

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

VERIFIED PETITION OF SOUTHERN INDIANA GAS)
AND ELECTRIC COMPANY AND INDIANA GAS)
COMPANY, INC. BOTH D/B/A VECTREN ENERGY)
DELIVERY OF INDIANA, INC. REQUESTING THE)
INDIANA UTILITY REGULATORY COMMISSION)
APPROVE AN ALTERNATIVE REGULATORY PLAN) CAUSE NO. 45401
RELATED TO ANY REQUIREMENT UNDER 170 IAC 5-)
1-9.1(F) THAT REJECTED METERS SHALL BE)
REPLACED WITHIN THE NEXT CALENDAR YEAR,)
PURSUANT TO IND. CODE CH. 8-1-2.5.)

VERIFIED PETITION

Southern Indiana Gas and Electric Company ("Vectren South") and Indiana Gas Company, Inc. ("Vectren North") both d/b/a Vectren Energy Delivery of Indiana, Inc., a CenterPoint Energy Company (collectively "Vectren" or "Petitioner"), petition the Indiana Utility Regulatory Commission ("Commission") requesting that the Commission issue an Order approving an Alternative Regulatory Plan ("ARP"), pursuant to Ind. Code § 8-1-2.5 (the "AUR Statute"), related to any requirement under 170 IAC 5-1-9.1(f) that rejected groups of meters shall be replaced within the next calendar year.

Petitioner's Characteristics and Regulated Status

1. Petitioner is an operating public utility organized and incorporated under the laws of the State of Indiana engaged in business as a gas utility with its principal office at One Vectren Square, Evansville, Indiana 47708.

2. Petitioner is engaged in the business of purchasing, transporting, distributing, and selling natural gas to the public in all, or part of, forty-six counties in central and southern Indiana. It owns, operates, manages, and controls, among other things, plant, property, equipment, and

facilities within the State of Indiana which are used and useful for the production, transmission, distribution, and furnishing of natural gas service to more than 688,000 residential, commercial and industrial customers in central and southern Indiana. Petitioner 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. Petitioner is a “public utility” and a “gas utility”, as those terms are defined in the Public Service Commission Act, Ind. Code § 8-1-2-1. Petitioner is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Public Service Commission Act, as amended, and other pertinent laws of the State of Indiana.

4. As defined in Ind. Code § 8-1-2.5-2, Petitioner is an “energy utility” and its gas service constitutes “retail energy service” as defined in Ind. Code § 8-1-2.5-3. By this Verified Petition, Petitioner elects to become subject to the provisions of Ind. Code §§ 8-1-2.5-5 and 8-1-2.5-6, to the extent necessary. This Verified Petition and Petitioner’s direct testimony and exhibits constitute its ARP for purposes of this proceeding.

Background

5. Pursuant to 170 IAC 5-1-9(2), Petitioner utilizes statistical quality control sampling (in accordance with the approved statistical quality control program prescribed in 170 IAC 5-1-9.1) to test the gas meters in the fifteenth year in service, and in each succeeding year the meter is allowed to remain in service, to ensure the meter in the population sampled does not exceed an average accuracy figure of one hundred two percent (102%) when tested at the meter’s check and open rates with an acceptable quality level (AQL) equal to ten (10.0).

6. In 2019, Petitioner's meter population sampling yielded four (4) groups that were classed as rejected, totaling fifty-four thousand six hundred and fifty-two (54,652) residential meters. The first group, installed in 1980, consists of four thousand and twenty-nine (4,029) model AL-175 TC ("1980 AL-175" or "first group") meters manufactured by American Meter Company and located within Vectren North's territory. The second group, installed in 1987, consists of nine thousand three-hundred and thirty-three (9,333) model R-275 TC ("1987 R-275" or "second group") meters manufactured by Equimeter and located within Vectren North's territory. The third group, installed in 1999, consists of eleven thousand eight-hundred and forty-one (11,841) model R-275 TC ("1999 R-275" or "third group") meters manufactured by Invensys and located within Vectren North's territory. The fourth group, installed in 2004, consists of twenty-nine thousand four-hundred and forty-nine (29,449) model AC-250 TC ("2004 AC-250" or "fourth group") meters manufactured by American Meter Company and installed throughout Vectren North and Vectren South service territories.

7. For the first three (3) groups, the primary cause of noncompliance is frictional and physical wear affecting the mechanical components of the meter. These first three (3) groups have a higher standard deviation (1.322 to 1.545), meaning their performance (relative to accuracy) is rather inconsistent. For the fourth group, noncompliance is caused by a material defect affecting the accuracy of the meter across the entire group. The fourth group has a lower standard deviation (.936), meaning despite their inaccuracy, the group is performing within close tolerance of the average accuracy. Despite the material defect, AC-250 meters are generally considered to be high-performing devices with a service life of thirty (30) or more years. The material defect found in the fourth group (installed in 2004) is potentially existent in the AC-250 meters installed by the Petitioner in 2005 and 2006 (representing an additional forty-three thousand and ninety-one (43,091) meters).

8. Title 170 Indiana Administrative Code Section 5-1-9.1(f) provides “[r]ejected groups, or subgroups, [of gas meters] shall be scheduled for removal from service during the next calendar year and shall be adjusted to meet the limits established under section 8 of this rule before being returned to service.”

9. The volume of meters to be replaced by December 31, 2020 (as required by 170 IAC 5-1-9.1(f)) is unprecedented for Petitioner. Meter replacement has historically been performed by Petitioner’s employees and in general, consists of replacing, on average over the last five years, 27,687 meters each year (of which, on average, 5,200 are part of rejected groups.) Replacing the four groups of meters would be in addition to the average baseline of approximately 27,000 meters per year. Due to the large volume, several factors have the potential to impact Vectren’s ability to timely source the materials and labor for replacing the non-compliant meters. First, replacement of (some, or all, of) the four groups will require adherence to procurement processes for sourcing additional meters above and beyond the annual baseline volume and contract labor to perform the replacements. In addition to the contracting requirements, other natural gas utilities that have AC-250 meters (with the same material defect and resulting accuracy issues) deployed in the field may be facing similar labor supply issues.

10. Labor supply is compounded by COVID-19 in multiple respects. Contractor delays, non-priority work delays, and social distancing requirements will make procuring contract labor and performing the replacements by the end of 2020 impractical. Additionally, unforeseen delays are likely as the full scope and duration of the impacts associated COVID-19 are not yet known.

Alternative Utility Regulation Act

11. The Commission previously has waived requirements under its regulations. See *e.g., Re Petition of Indiana Gas Company, Inc. Relating to Transfer of Snow & Ogden*, Cause No.

44563 (December 30, 2014) (the Commission granted a waiver of the deposit rules found in 170 IAC 5-1-27).

12. Moreover, in adopting Ind. Code § 8-1-2.5, the General Assembly found that: “flexibility in the regulation of energy services providers is essential to the well-being of the state, its economy, and its citizens.” The General Assembly further found: “the public interest requires the commission to be authorized to issue orders and to formulate and adopt rules and policies that will permit the commission in the exercise of its expertise to flexibly regulate and control the provision of energy services to the public . . . giving due regard to the interests of consumers and the public, and to the continued availability of safe, adequate, efficient, and economical energy service.”

13. Accordingly, the AUR Statute allows the Commission to “adopt alternative regulatory practices, procedures, and mechanisms” that are in the public interest as determined by consideration of the factors set forth in Ind. Code § 8-1-2.5-5 and enhance or maintain the value of the energy utility's retail energy services or property.

Relief Sought by Petitioners

14. The Petitioner proposes an extended schedule to safely, efficiently, effectively, and economically replace the non-compliant meter groups. Despite the challenges described above, the Petitioner proposes to schedule and replace the first three (3) groups by December 31, 2021. For the fourth group, due to the volume and previously described challenges, Petitioner proposes a five (5) year period to schedule and replace the non-compliant meters (with all replaced by December 31, 2024). The same material defect found in the AC-250 meters installed in 2004 is potentially present in in the AC-250 meters that Petitioner installed in 2005 and 2006. If the defect is present and leads to the same accuracy issue for the 2005 and 2006 meter populations then Petitioner would also propose a five (5) year period to schedule and replace the non-compliant

meters (with meters tested in 2020 replaced by December 31, 2025 and meters tested in 2021 replaced by December 31, 2026). An extended replacement schedule would provide operational flexibility, enable efficient and levelized resource management, and allow Petitioner to implement a replacement program in a cost-effective manner given the additional issues discussed above. Moreover, once social distancing limitations are lifted, Petitioner will be able to more effectively, efficiently, and economically replace the meters. An extended replacement schedule affords Petitioner the operational flexibility to schedule orders for meters and the associated labor to replace them in the most efficient and cost-effective manner possible. Existing rules requiring replacement by December 31, 2020 are wasteful because they require the Petitioner to incur unnecessary costs and adversely impact the cost-effectiveness of utility service to its customers. Pursuant to the AUR Statute, regulatory flexibility to allow for a five (5) year replacement schedule encourages energy utility efficiency which benefits the Petitioner and its customers.

15. Given the fourth group has more than ten (10) years of service life left and a low standard deviation related to accuracy, replacement of the fourth group (in the near-term) would be less cost-effective for Petitioner and its customers. To reduce waste and mitigate financial impact to customers given the inaccuracy, with its extended replacement plan for the fourth group, Petitioner proposes to perform a virtual calibration to the non-compliant meter population. Applying virtual calibration consists of applying a volume correction factor (or multiplier) to customer bills associated with the fourth group (and other similarly situated, i.e. AC-250 meters with the same material defect, groups) such that the average accuracy of the meter group is corrected to one hundred percent (100%). If the same material defect is present and leads to the same accuracy issue for the 2005 and 2006 meter populations then the virtual calibration will be also be applied for those groups. Virtual calibration (through an automatic back-end billing adjustment) benefits the Petitioner's customers. The Petitioner's proposed ARP avoids the cost and labor supply issues associated with rapid replacement (as required under 170 IAC 5-1-9.1(f))

while providing a solution which allows for customers to have accurate and reliable meters without an adverse rate impact associated with large-scale meter replacement.

16. Deferring replacement until their accuracy can no longer be reliably corrected and keeping the fourth group of meters in service promotes efficient resource management, as opposed to the detrimental demand on resources required to provide the labor for a full replacement before December 31, 2020. The proposed ARP allows the Petitioner to harmonize resources, levelize resource demand, and better control costs thus maximizing the Petitioner's ability to provide utility services focused on cost-effectiveness, quality, and reliability.

17. Petitioner commits to monitor the meters in the fourth group (and other similarly situated, i.e. AC-250 meters with the same manufacturing defect, groups) on an annual basis prior to replacement and expedite replacement for those meters which (with correction described above) fall outside the acceptable accuracy threshold of one hundred and two percent (102%), as prescribed by 170 IAC 5-1-9(2).

18. This virtual calibration combined with a cost-effective and extended replacement schedule (by December 31, 2021 for the first three groups and within five (5) years for fourth group) aligns with the goal of operation flexibility codified in the AUR Statute because it allows meters with predictable future performance to stay in service (and provide accurate and reliable measurements) until such time as they may be replaced. Virtual calibration renders existing rules (specifically, rapid replacement requirements) unnecessary and potentially wasteful. As such, the extended replacement scheduled coupled with virtual calibration is more efficient and cost-effective for the Petitioner and its customers.

19. Providing for a five (5) year replacement schedule and applying virtual calibration to the fourth group (and other similarly situated, i.e. AC-250 meters with the same manufacturing defect, groups) prior to such replacement also benefits the State by not putting additional

pressures on labor supply which could negatively impact all utility customers across the State. Additionally, any practice which can decrease the amount of labor resources deployed to customer's homes during COVID-19 is in the public interest.

Four Criteria in Determining Public Interest

20. In determining whether the public interest will be served through approval of an ARP, the Commission is to consider four areas delineated in Ind. Code § 8-1-2.5-5(b). The proposed program satisfies each of these criteria in the following fashion:

i. Current operating conditions make this unprecedented volume of meter replacement (by December 31, 2020) wasteful because the need to procure for contract labor (compounded by COVID-19) significantly increases the cost of such replacement. Additionally, technology allows for virtual calibration to ensure proper billing and makes rapid replacement unnecessary.

ii. The Commission's approval of Vectren's proposed ARP will benefit the utility, its consumers and the state by allowing Vectren to harmonize resources and levelize resource demand to deploy its resources more effectively and efficiently. The extended replacement period benefits customers by allowing the utility to better control costs. A rapid replacement would likely lead to undue pressure on labor supply which could negatively impact all utility customers across the state.

iii. The Commission's declining to exercise, in whole or in part, its jurisdiction will promote energy utility efficiency because the flexibility to replace meters over a longer time period allows for more efficient long-term resource planning and allocation which means Vectren is able to better control costs attributable to meter replacement.

iv. The exercise of Commission jurisdiction could inhibit Vectren from competing with other providers of functionally similar energy services or equipment by impacting Vectren's ability to leverage technology-driven solutions designed to optimize the delivery of safe, reliable, and cost-effective utility services.

21. Moreover, in accordance with Ind. Code § 8-1-2.5-6(a)(1)(B), the Commission's approval of Petitioner's ARP helps maintain the value of Vectren's retail energy services by allowing for a cost-effective meter replacement schedule combined with virtual calibration to ensure the Petitioner is able to continue delivery of reliable, high-quality energy service to its customers.

Applicable Law

22. Petitioner considers the provisions of the AUR Statute, as amended, applicable to this proceeding, including Ind. Code § 8-1-2.5, *et. seq.*

Petitioner's Counsel

23. The names and addresses of persons authorized to accept service of papers in this proceeding are:

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Procedural Matters

Petitioner requests that the Commission approve a procedural schedule agreed to by the Petitioner and the Indiana Office of the Utility Consumer Counselor and dispense with conducting a prehearing conference. The agreed schedule is as follows:

Date	Event
September 18, 2020	OUCC/Intervenors File Case-in-Chief
October 9, 2020	Petitioner's Rebuttal Testimony
October 23, 2020	Hearing

WHEREFORE, Southern Indiana Gas and Electric Company and Indiana Gas Company, Inc. both d/b/a Vectren Energy Delivery of Indiana, Inc. respectfully requests that the Commission promptly publish notice, make such other investigation and hold such hearings as are necessary or advisable and thereafter, make and enter an order in this Cause:

- (a) approving an Alternative Regulatory Plan related to any requirement under 170 IAC 5-1-9.1(f) that rejected groups of meters be replaced within the next calendar year, pursuant to Ind. Code § 8-1-2.5; and
- (b) granting Petitioners such additional and further relief as may be deemed necessary or appropriate.

Dated this 2nd day of July 2020

Respectfully Submitted,

Southern Indiana Gas and Electric Company and
Indiana Gas Company, Inc. both d/b/a Vectren Energy
Delivery of Indiana, Inc. a CenterPoint Energy Company

A handwritten signature in black ink, appearing to read 'R. C. Leger', written over a horizontal line.

Richard C. Leger
Vice President, Regional Operations

VERIFICATION

I, Richard C. Leger, Vice President, Regional Operations for Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. a CenterPoint Energy Company and Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc., a CenterPoint Energy Company, under penalty of perjury, affirm that the foregoing representations are true and correct to the best of my knowledge, information and belief.

Southern Indiana Gas and Electric Company and
Indiana Gas Company, Inc. both d/b/a Vectren Energy
Delivery of Indiana, Inc. a CenterPoint Energy Company

A handwritten signature in black ink, appearing to read 'R. C. Leger', is written over a solid horizontal line.

Richard C. Leger
Vice President, Regional Operations

Respectfully submitted,
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
AND INDIANA GAS COMPANY, INC. BOTH d/b/a
VECTREN ENERGY DELIVERY OF INDIANA, INC., A
CENTERPOINT ENERGY COMPANY



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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on July 2, 2020, the foregoing was served via electronic mail transmission upon the following counsel of record:

Indiana Office of Utility Consumer Counselor
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Justin C. Hage

Dated this 2nd day of July, 2020