

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, JULY 21, 2016

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APPLICATION OF

ROANOKE GAS COMPANY

CASE NO. PUE-2016-00073

For a modification of its SAVE
Plan and Rider

ORDER FOR NOTICE AND COMMENT

On June 30, 2016, Roanoke Gas Company ("Roanoke Gas" or "Company") filed an application with the State Corporation Commission ("Commission") to modify its SAVE Plan and Rider¹ pursuant to § 56-603 *et seq.* of Title 56 of the Code of Virginia ("Code"), the Steps to Advance Virginia's Energy Plan (SAVE) Act ("Application"). The Company filed this Application in accordance with the Commission's August 29, 2012 Order Approving SAVE Plan and Rider in Case No. PUE-2012-00030,² as modified in Case Nos. PUE-2013-00091, PUE-2014-00067, and PUE-2015-00076.³ With its Application, the Company filed documentation of the SAVE qualifying projects that are planned for the calendar year 2017 and the corresponding SAVE Rider that will be associated with those projects.

¹ The Rider is a rate mechanism designed to recover SAVE Plan investment-related costs. The Rider has two components. The first component is designed to recover projected rate year SAVE investment-related costs. It is set as a fixed amount and added to each monthly bill for one year. The second component is a reconciliation factor designed to recover or refund prior period collections based on a reconciliation of the prior year's actual SAVE investment-related costs and recoveries. It is also set as a fixed amount and applied as an incremental increase or decrease to each monthly bill for one year.

² *Application of Roanoke Gas Company, For approval of a SAVE Plan and Rider pursuant to Virginia Code §§ 56-603 et seq.*, Case No. PUE-2012-00030, Doc. Con. Cen. No. 120830275, Order Approving SAVE Plan and Rider (Aug. 29, 2012).

³ *Application of Roanoke Gas Company, For modification of its SAVE Plan and Rider*, Case No. PUE-2013-00091, 2013 S.C.C. Ann. Rept. 447, Order Approving Amended SAVE Plan and Rider (Dec. 9, 2013); *Application of Roanoke Gas Company, For modification of its SAVE Plan and Rider*, Case No. PUE-2014-00067, 2014 S.C.C. Ann. Rept. 464, Final Order (Sept. 26, 2014); *Application of Roanoke Gas Company, For modification of its SAVE Plan and Rider*, Case No. PUE-2015-00076, 2015 S.C.C. Ann. Rept. 361, Order Approving Amended Save Plan and Rider (Sept. 25, 2015).

In its Application, the Company requests the following modifications to its existing SAVE Plan: (1) extend the SAVE Plan an additional three years from its current expiration of 2018 through 2021; (2) add the replacement of three gate stations; and (3) add the replacement of approximately 2,800 one-half inch coated steel tubing services and related meter bar and regulator installations.

Roanoke Gas' current SAVE Plan includes the replacement of cast iron, bare steel, and pre-1973 Aldyl-A plastic mains and services, as well as the replacement of associated legacy meter bar and regulator installations.⁴ The Plan allows the Company to spend \$7,165,000 annually on these renewals, with an annual 20% variance to allow for flexibility and unforeseen costs.⁵ The Company estimates that by the end of the 2016 SAVE Plan year, Roanoke Gas will have approximately 35 miles of first generation plastic remaining in its system. Based on its estimated renewal rate, the Company anticipates it will take approximately four years to renew all the first generation plastic in its system and, therefore, the Company requests extension of its SAVE Plan through 2021.⁶

The Company also requests approval to amend its SAVE Plan to include the replacement of three gate stations as well as approximately 2,800 one-half inch coated steel tubing services and related meter bar and regulator installations. According to the Company, these replacements have been identified as part of the Company's Distribution Integrity Management Program ("DIMP") and are part of the Company's DIMP plan.⁷ The Company states that the gate stations were installed prior to 1975, are deemed critical, and connect the distribution system to the

⁴ Direct Testimony of C. James Shockley at 2.

⁵ *Id.*

⁶ *Id.* at 4.

⁷ *Id.* at 4-5.

Company's transmission lines that connect to Columbia Gas of Virginia, Inc.'s transmission system. The Company estimates the cost of the gate station replacements to be approximately \$1 million per gate station or a total of \$3 million.⁸ The Company estimates the cost of replacement of the coated steel tubing services and related meter bar and regulator installations to be approximately \$5,600,000. The Company also states that the risks associated with the failure of steel tubing services and the critical gate stations include, but are not limited to, the loss of pressure downstream causing service interruptions to customers, the unintended release of natural gas into the atmosphere, and the potential for an explosion and fire.⁹

The Company's anticipated Virginia jurisdictional SAVE Plan investment for calendar year 2017 is approximately \$7,164,400. The Company states that the 2017 SAVE Rider is calculated using the same methodology approved in the original Save Plan and subsequent amendments; however, the rates for the 2017 SAVE Rider were calculated using a different methodology than previous SAVE cases.¹⁰ According to the Company, the estimated revenue requirement for the 2017 SAVE Plan projects is \$4,060,224, effective January 1, 2017.¹¹

The Company also submitted a summary of the results of the calendar year 2015 actual investment-related costs and revenues for the SAVE qualifying projects completed for the period of January 1, 2015, through December 31, 2015. Because the Company's SAVE Rider revenue for calendar year 2015 exceeded the revenue recovery needed to cover the investment-related costs for the SAVE eligible projects completed in 2015, the Company proposes to refund \$103,003 to customers beginning January 1, 2017.

⁸ *Id.* at 3.

⁹ *Id.* at 6.

¹⁰ Direct Testimony of Niklas E. Banka at 6.

¹¹ *Id.* at 4.

NOW THE COMMISSION, having considered the Company's Application and the applicable law, is of the opinion and finds that this matter should be docketed; that Roanoke Gas should provide public notice of its Application; that interested persons should be afforded an opportunity to file comments on the Company's Application and request a hearing; and that the Commission's Staff ("Staff") should investigate the Application and file a report containing the Staff's findings and recommendations ("Staff Report").

Accordingly, IT IS ORDERED THAT:

- (1) This matter is docketed as Case No. PUE-2016-00073.
- (2) As provided by § 12.1-31 of the Code and Rule 5 VAC 5-20-120, *Procedure before hearing examiners*, of the Commission's Rules of Practice and Procedure ("Rules of Practice"), 5 VAC 5-20-10 *et seq.*, a Hearing Examiner is appointed to rule on any discovery matters that may arise in this proceeding.
- (3) On or before August 16, 2016, Roanoke Gas shall cause a copy of the following notice to be published as display advertising (not classified) on one (1) occasion in newspapers of general circulation throughout the Company's service territory within the Commonwealth of Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION BY
 ROANOKE GAS COMPANY FOR MODIFICATION OF ITS
 SAVE PLAN AND RIDER
CASE NO. PUE-2016-00073

On June 30, 2016, Roanoke Gas Company ("Roanoke Gas" or "Company") filed an application with the State Corporation Commission ("Commission") to modify its SAVE Plan and Rider pursuant to § 56-603 *et seq.* of Title 56 of the Code of Virginia ("Code"), the Steps to Advance Virginia's Energy Plan (SAVE) Act ("Application"). The Company filed this Application in accordance with the Commission's August 29, 2012 Order Approving SAVE Plan and Rider in Case No. PUE-2012-00030, as modified in Case Nos. PUE-2013-00091, PUE-2014-00067, and

PUE-2015-00076. With its Application, the Company filed documentation of the SAVE qualifying projects that are planned for the calendar year 2017 and the corresponding SAVE Rider that will be associated with those projects.

In its Application, the Company requests the following modifications to its existing SAVE Plan: (1) extend the SAVE Plan an additional three years from its current expiration of 2018 through 2021; (2) add the replacement of three gate stations; and (3) add the replacement of approximately 2,800 one-half inch coated steel tubing services and related meter bar and regulator installations.

Roanoke Gas' current SAVE Plan includes the replacement of cast iron, bare steel, and pre-1973 Aldyl-A plastic mains and services, as well as the replacement of associated legacy meter bar and regulator installations. The Plan allows the Company to spend \$7,165,000 annually on these renewals, with an annual 20% variance to allow for flexibility and unforeseen costs. The Company estimates that by the end of the 2016 SAVE Plan year, Roanoke Gas will have approximately 35 miles of first generation plastic remaining in its system. Based on its estimated renewal rate, the Company anticipates it will take approximately four years to renew all the first generation plastic in its system and, therefore, the Company requests extension of its SAVE Plan through 2021.

The Company also requests approval to amend its SAVE Plan to include the replacement of three gate stations as well as approximately 2,800 one-half inch coated steel tubing services and related meter bar and regulator installations. According to the Company, these replacements have been identified as part of the Company's Distribution Integrity Management Program ("DIMP") and are part of the Company's DIMP plan. The Company states that the gate stations were installed prior to 1975, are deemed critical, and connect the distribution system to the Company's transmission lines that connect to Columbia Gas of Virginia, Inc.'s transmission system. The Company estimates the cost of the gate station replacements to be approximately \$1 million per gate station or a total of \$3 million. The Company estimates the cost of replacement of the coated steel tubing services and related meter bar and regulator installations to be approximately \$5,600,000. The Company also states that the risks associated with the failure of steel tubing services and the critical gate stations include, but are not limited to, the loss of pressure downstream causing service interruptions to customers, the unintended release of natural gas into the atmosphere, and the potential for an explosion and fire.

The Company's anticipated Virginia jurisdictional SAVE Plan investment for calendar year 2017 is approximately \$7,164,400. The Company states that the 2017 SAVE Rider is calculated using the same methodology approved in the original Save Plan and subsequent amendments; however, the rates for the 2017 SAVE Rider were calculated using a different methodology than previous SAVE cases. According to the Company, the estimated revenue requirement for the 2017 SAVE Plan projects is \$4,060,224, effective January 1, 2017.

The Company also submitted a summary of the results of the calendar year 2015 actual investment-related costs and revenues for the SAVE qualifying projects completed for the period of January 1, 2015, through December 31, 2015. Because the Company's SAVE Rider revenue for calendar year 2015 exceeded the revenue recovery needed to cover the investment-related costs for the SAVE eligible projects completed in 2015, the Company proposes to refund \$103,003 to customers beginning January 1, 2017.

Interested persons are encouraged to review the Application and supporting documents for the details of these and other proposals. While the total revenue that may be approved by the Commission is limited to the amount produced by the Company's proposed rates, TAKE NOTICE that the Commission may approve revenues, and adopt rates, fees, charges, tariff revisions, and terms and conditions of service that differ from those appearing in the Application and supporting documents and may apportion revenues among customer classes and/or design rates in a manner differing from that shown in the Application and supporting documents.

The Commission entered an Order for Notice and Comment that, among other things, directed the Company to provide notice to the public and provided interested persons an opportunity to comment on the Company's Application.

A copy of the Company's Application may be obtained by submitting a written request to counsel for the Company, Timothy E. Biller, Esquire, Hunton & Williams, LLP, 951 East Byrd Street, Richmond, Virginia 23219. The Application and related documents are also available for review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may

download unofficial copies from the Commission's website:
<http://www.scc.virginia.gov/case>.

On or before August 26, 2016, any interested person may file written comments on Roanoke Gas's Application with Joel H. Peck, Clerk, State Corporation Commission, P.O. Box 2118, Richmond, Virginia 23218. On or before August 26, 2016, interested persons desiring to submit comments electronically may do so by following the instructions on the Commission's website: <http://www.scc.virginia.gov/case>. Comments shall refer to Case No. PUE-2016-00073.

On or before August 26, 2016, interested persons desiring to participate as a respondent in this proceeding shall file an original and fifteen (15) copies of a notice of participation as a respondent pursuant to Rule 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure ("Rules of Practice"). The notice of participation shall be filed with the Clerk of the Commission at the address set forth above or filed electronically by following the instructions found on the Commission's website: www.scc.virginia.gov/case. The notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. All filings shall refer to Case No. PUE-2016-00073, and copies thereof shall simultaneously be served on counsel for the Company.

On or before August 26, 2016, any interested person may request a hearing in this matter by filing a request for hearing. Any request for hearing shall state with specificity why the issues raised in the request for hearing cannot be adequately addressed without a hearing. All such requests for hearing shall be filed in an original and fifteen (15) copies with the Clerk of the Commission at the address set forth above, or filed electronically by following the instructions found on the Commission's website: www.scc.virginia.gov/case. Any such filings shall refer to Case No. PUE-2016-00073, and copies thereof shall simultaneously be served on counsel for the Company.

The Commission's Rules of Practice may be viewed at the Commission's website: <http://www.scc.virginia.gov/case>. A printed copy of the Commission's Rules of Practice and an official copy of the Commission's Order for Notice and Comment in this proceeding may be obtained from the Clerk of the Commission at the address set forth above.

ROANOKE GAS COMPANY

(4) On or before August 16, 2016, Roanoke Gas shall serve a copy of this Order for Notice and Comment on the chairman of the board of supervisors, the county attorney of each county, and the mayor or manager (or equivalent official) and city or town attorney of every city and town in which Roanoke Gas provides service in the Commonwealth of Virginia. Service shall be made by personal delivery or by first class mail, postage prepaid, to the customary place of business or residence of the person served.

(5) Roanoke Gas promptly shall make a copy of the Application available to the public, who may obtain a copy of the Application at no charge by requesting a copy of the same in writing from the Company's counsel, Timothy E. Biller, Esquire, Hunton & Williams LLP, 951 East Byrd Street, Richmond, Virginia 23219. The Application and related documents also shall be available for interested persons to review in the Commission's Document Control Center located on the first floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia 23219, between the hours of 8:15 a.m. and 5 p.m., Monday through Friday, excluding holidays. Interested persons also may download unofficial copies from the Commission's website: <http://www.scc.virginia.gov/case>.

(6) On or before August 26, 2016, interested persons may file comments concerning the issues in this case with Joel H. Peck, Clerk, State Corporation Commission, P.O. Box 2118, Richmond, Virginia 23218. On or before August 26, 2016, interested persons desiring to submit comments electronically may do so by following the instructions found on the Commission's website: www.scc.virginia.gov/case. Comments shall refer to Case No. PUE-2016-00073.

(7) On or before August 26, 2016, any interested person may participate as a respondent in this proceeding by filing a notice of participation in accordance with 5 VAC 5-20-140, *Filing*

and service, and 5 VAC 5-20-150, *Copies and format*, of the Commission's Rules of Practice. If not filed electronically, an original and fifteen (15) copies of the notice of participation shall be submitted to the Clerk of the Commission at the address set forth in Ordering Paragraph (6).

Pursuant to 5 VAC 5-20-80 B, *Participation as a respondent*, of the Rules of Practice, any notice of participation shall set forth: (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. All filings shall refer to Case No. PUE-2016-00073.

(8) On or before August 26, 2016, interested persons may request that the Commission convene a hearing on the Company's Application by filing an original and fifteen (15) copies of a request for hearing with the Clerk of the Commission at the address set forth in Ordering Paragraph (6), or by filing a request for hearing electronically by following the instructions found on the Commission's website: www.scc.virginia.gov/case. Requests for hearing must include: (i) a precise statement of the filing party's interest in the proceeding; (ii) a statement of the specific action sought to the extent then known; (iii) a statement of the legal basis for such action; and (iv) a precise statement why a hearing should be conducted in this matter. All such filings shall refer to Case No. PUE-2016-00073.

(9) A copy of any requests for hearing and notice of participation shall be sent to counsel for the Company at the address set forth in Ordering Paragraph (5).

(10) The Staff shall investigate the Application. On or before September 21, 2016, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of a Staff Report containing its findings and recommendations and shall promptly serve a copy of the same on counsel to the Company and all respondents.

(11) On or before October 5, 2016, Roanoke Gas may file with the Clerk of the Commission any response in rebuttal to the Staff Report and any comments filed by interested persons in this proceeding.

(12) On or before August 26, 2016, the Company shall provide the Commission with the proof of notice and service required by Ordering Paragraphs (3) and (4), respectively.

(13) The Company shall respond to written interrogatories or requests for the production of documents within four (4) calendar days after the receipt of the same. In addition to the service requirements of 5 VAC 5-20-260, *Interrogatories or requests for production of documents and things*, of the Rules of Practice, on the day that copies are filed with the Clerk of the Commission, a copy of the interrogatory or request for production shall be served electronically, or by facsimile, on the party to whom the interrogatory or request for production is directed or the assigned Staff attorney, if the interrogatory or request for production is directed to the Staff.¹² Except as so modified, discovery shall be in accordance with Part IV of the Commission's Rules of Practice.

(14) This matter is continued generally pending further order of the Commission.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:

Timothy E. Biller, Esquire, Hunton & Williams, LLP, 951 East Byrd Street, Richmond, Virginia 23219; and C. Meade Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 202 North Ninth Street, Richmond, Virginia 23219. A copy also shall be delivered to the Commission's Office of General Counsel and Divisions of Energy Regulation, Utility Accounting and Finance, and Utility and Railroad Safety.

¹² The assigned Staff attorney is identified on the Commission's website, <http://www.scc.virginia.gov/case>, by clicking "Docket Search," and clicking "Search Cases," and entering the case number, PUE-2016-00073, in the appropriate box.