

**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 THEIR ) CAUSE NO. 44317 PSA 1  
 PIPELINE SAFETY ADJUSTMENT AUTHORIZED IN )  
 THE COMMISSION'S ORDERS IN CAUSE NOS. )  
 43209 AND 43208, AND TO COMPLY WITH CERTAIN ) APPROVED:  
 FINDINGS OF THE COMMISSION'S ORDER IN )  
 CAUSE NO. 44147 )

JUL 23 2014

ORDER OF THE COMMISSION

**Presiding Officer:**  
**Gregory R. Ellis, Administrative Law Judge**

On March 31, 2014, 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 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"). The Joint Petitioners filed direct testimony and accompanying exhibits of S. Mark Kerney, Vice President and Chief Financial Officer on April 2, 2014. On May 28, 2014, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the testimony of Sherry L. Beaumont, Utility Analyst. Mr. Kerney's rebuttal testimony and accompanying exhibits were filed on June 6, 2014. After reviewing the Petition and the pre-filed testimony and exhibits submitted in this Cause, the Commission issued a docket entry on June 12, 2014 with questions for Ohio Valley. Ohio Valley submitted responses to the docket entry questions on June 16, 2014.

Pursuant to notice given as provided by law, proof of which was incorporated into the record and placed in the official files of the Commission, a public hearing in this Cause was held on June 17, 2014, at 10:00 a.m. in Room 224 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Ohio Valley and the OUCC were present and participated. The testimony of Ms. Beaumont was adopted by OUCC witness Mark H. Grosskopf at the evidentiary hearing. 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. Statutory Notice and Commission 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 approximately 28,000 customers in all or part of 16 counties in east-central and southern Indiana and portions of one county in west-central Ohio.

**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 Petitioner's transmission and distribution facilities.

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. 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 the instant Cause, Joint Petitioners seek authority to adjust their PSA tracker charges in order to recover additional PSA-related expenses incurred prior to 2013 as well as PSA-related expenses incurred during the period January 1, 2013 through December 31, 2013. For PSA expenses incurred during 2013, Ohio Valley is transitioning to a common PSA tracker rate structure consistent with the Commission's 2012 Rate Order.

**4. Summary of Evidence Presented.** Mr. Kerney provided testimony regarding the (a) reconciliation of PSA expenses incurred through December 2013 for their three pipeline service areas including PSA expenses incurred but not yet recovered as of December 31, 2012, compared to the tracker revenue recoveries of PSA expenses during the 2013 period; and (b) proposed updated PSA tracker rates designed to recover remaining PSA expenses incurred through December 2013 utilizing the combined PSA allocation factors for transmission and distribution mains.<sup>1</sup> He testified that Ohio Valley developed and implemented a Distribution

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<sup>1</sup> ANR Pipeline Company ("ANR"), Texas Gas Transmission, LLC ("Texas Gas"), and Texas Gas, Inc.

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.

OUCG witness Grosskopf provided testimony regarding Joint Petitioners’ reconciliation of PSA expenses incurred through December 2013 for Joint Petitioners’ three pipeline service areas. He noted concerns with Joint Petitioners’ exhibits, including the unrecovered costs for Ohio Valley’s Texas Gas service area as of December 31, 2012 and changes to estimated billing volumes. The OUCG recommended recovery of pre-2013 PSA costs be allocated by rate class and pipeline and the 2013 PSA costs be allocated on a consolidated basis. The OUCG also recommended consolidated rates by rate class for future Ohio Valley PSA cost recovery causes. The OUCG exhibits demonstrate that Ohio Valley had total unrecovered PSA costs of \$119,026 as of December 31, 2013. Of that total, \$110,310 was incurred prior to 2013. The remaining \$8,716 was incurred in 2013.

In his rebuttal testimony, Mr. Kerney stated that Ohio Valley accepted the corrections the OUCG identified and agreed to the allocation of recoverable PSA costs incurred prior to January 1, 2013, but not yet recovered, from customers in Ohio Valley’s three pipeline service areas. He also noted that Ohio Valley’s acceptance is reflected through revised schedules that were submitted with his rebuttal testimony. In the First Amended Schedule 1 and Schedule 1(a), Mr. Kerney set forth his Reconciliation of Recoverable Expenses and Revenue Recoveries and Rate Derivation for All Pipeline Service Areas for the 2013 calendar year. Schedule 2 shows the Recoverable Expenses and Revenue Recoveries for Ohio Valley’s ANR Pipeline Service Area during the same year, including supporting documentation, while Schedules 3 and 4 showed the same data for Ohio Valley’s Texas Gas and Texas Gas, Inc. pipeline service areas, respectively. Finally, his First Amended Schedule 5 set out Ohio Valley’s weather normalized annual billing volumes based on actual 2013 billed volumes.

**5. Approval of New PSA Tracker Rates.** We find the evidence of record supports the PSA tracker charge as revised by the OUCG and agreed to by Ohio Valley in its rebuttal testimony. Ohio Valley has sufficiently documented its incremental qualified expenses and the methodology is appropriate for determining when such expenses are incremental and therefore eligible for recovery under Ohio Valley’s PSA tracker. Therefore, Ohio Valley is authorized to recover \$119,026 in incremental costs for DIMP projects for the 12 months ending December 31, 2013. Accordingly, the new PSA tracker charges, effective the first billing month following issuance of this Order are as follows:

<b>PSA Charge (\$ per Therm)</b>			
	<b>Ohio Valley CORP.</b>		<b>Ohio Valley INC.</b>
<b>RATES</b>	<b>ANR PIPELINE</b>	<b>TEXAS GAS</b>	<b>TEXAS GAS</b>
RATE 1	\$0.0009	\$0.0020	\$0.0171
RATE 2	\$0.0004	\$0.0001	\$0.0001
RATE 3	\$0.0000	\$0.0000	\$0.0000
RATE 4	\$0.0001	\$0.0002	\$0.0019
RATE 5	\$0.0001	\$0.0006	\$0.0000
RATE 6	\$0.0003	\$0.0006	\$0.0057
RATE 8	\$0.0008	\$0.0019	\$0.0170

We further find that in future PSA filings Ohio Valley shall 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, 2014 through December 31, 2014 no later than March 31, 2015.

**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.
3. This Order shall be effective on and after the date of its approval.

**STEPHAN, MAYS, WEBER, AND ZIEGNER CONCUR.**

**APPROVED:**      **JUL 23 2014**

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

  
**Brenda A. Howe**  
**Secretary to the Commission**