

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

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APPLICATION OF INDIANA GAS COMPANY,)
INC. D/B/A VECTREN ENERGY DELIVERY OF)
INDIANA, INC. ("VECTREN NORTH") FOR A)
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY AUTHORIZING IT TO)
RENDER NATURAL GAS SERVICE TO THE)
PUBLIC IN CERTAIN AREAS OF DELAWARE)
COUNTY)

CAUSE NO. 44812

APPROVED: OCT 19 2016

ORDER OF THE COMMISSION

Presiding Officers:
David Ziegner, Commissioner
Marya E. Jones, Administrative Law Judge

On July 6, 2016, Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren North" or "Applicant") filed its Verified Application ("Application") with the Indiana Utility Regulatory Commission ("Commission") seeking a Certificate of Public Convenience and Necessity ("Necessity Certificate") to render natural gas utility service to the public in certain areas of Delaware County, Indiana, adjacent to the territory Vectren North is currently authorized to serve ("Expansion Area"). On July 6, 2016, Vectren North also filed its direct testimony and exhibits of Jamoni E. Harper, Vectren North's Director of Commercial and Residential Sales, in support of its Application.

On August 4, 2016, the Indiana Office of Utility Consumer Counselor ("OUCC") filed the direct testimony of its Utility Analyst, Debra K. Wilcox, regarding Applicant's request to serve one potential customer in Section 24 of the Expansion Area. On August 16, 2016, the OUCC filed the direct testimony of Ms. Wilcox regarding Applicant's request to serve the remaining Expansion Area. On August 22, 2016, Vectren North filed the rebuttal testimony of Jamoni E. Harper.

The Commission convened a public hearing in this Cause on August 29, 2016, at 9:30 a.m. in Room 222 of the PNC Center, 101 West Washington Street, Indianapolis, Indiana. Vectren North and the OUCC appeared by counsel and participated in the evidentiary hearing. At the evidentiary hearing, Applicant's and the OUCC's evidence were admitted into evidence without objection.

The Commission, having examined all of the evidence of record, now finds as follows:

1. Notice and Jurisdiction. Due, legal, and timely notice of the hearing in this Cause was given and published by the Commission as provided for by law. Vectren North is a corporation organized and existing for purposes of delivering natural gas to consumers within the State of Indiana. Vectren North is a public utility as defined by Ind. Code § 8-1-2-1 and is a gas utility as described by Ind. Code § 8-1-2-87. Pursuant to Ind. Code § 8-1-2-87, the Commission is authorized to issue Necessity Certificates. Therefore, the Commission has jurisdiction over Applicant and the subject matter of this Cause.

2. **Applicant's Characteristics.** Applicant is a public corporation organized and existing under the laws of the State of Indiana. Its principal office is located at One Vectren Square in Evansville, Indiana. Applicant is engaged in the business of purchasing, transporting, distributing, and selling natural gas to the public pursuant to Necessity Certificates. It owns, operates, manages, and controls, among other things, plant, property, equipment and facilities which are used and useful for the production, transmission, distribution and furnishing of natural gas service to approximately 570,000 customers in central and southern Indiana. Applicant renders such gas utility service by means of utility plant, property, equipment and related facilities owned, leased, operated, managed and controlled by it which are used and useful for the convenience of the public in the production, treatment, transmission, distribution and sale of gas.

3. **Relief Request.** Applicant requests Commission approval of the enlargement of its natural gas service territory to include certain areas of Delaware County, Indiana. The Expansion Area is immediately adjacent to Vectren North's currently authorized service area and includes the following:

Delaware County

- Harrison Township, R10E-T21N-sec 7
- Harrison Township, R10E-T21N-sec 8
- Harrison Township, R9E-T21N-sec 13
- Harrison Township, R9E-T21N-sec 23
- Harrison Township, R9E-T21N-sec 24
- Washington Township, R9E-T22N-sec 25
- Union Township, R10E-T22N-sec 30
- Union Township, R10E-T22N-sec 31
- Washington Township, R9E-T22N-sec 35
- Washington Township, R9E-T22N-sec 36

A map depicting the Expansion Area is attached to Mr. Harper's direct testimony as Petitioner's Exhibit No. 1, Attachment JEH-2.

4. **Applicant's Evidence.** Mr. Jamoni Harper, Vectren North's Director of Commercial and Residential Sales, testified that on June 8, 2016, a potential customer located in in Section 24 of the Expansion Area contacted Vectren North to inquire about converting from electric heat to natural gas. He testified that at the time of the call, the potential customer's air conditioning and furnace had stopped working and a heating, ventilation, and air conditioning ("HVAC") company was on-site to assist. He stated that the potential customer proceeded with the purchase and installation of a natural gas furnace for her home. However, Mr. Harper testified that when Vectren North researched Section 24 of the Expansion Area pursuant to its reformed franchise review process implemented as a result of the January 28, 2015 Order issued in Cause No. 44528 ("44528 Order"), Vectren North determined that it was not certificated to provide service in Section 24 of the Expansion Area. Mr. Harper testified that the customer is, therefore, without a way to heat the family's home during the winter season and noted that the potential customer will need natural gas service to protect the family from harsh fall and winter temperatures common in that part of Indiana. Further, Mr. Harper testified that Vectren North also discovered that it is currently serving 69 uncertificated customers in the Expansion Area. Specifically, he noted that there are 43 uncertificated customers in Section 24 of the Expansion Area,

and 26 uncertificated customers in Sections 25, 31, 35, and 26 of the Expansion Area. Mr. Harper later clarified that there are actually 42 uncertificated customers in Section 24, and thus 68 total uncertificated customers in the Expansion Area for reasons more fully described below in his rebuttal testimony.

Mr. Harper testified that over the past year, Vectren North has identified and worked to rectify weaknesses in its franchise area verification process to make certain that Vectren North is properly connecting new customers to its natural gas distribution system. He stated that the franchise review process noted above began as a result of Cause No. 44528 wherein Vectren North agreed to implement new procedures to ensure that when potential customers contact Vectren North to inquire about new service, Vectren North can properly determine that the new service will be located within its authorized area or, if outside of its authorized area, that a Necessity Certificate is obtained prior to connecting the natural gas service.

Mr. Harper testified that in its June 8, 2016 Order in Cause No. 44723 (“44723 Order”), the Commission ordered Vectren North to conduct a detailed study of its service territory to identify areas where Vectren North is currently providing natural gas service to customers without a Necessity Certificate, and to file the results of the study by September 30, 2016. The 44723 Order further required Vectren North to file an application for a Necessity Certificate by December 31, 2016, to properly certify all of the areas identified in the study where Vectren North is currently uncertificated. Mr. Harper testified that based on the immediacy of the potential customer’s need in Section 24 of the Expansion Area, Vectren North determined that it would file this Cause in advance of the required December 31, 2016 filing and that in the interest of administrative efficiency, Vectren North would also include the 68 other customers in the Expansion Area currently being served without a Necessity Certificate as well as those areas of the Expansion Area where it will be cost effective for Vectren North to provide service in the future.

Mr. Harper testified that to the best of his knowledge no part of the Expansion Area is certified to any other gas utility. He noted that Vectren North has undertaken diligent review and been unable to identify any utilities possessing a Necessity Certificate to provide natural gas service within the Expansion Area. Mr. Harper further testified that the Expansion Area is surrounded by Vectren North’s franchise area, so it would be nearly impossible for any other natural gas service provider to cost effectively serve the Expansion Area. He stated that Vectren North has existing facilities within or adjacent to the Expansion Area of sufficient capacity to serve the entire area. Mr. Harper’s testimony confirmed that Vectren North has the requisite technical and managerial expertise to extend and serve the Expansion Area, including well-trained field personnel. Mr. Harper further testified that Vectren North has the necessary legal authority to obtain the Necessity Certificate, as well as the financial capability to provide natural gas service to the Expansion Area. He testified that approving a Necessity Certificate for the entire Expansion Area means that the 68 current customers, the new customer, and any prospective customers will have access to a safe, reliable fuel source, and that economic development and other growth opportunities will be enhanced by the availability of natural gas in those areas of the Expansion Area where Vectren North is not currently providing natural gas service.

5. OUC’s Evidence. OUC Utility Analyst Debra K. Wilcox recommended that the Commission approve Vectren North’s application for a Necessity Certificate. Ms. Wilcox stated: (1) Vectren North has the power and authority to render natural gas distribution service in the Expansion Area, as shown by its service in 49 counties in Indiana and trained staff; (2) Vectren North has the

financial ability to render natural gas distribution service in the Expansion Area, as shown by Vectren North's consolidated financial statements; and (3) the public interest will be served by Vectren North's continuing to provide service to the existing customers in the Expansion Area, and providing potential customers access to natural gas service.

Ms. Wilcox also testified that Vectren North violated Ind. Code § 8-1-2-87(c) by providing natural gas service to 43 customers in Section 24 of the Expansion Area without proper certification. She stated that the potential Vectren North customer who requested the service in Section 24 of the Expansion Area was included in the customer count and list of Vectren North customers receiving uncertificated service even though that individual is not a current customer. As a result, Ms. Wilcox said that Vectren North is actually serving 42 customers in Section 24, which makes the overall customer count for the entire Expansion Area for uncertificated service 68 customers instead of 69 customers. She stated that Vectren North has been serving 68 customers without Commission approval in the Expansion Area, with the earliest installation in 1969 and the latest installation as recently as October 20, 2014. Ms. Wilcox testified Vectren North collected \$553,258 in total margins from those 68 customers from the dates of their respective connection to the present, based on an estimated margin of \$325 per customer per year. Furthermore, she recommended that Vectren North withhold future Necessity Certificate filings for uncertificated areas where existing customers already receive natural gas service and make one filing on or before December 31, 2016 in compliance with the Commission's 44723 Order. She testified that any additional Vectren North applications for areas solely with uncertificated customers will only create unnecessary cases, since they could all be addressed in a single filing without penalties on or before December 31, 2016.

6. **Applicant's Rebuttal Evidence.** In his rebuttal testimony, Mr. Harper confirmed that the potential customer was inadvertently included in the customer count and in the customer list provided to the OUCC in a data request response. He testified that the number of customers Vectren North is currently serving in Section 24 on an uncertificated basis is 42, and the total number currently served throughout the Expansion Area is 68. In addition, he testified that even though Vectren North is not currently serving the potential customer in Section 24, service lines to connect the customer's meter to Vectren North's main will be installed near the end of August and the service will be tested. He stated that service will not be activated until after the Commission issues an Order in this proceeding. In addition, he testified that the OUCC's calculation suggesting that Vectren North collected \$553,258 in total margins from the 68 customers from their time of connection to the present is too simplistic to be reliable. He indicated that applying the \$325 decoupled margin per customer to customers who connected to the system long before current rates and the decoupling mechanism were approved for use leads to an unreliable result. He testified that calculating the actual total margins collected by Vectren North would be a significant undertaking and is unnecessary given the fact that the Commission has indicated that financial penalties will not be assessed against Vectren North as long as Vectren North files a request for a Necessity Certificate to serve all areas where the Applicant is currently uncertificated by December 31, 2016. He testified that Vectren North should retain the freedom and flexibility to clean up and square off, to the extent possible, uncertificated sections where Vectren North is currently providing service without authority, in the event new customers request service in those sections prior to December 31, 2016.

7. **Commission Discussion and Findings.** Ind. Code § 8-1-2-87(d) provides that, no gas utility shall commence the rendering of gas distribution service in any rural area in the state of Indiana in which it is not actually rendering gas distribution

service...without first obtaining from the commission a necessity certificate authorizing such gas distribution service....

Ind. Code § 8-1-2-87.5(e) provides that the Commission shall grant a necessity certificate if it makes the following findings:

- (1) that the Applicant has the power and authority to obtain the certificate and to render the proposed gas distribution service if it obtains the certificate;
- (2) that the Applicant has the financial ability to provide the proposed service;
- (3) that the public convenience and necessity require the providing of the proposed service; and
- (4) that the public interest will be served by the issuance of the necessity certificate.

The evidence demonstrates that Vectren North was contacted by a potential customer, located in Section 24 of the Expansion Area on June 8, 2016, regarding conversion to natural gas service. However, when Vectren North researched Section 24 of the Expansion Area, Vectren North determined that it was not certificated in the area and could not provide gas service without first obtaining a Necessity Certificate. Concurrently, Vectren North determined that it is also presently serving 68 customers in the entire Expansion Area without proper certification from the Commission.

Although the OUCC recommends approval of the Necessity Certificate for the Expansion Area, it also recommends Vectren North withhold filing for a Necessity Certificate where existing customers already receive natural gas service and instead be required to file a single request for a Necessity Certificate for all areas with uncertificated customers by the December 31, 2016 deadline set forth in the 44723 Order. The OUCC further notes that the required application for a Necessity Certificate will not be subject to financial penalties. The OUCC points out that any additional Vectren North applications for areas solely with uncertificated customers will only create unnecessary cases since these customers can be addressed in a single filing without penalties by December 31, 2016. We agree that there is no need or urgency for Vectren North to clean up and square off its other uncertificated sections before filing its required application for Necessity Certificate. While the 44723 Order does not limit Vectren North's ability to request Commission certification for new service, we find that going forward, administrative efficiency is best served by filing a single case for existing customers being served in uncertificated areas on or before December 31, 2016. Therefore, if Vectren North determines that it needs to file an application for a Necessity Certificate to serve new customers between the effective date of this Order and December 31, 2016, it may to file for a Necessity Certificate to serve only the new customers in the uncertificated area. We encourage Vectren North to contact the OUCC in advance of making such a filing in order to provide for resolution to such a request as expeditiously as possible.

Based on the evidence presented, Vectren North has fulfilled the burden established under Indiana Code § 8-1-2-87.5(e) through its financial exhibits and testimony. Thus, the Commission finds that Vectren North possesses the requisite power and authority and financial capability to provide natural gas service to the entire Expansion Area. Approval of the Necessity Certificate will allow Vectren North to provide service in the Expansion Area to both the prospective customer in Section 24 and its 68 current customers being served without proper certification. We find that

Vectren North's provision of natural gas distribution service to the Expansion Area will further public convenience and necessity and is in the public interest. The Commission notes that no party opposed Applicant's request. Therefore, the Commission finds that Applicant's request for a Necessity Certificate to provide natural gas service to the Expansion Area is granted.

8. Consent to the Granting of Licenses, Permits and Franchises. Pursuant to Ind. Code § 36-2-2-23, we find that the County Commissioners of Delaware County may grant Vectren North such licenses, permits or franchises as may be required for the use of county roads and rights-of-way for the provision of gas distribution service in the Expansion Area.

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

1. A Certificate of Public Convenience and Necessity is issued to Vectren North to provide natural gas distribution service in the Expansion Area, described in Applicant's Verified Application and evidence in this Cause, for Delaware County.
2. This Order shall be the sole evidence of such Certificate of Public Convenience and Necessity.
3. The County Commissioners of Delaware County in which the Expansion Area is located have the consent and approval of the Commission to grant such licenses, permits or franchises for the use of county property by Vectren North as may be required for the provision of natural gas distribution services authorized in this Certificate of Public Convenience and Necessity.
4. This Order shall become effective on and after the date of its approval.

FREEMAN, HUSTON, WEBER, AND ZIEGNER CONCUR; STEPHAN ABSENT:

APPROVED: OCT 19 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