

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF INDIANA GAS COMPANY, INC.)
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.)
("VECTREN NORTH") FOR TRANSFER OF THE)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY ("CPCN") ISSUED TO SNOW & OGDEN TO)
SERVE PORTIONS OF HENRY COUNTY OR IN THE)
ALTERNATIVE ISSUANCE OF A NEW CPCN TO)
VECTREN NORTH TO SERVE THE PORTION OF HENRY)
COUNTY CURRENTLY SERVED BY SNOW & OGDEN;) CAUSE NO. 44563
AUTHORIZATION TO RECOVER, THROUGH VECTREN)
NORTH'S COMPLIANCE AND SYSTEM IMPROVEMENT)
ADJUSTMENT MECHANISM ("CSIA") THE COST TO)
EXTEND VECTREN NORTH'S FACILITIES TO SERVE)
THE CUSTOMERS CURRENTLY SERVED BY SNOW &)
OGDEN AND OTHER COSTS ASSOCIATED WITH THE)
TRANSACTION; AND WAIVER OF THE DEPOSIT)
REQUIREMENTS ESTABLISHED IN 170 IAC 5-1-27)

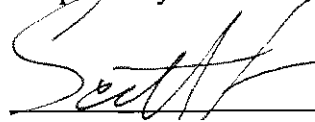
INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF BRADLEY E. LORTON

NOVEMBER 21, 2014

Respectfully submitted,



Scott Franson
Attorney No. 27839-49
Deputy Consumer Counselor

**INDIANA GAS COMPANY, INC.
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
CAUSE NO. 44563
TESTIMONY OF OUCC WITNESS BRADLEY E. LORTON**

I. INTRODUCTION

1 **Q: Please state your name and business address.**

2 A: My name is Bradley E. Lorton, and my business address is 115 W. Washington
3 Street, Suite 1500 South, Indianapolis, Indiana, 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am a Utility Analyst in the Natural Gas Division of the Indiana Office of Utility
6 Consumer Counselor ("OUCC"). A summary of my educational and professional
7 experience, as well as my preparation for this case, are attached to my testimony
8 as Appendix BEL-1.

9 **Q: What is the purpose of your testimony?**

10 A: My testimony supports the relief sought by Indiana Gas Company Inc.
11 d/b/a/Vectren Energy Delivery of Indiana, Inc. ("Vectren North" or "Petitioner")
12 to complete the transfer of Snow & Ogden Gas Company's ("Snow & Ogden")
13 Certificate of Public Convenience and Necessity to Vectren North.

II. RELIEF SOUGHT BY PETITIONER

14 **Q: Please describe the relief sought by Petitioner in this Cause.**

15 A: Petitioner requests authorization to provide natural gas service to the section of
16 Spiceland Township in Henry County currently served by Snow & Ogden. This
17 area is described in the Petition as Township 16N, Range 9E, NE ¼ of Section 36,

1 and is referred to as the "Expansion Area." Petitioner's ability to provide service
2 to the Expansion Area requires the transfer to Petitioner of the Certificate of
3 Public Convenience and Necessity ("CPCN" or "necessity certificate") currently
4 held by Snow & Ogden. Petitioner seeks recovery of the cost of transferring
5 Snow & Ogden's necessity certificate, along with the cost of extending service to
6 the Expansion Area. Petitioner also requests a waiver of 170 IAC § 5-1-27
7 regarding the requirement for customer deposits for the extension of distribution
8 mains.

III. TRANSFER OF NECESSITY CERTIFICATE IS IN THE PUBLIC INTEREST

9 **Q: Does the OUCC believe the transfer of Snow & Ogden's necessity certificate**
10 **to Vectren North is in the public interest?**

11 **A:** Yes. The Commission's investigation of Snow & Ogden in Cause No. 44517
12 revealed serious public safety problems associated with the current operation of
13 Snow & Ogden. These public safety problems include above ground and below
14 ground gas leaks from the distribution mains, and deterioration of Snow &
15 Ogden's distribution system. The cost of replacing the distribution system
16 appears to be prohibitive for the current owner of this utility with less than 25
17 customers. Also, as I will discuss in further detail, current Snow & Ogden
18 customers report problems with disrupted service, water in the gas lines,
19 maintenance and billing difficulties.

20 The OUCC believes the public interest will be served by Petitioner
21 providing service in the Expansion Area. The transfer of CPCN authority to

1 Vectren North should result in a substantial improvement of safety and service for
2 Snow & Ogden's current customers.

3 **Q: Please describe the Snow & Ogden service territory.**

4 A: The Snow & Ogden territory is located in a rural portion of Henry County. It is a
5 small service territory, with only two miles of distribution mains, and less than 25
6 residential customers. In its last rate case Snow & Ogden was described as:

7 The utility consists of two natural gas wells, distribution facilities,
8 and servicing equipment. Petitioner is both a producer and
9 distributor of natural gas and bills its customers for usage on a
10 consolidated basis. (Snow & Ogden Gas Company, Cause No.
11 42821-U, November 22, 2005, Order at 2).

12 Snow & Ogden, being both a producer and distributor of natural gas, has provided
13 its customers with relatively low cost natural gas service.

14 However, the Snow & Ogden system is old compared to most natural gas
15 utilities in the state. The system contains 1.75 miles of bare steel pipe installed in
16 the 1950s, with only a half mile of plastic pipe. The natural gas well requires
17 consistent maintenance to prevent water from getting into the gas lines, and to
18 provide sufficient line pressure.

19 **Q: Please describe the canvass of the Snow & Ogden service territory you**
20 **participated in, and what you learned about the utility's current quality of**
21 **service.**

22 A: On Friday, September 5, I accompanied Mr. Dan Novak and Mr. Grant Gray from
23 the Commission's Pipeline Safety Division ("PSD") on a fact-finding canvass of
24 the Snow & Ogden service territory. This involved door-to-door visits to the
25 homes of Snow & Ogden's current customers. We were able to speak with about
26 15 customers during this canvass.

1 Several current customers informed us that they were without natural gas
2 service during the winter of 2013-14 for periods ranging from four days to two
3 weeks. This interruption in natural gas service was due to “freeze-up” caused by
4 water in the gas well not being properly bailed, with the result of either no gas
5 pressure or water in the gas lines causing freeze-up in gas meters. I saw several
6 Snow & Ogden gas meters at customer premises that were covered with duct tape
7 and insulation to protect from cold temperatures. Several customers stated that
8 meter maintenance had been performed by a local hardware store and not by the
9 utility.

10 I also learned that several current Snow & Ogden customers are elderly, at
11 least two of them over 90 years old. Another customer in her late eighties
12 described how the utility provided her with electric space heaters for two weeks
13 during the coldest portion of winter 2013-14. The concerns expressed by these
14 customers focused on their need for consistent service for health reasons, and the
15 desire to keep their utilities bills low, since they are on fixed incomes.

16 Current customers also complained of inconsistent billing in recent
17 months. Most stated that they had received only one or two bills during all of
18 2014. At the September 23 public meeting, Mr. Ramsey explained that he had
19 decided not to bill customers for service last winter due to the difficulties which I
20 have already discussed. He also indicated he did not plan to bill customers for
21 natural gas service provided during last winter's heating season.

1 **Q: Do you believe Snow & Ogden's current owner is capable of correcting the**
2 **problems with its natural gas service?**

3 A: No. The testimony of both Mr. William Boyd and Mr. Dan Novak of PSD in
4 Cause No. 44517 included recommendations for the replacement of the
5 distribution system, after citing numerous pipeline safety violations and hazards.
6 Mr. Ramsey told customers at the September 23 public meeting that leaks
7 previously cited by PSD had been repaired. However, given the age of the Snow
8 & Ogden bare steel system, the compliance issues cited by PSD, and the problem
9 of water in the system, replacement of the distribution system is the only viable
10 long term solution. The cost of a replacement system that meets pipeline safety
11 standards appears beyond the financial resources of Snow & Ogden's current
12 owner. Replacement of the distribution system by the current owner would
13 impose a burden on Snow & Ogden's customers in the form of sharply higher
14 rates.

15 **Q: Does Petitioner have a natural gas pipeline near the Expansion Area?**

16 A: Yes. Petitioner has a high pressure line that runs parallel to Snow & Ogden's
17 mains along the Old National Road, the main thoroughfare in the town of Ogden.
18 Petitioner also has a regulator station adjacent to portions of the Expansion Area.

IV. RECOVERY OF COSTS OF TRANSFER AND EXTENDING SERVICE

19 **Q: Does the OUCC oppose Petitioner's request for recovery of the payment for**
20 **the transfer of Snow & Ogden's necessity certificate in a future**
21 **Transmission, Distribution, and Storage System Improvement Charges**
22 **("TDSIC") filing?**

1 A: No. The OUCC believes the \$50,000 amount requested resulted from good faith
2 negotiations between Petitioner and Mr. Ramsey. The OUCC does not oppose
3 Petitioner's request for recovery.

4 **Q: Does the OUCC oppose Petitioner's request to recover Petitioner's cost of**
5 **extending service to the current Snow & Ogden service territory in a future**
6 **TDSIC filing?**

7 A: No. The OUCC does not oppose the recovery of reasonable and prudent costs of
8 constructing the line extension. However, the reasonableness and prudence of the
9 line extension costs are questions that will be addressed in a future TDSIC
10 proceeding. At this time, the OUCC has not had an adequate opportunity to
11 review either estimated or actual costs of the line extension.

V. DEPOSIT WAIVER IS NECESSARY

12 **Q: Does the OUCC support Petitioner's proposal to waive the deposit**
13 **requirement from 170 IAC § 5-1-27 for extending service to the Expansion**
14 **Area?**

15 A: Yes. The Petition states:

16 Even under a twenty (20) year margin test authorized by Ind. Code
17 § 8-1-39-11(c), Snow & Ogden's existing customers would likely
18 be required to post a deposit in excess of \$3,000 just to continue
19 receiving gas service. (Petition at 4).

20 A deposit in excess of \$3,000 would be a severe burden on current Snow &
21 Ogden customers, particularly elderly people on fixed incomes. Without a waiver
22 of the deposit requirement there will likely be a large portion of current Snow &
23 Ogden customers who could not continue to receive natural gas service. These
24 customers are not simply potential ratepayers in a rural extension case. Rather
25 these are current customers of a regulated public utility in Indiana who, through

1 no fault of their own, are in danger of losing natural gas service for home heating.
2 The OUCC believes these unique circumstances provide sufficient justification
3 for waiving the deposit requirement in this particular situation.

VI. RECOMMENDATIONS

4 **Q: What are the OUCC's recommendations in this Cause?**

5 A: The OUCC recommends approval of Petitioner's request for authorization to
6 serve the Expansion Area and the transfer of Snow & Ogden's necessity
7 certificate to Petitioner.

8 The OUCC does not oppose Petitioner's request for recovery of the cost of
9 the transfer of the necessity certificate in a future TDSIC filing. Further, the
10 OUCC does not oppose Petitioner's request for recovery of reasonable and
11 prudent costs of the line extension in a future TDSIC filing. However, the
12 reasonableness and prudence of those costs will be addressed in that future
13 TDSIC proceeding.

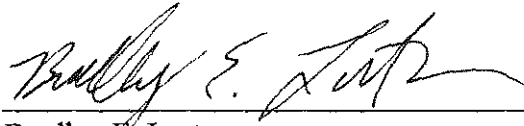
14 Finally, the OUCC does not believe current Snow & Ogden customers
15 should have to bear the burden of large customer deposits merely to continue
16 receiving natural gas service. Consequently, the OUCC recommends approval of
17 Petitioner's request to waive the deposit requirement for current Snow & Ogden
18 customers in the Expansion Area.

19 **Q: Does this conclude your testimony?**

20 A: Yes.

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.



Bradley E. Lorton
Utility Analyst II
Indiana Office of Utility Consumer Counselor
Cause No. 44563
Vectren North (CPCN)

November 21, 2014

Date

APPENDIX TO TESTIMONY OF
OUCW WITNESS BRADLEY E. LORTON

1 **Q: Please describe your educational background and experience.**

2 A: My expertise is in economics and public utility regulation. I hold Bachelor of Science
3 and Master of Science degrees in Economics from Indiana State University. I also
4 completed additional courses in Economics, Mathematics and Labor Studies at Indiana
5 University-Purdue University at Indianapolis. I have completed the Regulatory Studies
6 Program sponsored by the National Association of Regulatory Utility Commissioners
7 (NARUC) at Michigan State University. I recently completed NARUC's Advanced
8 Regulatory Studies Program: Ratemaking, Accounting and Economics.

9 I have over thirty-five years of experience in government and private industry.
10 My career in public utility regulation began in 2001 when I accepted my current position
11 with the OUCW. Prior to that, I served in management and business analyst positions
12 with the U.S. Department of the Navy at the Naval Air Warfare Center in Indianapolis,
13 and its privatized successor organizations. I also served as an Economist at the Bureau of
14 Labor Statistics, United States Department of Labor, and as a Statistician for the Indiana
15 Division of Labor.

16 **Q: Have you previously testified before the Indiana Utility Regulatory Commission?**

17 A: Yes. I have previously testified before this Commission addressing economic and
18 financial issues over the past thirteen years.

19 **Q: Please describe the review and analysis you conducted in order to prepare your**
20 **testimony.**

21 A: I have reviewed the Petition in this Cause. I was also assigned to the OUCW case team
22 in Cause No. 44517, the Commission Investigation of Snow & Ogden's compliance with

1 pipeline safety standards and related issues. I reviewed the Commission's Order of July
2 30, 2014 to begin the investigation, along with the case-in-chief from testimonial staff of
3 the Commission's Pipeline Safety Division ("PSD"). On September 5, I accompanied
4 members of PSD in a canvass of the Snow & Ogden service territory in Ogden, Indiana.
5 I also participated in discussions with the OUCC, PSD and Mr. Joe Ramsey, the
6 President of Snow and Ogden. On September 23, I attended a public meeting in Ogden,
7 to advise current Snow & Ogden customers of the investigation and their options for
8 maintaining natural gas service during the 2014-15 heating season. I have participated in
9 several internal case team meetings on Cause No. 44517, and on developments leading to
10 the filing of the Petition in this Cause. In 2012, I provided testimony in Cause No. 44220
11 which approved the sale of Snow & Ogden to Mr. Ramsey.

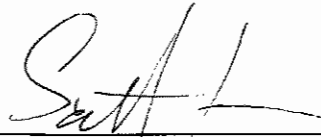
CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor's Testimony of Bradley E. Lorton – Public's Exhibit No. 1* has been served upon the following counsel of record in the captioned proceeding by electronic service on November 21, 2014.

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