

ORIGINAL

STATE OF INDIANA

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INDIAN 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
THEIR PIPELINE SAFETY ADJUSTMENT)
AUTHORIZED IN THE COMMISSION'S ORDERS IN)
CAUSE NOS. 43209 AND 43208, AND TO COMPLY) APPROVED: JUL 03 2013
WITH CERTAIN FINDINGS OF THE)
COMMISSION'S ORDER IN CAUSE NO. 44147)

ORDER OF THE COMMISSION

Presiding Officers:
James D. Atterholt, Chairman
Aaron A. Schmoll, Senior Administrative Law Judge

The Ohio Valley Gas Corporation and its wholly-owned subsidiary, Ohio Valley Gas, Inc. (collectively "Joint Petitioners" or "OVG"), initiated this Cause on March 4, 2013.

OVG filed its direct testimony and accompanying exhibits on March 5, 2013. These were amended with supplemental filings on April 22, 2013 and at the evidentiary hearing on May 30, 2013. The only other party to this Cause, the Indiana Office of Utility Consumer Counselor ("OUCC"), filed its responsive testimony and exhibits on April 30, 2013.

Pursuant to notice as required by law, proofs of which were incorporated into the record of this Cause by reference, the Indiana Utility Regulatory Commission ("Commission") conducted an evidentiary hearing at 9:30 a.m. on May 30, 2013 in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Joint Petitioners and the OUCC were present and participated at the hearing. All prefiled testimony and exhibits were admitted into the record without objection, along with Joint Petitioners' responses to the Docket Entry issued on May 24, 2013.

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

1. Statutory Notice and Commission Jurisdiction. Notice of the hearing in this Cause was given and published by the Commission as required by law. The Joint Petitioners are public utilities as defined in Ind. Code § 8-1-2-1(a), and this Commission regulates their rates pursuant to Ind. Code § 8-1-2-42. Accordingly, this Commission has jurisdiction over Joint Petitioners as well as over the subject matter of this Cause.

2. Joint Petitioners' Characteristics. Joint Petitioners are both corporations duly organized and existing under the laws of the State of Indiana with their principal office in Winchester, Indiana. Each is engaged in rendering natural gas utility service to the public and

owns, operates, manages, and controls plant and equipment used for the distribution and furnishing of such services. Joint Petitioners provide gas utility service in all or part of sixteen counties in east-central and southern Indiana, and also in portions of one county in west-central Ohio.

3. **Background and Relief Requested.** Pursuant to the Federal Pipeline Safety Improvement Act of 2002 (“PSIA”) and associated Federal Department of Transportation regulations, Joint Petitioners are required to undertake a number of activities intended to enhance pipeline and public safety. The incremental cost of these activities is potentially recoverable from a utility’s customers through the Pipeline Safety Adjustment (“PSA”). In the Commission’s October 10, 2007 Orders in Cause Nos. 43209 and 43208 (“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 their transmission and distribution facilities. In the instant Cause, Joint Petitioners seek authority to adjust their PSA tracker charges in order to recover additional pipeline safety-related expenses incurred after the level of their current rates were established in late 2007.

Under the 2007 Rate Orders, Joint Petitioners continued to treat each of their three pipeline service areas as separate for ratemaking purposes. This included separate tracking of expenses to be recovered via the PSA tracker. PSA cost recovery approved by this Commission in late 2007 was limited to costs in only one of OVG’s three pipeline service areas, Ohio Valley Gas Corp.’s Texas Gas pipeline service area (“Texas Gas Area”), because up to that point PSA costs had been incurred in only that area and those costs were recovered from only customers in the Texas Gas Area. Beginning in 2011, however, Joint Petitioners have been incurring pipeline safety expenses in all three of their pipeline service areas, deferring the recovery of eligible expenses in the Ohio Valley Gas Corp.’s ANR pipeline service area (“ANR Area”) and Ohio Valley Gas Inc.’s Texas Gas pipeline service area (“INC Area”).

In the Commission’s December 5, 2012 Order in Cause No. 44147 (“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 thereafter perform such reconciliation and update of the tracker rate on an annual basis.

4. **Summary of Evidence Presented.** Joint Petitioners offered the testimony of their Vice President and Chief Financial Officer, S. Mark Kerney. He testified that OVG’s operations are subject to the PSIA which requires Petitioners to undertake a number of activities intended to enhance pipeline and public safety, including but not limited to annual submission of transmission pipeline maps to the National Mapping Pipeline System, public education programs, pipeline integrity assessments and a pipeline integrity management program. As a result of the PSIA and the related regulations of the U.S. Department of Transportation, Petitioner has incurred and will continue to incur incremental compliance expenses.

Mr. Kerney documented OVG’s incremental non-capital pipeline safety expenses in all three pipeline service areas incurred through December 31, 2012. For those costs associated with the Texas Gas Area, he reconciled the actual costs with amounts already recovered through OVG’s previously-approved PSA tracker. He also presented the deferred expenses from the

ANR Area and INC Area and, in combination with the reconciled amounts for the Texas Gas Area, developed a new PSA tracker charge to be added to OVG's rates.

The proposed new PSA tracker charges were set forth on Exhibit SMK-2 to Mr. Kerney's prefiled direct testimony, consisting of his proposed tariff sheet, while the various schedules to his testimony (SMK-3) showed the cost bases from which his proposed charges were derived. He provided an overview of the PSIA and testified how OVG determined what amount of incurred expense was appropriately characterized as "incremental." He also testified how new pipeline integrity management practices mandated for owners of distribution pipelines by the Federal Department of Transportation's Pipeline and Hazardous Materials Safety Administration in early 2010 had imposed additional costs on OVG that had not been part of those costs on which OVG's current PSA tracker charge for the Texas Gas Area had been based. Mr. Kerney also testified that the costs on which the proposed PSA charges were based in the instant Cause were not included in OVG's recent general gas rate case, Cause No. 44147, and that the proposed charge is based entirely on actual incurred costs. OVG's two supplemental filings both made relatively modest corrections or adjustments to specific numbers in Mr. Kerney's supporting evidence, including his proposed tariff sheet.

The OUCC offered responsive testimony and exhibits from Sherry L. Beaumont, a Utility Analyst in its Natural Gas Division. Ms. Beaumont recommended OVG include all billing volume figures in future PSA tracker cases. Additionally, she recommended the exclusion of \$3,128 from OVG's recoverable costs as the non-incremental portion of OVG's expenses for two pipeline safety projects, and she proposed a modest adjustment of OVG's proposed PSA charge to reflect that exclusion.

5. Approval of New PSA Tracker Charge. At the hearing, Mr. Kerney indicated that OVG did not object to Ms. Beaumont's recommendations. Accordingly, the evidence of record supports the PSA tracker charge as revised by the OUCC. More comprehensive federal pipeline safety mandates have increased OVG's costs since we approved its current PSA charge, including new integrity management requirements applicable to their distribution pipelines in addition to such requirements applicable to their transmission pipelines. These costs are incurred throughout OVG's three pipeline service areas. OVG adequately documented its incremental qualified expenses and the methodology, as modified by the OUCC, is appropriate for determining when such expenses are incremental and therefore eligible for recovery under OVG's PSA tracker. The new PSA tracker charges, effective the first billing month following the issuance of this Order are as follows:

RATES	OVG CORP.		OVG INC
	ANR PIPELINE	TEXAS GAS	TEXAS GAS
RATE 1 & 8	\$ 0.0009	\$ 0.0068	\$ 0.0246
RATE 2	\$ 0.0004	\$ -	\$ -
RATE 3	\$ -	\$ -	\$ -
RATE 4	\$ 0.0015	\$ 0.0082	\$ 0.0155
RATE 5	\$ 0.0002	\$ 0.0029	\$ -
RATE 6	\$ 0.0003	\$ 0.0020	\$ 0.0055

Finally, consistent with our approval in the 2012 Rate Order, OVG shall file a reconciliation of its eligible pipeline safety-related expenses incurred and its PSA tracker revenues recovered from January 1, 2013 through December 31, 2013 no later than March 31, 2014.

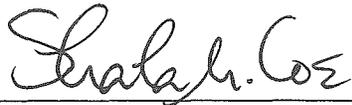
IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:

1. The OVG PSA tracker charges, as described herein, are approved.
2. Prior to implementing the PSA tracker charges approved above, OVG 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.
3. This Order shall be effective on and after the date of its approval.

ATTERHOLT, LANDIS, MAYS AND ZIEGNER CONCUR; BENNETT ABSENT:

APPROVED: JUL 03 2013

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



**Shala M. Coe
Acting Secretary to the Commission**