners’ ANR service area, while Schedules 3 and 4 showed the same data for the Texas Gas and Texas Gas, Inc. pipeline service areas. Finally, Joint Petitioners’ Exhibit RPS-3, Schedule 6 shows Ohio Valley’s weather normalized annual billing volumes based on actual 2015 billed volumes. Joint Petitioners’ testimony and exhibits demonstrate that Ohio Valley had total unrecovered PSA costs of \$203,903 during the reconciliation period of January 1, 2015, through December 31, 2015 (“Reconciliation Period”), with \$417 in over-recovered costs at December 31, 2014, and \$204,320 in costs incurred in calendar year 2015 to be recovered. Ohio Valley’s revenue recoveries during 2015 were \$91,103. The net effect of the Reconciliation Period costs and revenues produce an under-collection of \$112,800 to be collected from ratepayers through the proposed PSA factors. Joint Petitioners propose to allocate this amount based on the transmission and distribution mains allocation factors from their cost-of-service study relied upon in the 2012 Rate Order.

OUCS witness Ahmed indicated that Joint Petitioners request recovery, through their PSA tracking mechanism, of DIMP expenses incurred in order to comply with the 2002 Act. She provided testimony regarding Joint Petitioners’ reconciliation of PSA expenses, which include DIMP expenses, incurred through December 2014 for the Joint Petitioners’ three pipeline service areas, including PSA expenses incurred but not yet recovered as of December 31, 2014, compared to the tracker revenue recoveries of PSA expenses during the 2015 period. She also provided testimony about the Joint Petitioners’ proposed updated PSA tracker rates designed to recover remaining PSA expenses incurred through December 2015 utilizing the combined PSA allocation factors for transmission and distribution mains from the 2012 rate case cost-of-service study. She indicated the OUCS agrees with the Joint Petitioners’ allocation method for expenses incurred through December 31, 2015, and PSA expenses incurred but not yet recovered as of December 31, 2014. Ms. Ahmed testified that the OUCS agrees with the PSA rates proposed by the Joint Petitioners and recommended recovery of those PSA rates.

5. Approval of New PSA Tracker Rates. We find the evidence of record supports the revised PSA tracker rates requested by Ohio Valley. Ohio Valley has documented all expenses on which its proposed new rates are based and has proven the incremental nature of each such expense as

well as their qualification for recovery under Ohio Valley's PSA tracker. We further find that Ohio Valley's reconciliation of previously approved PSA expenses and recoveries and its weather normalization of actual 2015 billed volumes are correct and provide the requisite support for the new PSA tracker rates. Accordingly, the new PSA tracker charges, effective the first billing month following issuance of this Order are as follows:

PSA Charge	
Rate No.	(\$ per Therm)
11/41/91	\$0.0035
12/42/92	\$0.0020
13/43/93	\$0.0000
14/44/94	\$0.0002
15/45/95	\$0.0004
16/46/96	\$0.0020
18/48/98	\$0.0022

We find that, in future PSA filings, Ohio Valley shall continue to file testimony identifying each of its DIMP project numbers and provide information detailing the actions taken under each DIMP project number during the Reconciliation Period. Finally, consistent with our approval in the 2012 Rate Order, Ohio Valley shall file a reconciliation of its eligible PSA-related expenses incurred and its PSA tracker revenues recovered from January 1, 2016, through December 31, 2016, no later than March 31, 2017.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The PSA tracker charges for Ohio Valley, as described herein, are approved.
2. Prior to implementing the PSA tracker charges approved above, Ohio Valley shall file with the Commission under this Cause as Sheet No. 12 to its rate tariff an amended Appendix D, Pipeline Safety Adjustment consistent with the tracker charges set forth in Paragraph 5 of this Order. The proposed PSA tracker charges will be effective upon approval by the Energy Division.
3. This Order shall be effective on and after the date of its approval.

STEPHAN, HUSTON, WEBER, AND ZIEGNER CONCUR:

APPROVED: JUL 20 2016

I hereby certify that the above is a true and correct copy of the Order as approved.



 Mary M. Becerra
 Secretary of the Commission