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From: Boyd, William [<mailto:WBoyd@urc.IN.gov>]
Sent: Tuesday, July 03, 2012 3:58 PM
To: Wiese, Jeff (PHMSA); PHMSA-State-Updates
Cc: Atterholt, Jim; Veneck Jr., Robert; Steinhauer, Jane; Boyd, William
Subject: Cast Iron Inventory Request - Indiana Response

Dear Mr. Wiese,

In response to your recent letter from June of this year requesting an inventory of cast iron gas mains in Indiana I submit the following:

Four Indiana distribution operators reported the existence of cast iron mains still in service (data from CY 2011 F 7100.1-1 Distribution Annual Reports):

Citizens Gas	15 miles
Indiana Gas Co (Vectren)	161 miles
NIPSCO	6.5 miles
SIGECO (Vectren)	139 miles
Total	321.5 miles, a reduction of 11.5 miles from that which was reported for CY 2010.

Vectren, the holding company for Indiana Gas and Southern Indiana Gas and Electric (SIGECO), has requested and been granted for each company the use of a tracking mechanism that allows them to defer expenses from infrastructure replacement projects. These projects focus on cast iron and bare steel main and service replacements. The rate tracking mechanisms are explained in more detail below.

Citizens Gas, which reports the next highest amount of cast iron mains after Vectren, serves Marion County, which includes the city of Indianapolis. Citizens undertook a project a number of years ago where they installed WEKO-SEAL's on all of their 24" cast iron mains, which accounts for approximately 9 miles of the 15 miles reported (<http://www.millerpipeline.com/weko-seal.html>). There is no cast iron pipe in the greater Indianapolis downtown area. Citizens currently does not have a formal plan to replace their cast iron.

Northern Indiana Public Service Company (NIPSCO) likewise does not have a formal plan to remove what remains of their cast iron pipe.

Indiana – Vectren North - Indiana Gas

In its most recent rate case in 2008, Vectren North (Indiana Gas) received approval to implement a tracking mechanism that allows the utility to defer expenses associated with investments in infrastructure replacement projects. Vectren defers the recovery of depreciation expense and property taxes and continues to utilize the allowance for funds

used during construction (AFUDC) for 4 years from the date that each replacement was put in service. The company is allowed to defer up to \$20 million per year. All projects receiving the accounting treatment at the time the company files its next base rate case continue to receive that treatment until a base rate order is issued; projects that are included in rate base and initiated after a rate case is filed are also eligible for the deferral accounting and later recovery.

Indiana – Vectren South - SIGECO

In its 2006 rate cases, Vectren received approval of a tracking mechanism for recovery of an accelerated bare steel and cast iron pipeline replacement program for Vectren South (Southern Indiana Gas and Electric Company). The company defers the recovery of depreciation expense and continues AFUDC for period of 3 years from the in-service date of each replacement project; the accounting treatment is limited to \$3 million of program investment per year. Any projects receiving the accounting treatment at the time the company files its next base rate case continue to receive that treatment until a base rate order is issued; projects that are included in rate base and initiated after a rate case is filed are also eligible for the treatment.

Please do not hesitate to contact me for more information or if you have questions.

Respectfully,

William Boyd

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