BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for an Adjustment to its Infrastructure Replacement Program Rider.	)	Case No. 14-813-GA-RDR

ENTRY

The Commission finds:

(1) Vectren Energy Delivery of Ohio, Inc. (VEDO or Company) is a natural gas company as defined by R.C. 4905.03(A)(5), and a public utility as defined by R.C. 4905.02, and, as such, is subject to the jurisdiction of the Commission pursuant to R.C. 4905.04, 4905.05, and 4905.06. VEDO provides natural gas distribution service to approximately 314,000 customers in west central Ohio.

(2) By Opinion and Order issued January 28, 2009, in *In re Vectren Energy Delivery of Ohio, Inc.,* Case No. 07-1080-GA-AIR, et al, (*VEDO Rate Case*) the Commission authorized VEDO to establish a distribution replacement rider (DRR) to recover and receive a return on investments made by VEDO during the accelerated implementation of a distribution replacement program to replace bare steel and cast iron (BS/CI) pipelines.

(3) By Opinion and Order issued August 28, 2013, in *In re Vectren Energy Delivery of Ohio, Inc.,* Case No. 13-1121-GA-RDR, (*2013 DRR Case*), the Commission approved a Stipulation and Recommendation that established the current DRR rates and that permitted VEDO to recover DRR costs incurred in 2012.

(4) By Opinion and Order issued February 19, 2014, in *In re Vectren Energy Delivery of Ohio, Inc.,* Case No. 13-1571-GA-ALT (*2013 DRR Extension Case*), the Commission approved a Stipulation and Recommendation that authorized VEDO to continue the DRR program for an additional five-year period and to expand the program's scope. The *2013 DRR Extension Case* provides that DRR costs incurred through December 31, 2017, are recoverable in the DRR. Further, it accelerates the pace of the DRR program and clarifies and expands the scope of costs recoverable in the DRR.

(5) As approved in the *2013 DRR Extension Case,* the purpose of the DRR is to permit VEDO to seek recovery of: the return of and return on plant investment, including post-in-service carrying costs and certain incremental expenses incurred in implementation of its accelerated bare steel and cast iron mains and service lines replacement program; deferred expenses associated with the Company's riser investigation pursuant to the Commission's decision in *In re Investigation of Gas Service Risers,* Case No. 05-463-GA-COI, Finding and Order (Mar. 12, 2008); costs for replacement of prone-to-fail risers; incremental costs related to the Company's assumption of ownership and responsibility for repairing customer service lines; and actual annual operations and maintenance expense savings as an offset to costs otherwise eligible for recovery under the DRR.

(6) On May 1, 2014, VEDO filed its application in this case to adjust its DRR for the recovery period September 1, 2014, through August 31, 2015. The Company proposes that the DRR revenue requirement of $15,909,792 be allocated to customers as follows:

Rate Schedule	$ Per Month	$ Per Hundred Cubic Feet (Ccf)
310, 311, and 315 (Residential)	$3.60	
320, 321, and 325 (Small General)	$3.60	
320, 321, and 325 (Large General)		$0.02880
341 (Dual Fuel Standard Choice Offer)	$19.57	
345 (Large General Transportation)		$0.00726
360 (Large Volume Transportation)		$0.00487

According to VEDO, the proposed DRR charge applicable to residential and small general service customers complies with the established rate cap of $4.05 per month for the period in question. In support of its application, VEDO submitted exhibits with its application, including a revised tariff sheet, and the testimony of James M. Francis, J. Cas Swiz, and Shawn M. Kelly, employees of Vectren Utility Holdings, Inc. (VUHI), the immediate parent company of VEDO. The exhibits and the supporting testimony detail progress and costs associated with the DRR. Exhibit No. SMK-1 shows the derivation of charges; Exhibit No. SMK-2 is VEDO's revised tariff sheet; and Exhibit

No. SMK-3 depicts the annual residential customer bill impact. (VEDO App. at 8 -111; Exs. SMK-1 to SMK-3.)

(7) Mr. Francis, Director, Engineering & Asset Management for VUHI, describes VEDO's accelerated BS/CI replacement program (the Replacement Program), the status of pipe replacement and retirement, the costs incurred, and the benefits identified in 2013. Mr. Francis also discusses certain other issues, such as meter relocations and plastic pipe retirements, and the processes used to assess and award the construction work associated with the Replacement Program, and VEDO's 2014 BS/CI replacement plan.

(8) Mr. Swiz, Director, Regulatory Implementation and Analysis for VUHI, explains the calculation of the revenue requirement for VEDO's DRR, the completed natural gas riser replacement program, and incremental costs associated with the VEDO's assumption of service line responsibility. Mr. Swiz also provides an explanation of the accounting procedures VEDO uses to record and segregate the costs recoverable in the DRR.

(9) Mr. Kelly, Director, Regulatory Affairs for VUHI, describes changes to costs recovered through the DRR. Mr. Kelly's testimony supports the proposed DRR charges, as well as the proposed tariff sheet and bill impacts.

(10) On June 20, 2014, the attorney examiner issued an Entry stating, inter alia, that Staff and intervenors may file comments on VEDO's application by July 25, 2014. Additionally, the attorney examiner set a deadline of August 1, 2014, for VEDO to file a statement informing the Commission whether the issues raised in the comments have been resolved.

(11) On July 25, 2014, Staff filed comments on VEDO's application. In its comments, Staff observes that, in 2013, the Company replaced 38.0 miles of bare steel and 5.8 miles of cast iron mains, replaced 4,004 BS/CI service lines (with an additional 288 service lines retired), and moved 3,124 inside meters outside as part of its Replacement Program. Staff notes that the Company proposes a Mains Replacement Program revenue requirement of $4,816,391 and $11,093,401 for the Service Line and Riser Replacement Program, for a total DRR revenue requirement of $15,909,792. After reviewing VEDO's

application, the Staff finds that the Company's application complies with the Commission's Opinion and Orders in the *VEDO Rate Case* and the *2013 DRR Extension Case,* and will result in a just and reasonable DRR rate. Staff, therefore, recommends that VEDO's application be approved by the Commission. (Staff Comments at 6.)

(12) The Commission finds that VEDO's application to adjust its DRR rider rate, is reasonable and should be approved.

It is, therefore,

ORDERED, That VEDO's application to adjust its DRR rate be approved. It is, further,

ORDERED, That VEDO be authorized to file in final form complete copies of the tariff page consistent with this Finding and Order, and to cancel and withdraw its superseded tariff page. VEDO shall file one copy in its TRF docket and one copy in this case docket. It is, further,

ORDERED, That the effective date of the new rates for the DRR shall be a date not earlier than the date upon the final tariff page is filed with the Commission. It is, further,

ORDERED, That VEDO shall notify its customers of the changes to the tariffs via bill message or bill insert within 30 days of the effective date of the revised tariffs. A copy of this customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability, and Service Analysis Division at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon the Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further, ORDERED, That a copy of this Finding and Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Thomas W. Johnson, Chairman

Steven D. Lesser

Lynn Slaby

M. Beth Trombold

Asim Z. Haque

KKS/vrm

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AUG 27 2014

Barcy F. McNeal
Secretary