

# THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF  
VECTREN ENERGY DELIVERY OF OHIO,  
INC. FOR AUTHORITY TO ADJUST ITS  
DISTRIBUTION REPLACEMENT RIDER  
CHARGES.

CASE NO. 16-904-GA-RDR

## FINDING AND ORDER

Entered in the Journal on August 26, 2016

### I. SUMMARY

{¶ 1} The Commission approves the application of Vectren Energy Delivery of Ohio, Inc. to adjust its distribution replacement rider.

### II. DISCUSSION

{¶ 2} Vectren Energy Delivery of Ohio, Inc. (VEDO or Company) is a natural gas company as defined by R.C. 4905.03 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.

{¶ 3} On January 7, 2009, the Commission authorized VEDO to establish a distribution replacement rider (DRR) to recover the costs of the Company's bare steel and cast iron (BS/CI) pipeline replacement program. The DRR was approved for a five-year period ending February 2014. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 07-1080-GA-AIR, et al. (*VEDO Rate Case*), Opinion and Order (Jan. 7, 2009).

{¶ 4} On February 19, 2014, the Commission approved a Stipulation and Recommendation (Stipulation) that authorized VEDO to continue the DRR program for an additional five-year period and to expand the program's scope. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 13-1571-GA-ALT (*2013 DRR Extension Case*), Opinion and Order (Feb. 19, 2014). 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 BS/CI 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 August 26, 2015, the Commission approved VEDO's application that established the current DRR charges (for the period September 1, 2015 through August 31, 2016) and permitted VEDO to recover DRR costs incurred in 2014. *In re Vectren Energy Delivery of Ohio, Inc.*, Case No. 15-865-GA-RDR, Finding and Order (Aug. 26, 2015).

{¶ 7} On May 2, 2016, VEDO filed its application in this case to adjust its DRR for the recovery period September 1, 2016, through August 31, 2017 (and to recover DRR costs incurred in 2015). The Company proposes that the DRR revenue requirement of \$29,445,299 be allocated to customers as follows:

Rate Schedule	\$ Per Month	\$ Per Hundred Cubic Feet	Increase Over Current Rate
310, 311, and 315 (Residential)	\$6.60		\$1.81
320, 321, and 325 (Small General)	\$6.60		\$1.81
320, 321, and 325 (Large General)		\$0.04892	\$0.01314
341 (Dual Fuel Standard Choice Offer)	\$71.96		\$45.87
345 (Large General Transportation)		\$0.01169	\$0.0028
360 (Large Volume Transportation)		\$0.00833	\$0.00154

{¶ 8} VEDO states that the proposed DRR charges for residential and small general service customers are under the rate cap of \$6.70 per month, which was established in the *2013 DRR Extension Case*. In support of its application, VEDO submitted exhibits with its application, including a revised tariff sheet, and the testimony of James M. Francis and J. Cas Swiz, 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. (VEDO App. at 7-116; Ex. JCS-1 to JCS-5.)

{¶ 9} Mr. Francis, Vice President of Safety and System Integrity for VUHI, describes VEDO's accelerated BS/CI replacement program (Replacement Program), the status of pipe replacement and retirement, the costs incurred, and the benefits identified in 2015. Mr. Francis also discusses certain other issues, such as meter relocations and plastic pipe retirements, the processes used to assess and award the construction work associated with the Replacement Program, VEDO's 2016 BS/CI replacement plan, the change in service line ownership and responsibilities and VEDO's incremental investments in 2015 that resulted from that change, and the calculation of operations and maintenance savings under the Stipulation approved in the *2013 DRR Extension Case*.

{¶ 10} Mr. Swiz, Director, Rates and Regulatory 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 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, the proposed DRR charges, and VEDO's proposed tariff sheet and associated bill impacts.

{¶ 11} On May 5, 2016, the attorney examiner issued an Entry stating, among other things, that motions to intervene and comments on VEDO's application should be filed by July 22, 2016. Additionally, the attorney examiner set a deadline of July 29, 2016, for VEDO to file a statement informing the Commission whether the issues raised in the comments have been resolved. In the event all of the issues raised in the comments are not resolved, or if the Commission deems the application may be unjust or unreasonable, the attorney examiner scheduled a date for hearing on August 4, 2016.

{¶ 12} On July 21, 2016, Staff filed comments on VEDO's application. In its comments, Staff initially observes that, in 2015, the Company replaced 51.87 miles of bare steel and 5.4 miles of cast iron mains, replaced 5,834 BS/CI service lines (with an additional 398 service lines retired), and moved 4,398 inside meters outside as part of the Replacement Program. Staff notes that the Company proposes a Mains Replacement Program revenue requirement of \$8,668,567 and \$20,776,732 for the Service Line and Riser Replacement Program, for a total DRR revenue requirement of \$29,445,299. (Staff Comments at 5.)

{¶ 13} Staff also observes that VEDO employs a competitive bidding process for the majority of the capital work associated with DRR projects. Staff notes that, in comments filed in last year's DRR case (Case No. 15-865-GA-RDR), it stated its belief that this process has served to effectively control DRR project labor costs. However, Staff expressed a concern in that case over the drop in the number of eligible contractors submitting bids on available bid packages and the fact that Miller Pipeline Company (Miller Pipeline), which

is affiliated with VEDO, continued to be awarded the majority of the contract work. Staff also encouraged VEDO to increase its efforts towards getting more contractors eligible to participate in the Replacement Program and to submit bids and indicated that it will monitor VEDO's progress. For 2015, Staff states that VEDO increased the number of eligible contractors from four to five, but Miller Pipeline was again awarded more than fifty percent of the available contract packages. Despite Miller Pipeline's success, Staff found no evidence that VEDO offered any preferential treatment to Miller Pipeline, established unreasonable qualification standards, or established any other unreasonable barriers that would prevent contractors from participating in the DRR bidding process. Staff states that it will continue to annually review VEDO's contractor bidding and selection process. Staff concludes that VEDO's application complies with the Commission's Opinions and Orders in the *VEDO Rate Case* and the *2013 DRR Extension Case*; therefore, Staff recommends that the Commission approve VEDO's application. (Staff Comments at 6-7.)

{¶ 14} On July 22, 2016, a motion to intervene was filed in this matter by Honda of America Mfg., Inc. (Honda). No comments on VEDO's application were filed with the motion to intervene. In support of its motion, Honda states that it is an active large industrial customer and participated in previous VEDO filings with the Commission and was an active participant in the negotiations that concluded the *VEDO Rate Case*. Moreover, Honda states that, as a large industrial user of natural gas, it has a direct and substantial interest in the terms and conditions of VEDO's tariffs, tariff riders, and charges. Honda submits that its participation in this proceeding, with the experience and expertise that it brings, will contribute to a just and expeditious resolution of the issues raised by the application. Honda further submits that its intervention will not unduly delay the proceeding or unjustly prejudice an existing party. No memorandum contra was filed in opposition to the motion to intervene. Accordingly, the Commission finds that Honda's motion to intervene is reasonable and should be granted.

{¶ 15} On July 29, 2016, VEDO filed a statement noting that no issues have been raised with respect to its application. VEDO, therefore, requests that the application be approved.

{¶ 16} In accordance with the attorney examiner's May 5, 2016 Entry, and in light of the fact that VEDO noted in its July 29, 2016 statement that there are no issues to be resolved, the hearing was cancelled, pending the Commission's consideration of the application.

{¶ 17} Upon consideration of the application filed by VEDO and Staff's comments, the Commission finds that VEDO's application to adjust its DRR rider rate is reasonable and should be approved. Accordingly, the Commission finds that VEDO should be authorized to include the revised DRR rate in its tariff, which contains the terms, conditions, and rates VEDO applies to the gas service it provides to customers.

### III. ORDER

{¶ 18} It is, therefore,

{¶ 19} ORDERED, That Honda's motion to intervene be granted. It is, further,

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

{¶ 21} ORDERED, That VEDO be authorized to file tariffs, in final form, consistent with this Finding and Order. VEDO shall file one copy in this case docket and one copy in its TRF docket. It is, further,

{¶ 22} ORDERED, That the effective date of the new tariff shall be a date not earlier than the date upon which the final tariff page is filed with the Commission. It is, further,

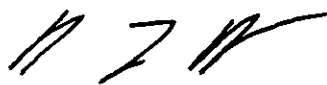
{¶ 23} ORDERED, That VEDO shall notify its customers of the changes to the tariffs via bill message or bill insert within 30 days of the effective date of the revised tariff. A

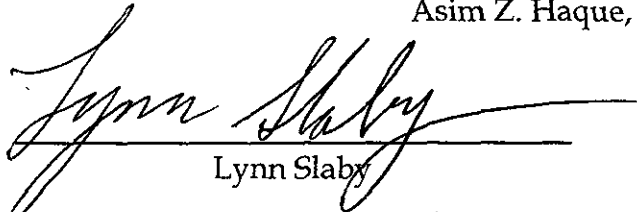
copy of this customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

[¶ 24] 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,

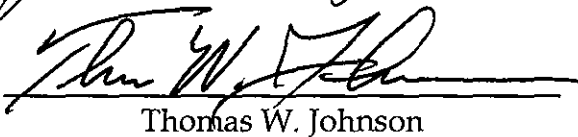
[¶ 25] ORDERED, That a copy of this Finding and Order be served upon each party of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

  
Asim Z. Haque, Chairman

  
Lynn Slaby

  
M. Beth Trombold

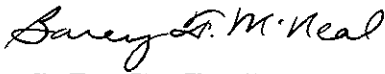
  
Thomas W. Johnson

  
M. Howard Petricoff

KKS/vrm

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AUG 26 2016

  
Barcy F. McNeal

Barcy F. McNeal  
Secretary