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1 to not have this package include the chance to pilot
2 and develop some programs in these other areas for
3 exactly that reason, to help develop this capability.

4 Q. Mr. Kushler, do you recall the questions
5 by Mr. Randazzo comparing the Vectren funding in the
6 April 6th Stipulation of about \$693, hypothetically, to
7 the funding of \$2 million in the January 12th
8 Stipulation?

9 A. I recall that hypothetical question.

10 Q. Is it your opinion that a just math test
11 is the test you apply when evaluating whether
12 decoupling and conservation programs are in the public
13 interest or benefit ratepayers?

14 A. Can you define what you mean by "a just
15 math test"?

16 Q. The dollars spent by the Company in one
17 Stipulation versus only the dollars spent by the
18 Company in another Stipulation.

19 A. I think there would be certainly a lot of
20 other factors to consider as to whether the overall
21 agreement was in the public interest.

22 Q. What would some of those factors be that
23 you would add to Mr. Randazzo's question?

24 A. Well, earlier I heard the Company witness,

1 Mr. Ulrey, talk about a commitment to driving down
2 customer consumption of gas as much as possible to help
3 them reduce their costs for the gas commodity and so
4 forth, and it was, you know, certainly an admirable
5 description of an objective, but if I was going to have
6 that objective, I would certainly want a more robust
7 portfolio of programs to help customers do that; so I
8 think that my perception in looking at this is that
9 there's a gap there between the positives that could
10 come out of this kind of arrangement in exchange for
11 decoupling versus what will actually be realized in
12 terms of energy efficiency.

13 Q. In your opinion, is there also a gap
14 between -- not only between the amount of money spent
15 on decoupling and what the program could be, but the
16 cost of decoupling versus what the program fundings
17 are?

18 A. It would appear to be that the -- that
19 economic value, if you will, of decoupling that a
20 company exceeds the cost of this being invested in
21 energy efficiency. You know, as we've discussed, those
22 numbers are moving around a bit, but, you know, I would
23 say that that tends to reinforce my notion of this gap
24 between what we see in the Stipulation and what it

1 really could be to best represent the public interest.

2 Q. Nothing further.

3 THE EXAMINER: Mr. Randazzo.

4 MR. RANDAZZO: Just one.

5 RECROSS-EXAMINATION

6 By Mr. Randazzo:

7 Q. Doctor, I'd like you to assume a couple of
8 things for me.

9 A. Two things?

10 Q. Two things. Then I'm going to ask you a
11 question. I'd like you to assume that the decoupling
12 mechanism has not changed during the course of this
13 proceeding; in other words, the mechanism that is in
14 the January 12th Stipulation both conceptually and
15 mathematically is the same as it was in the April 2006
16 Stipulation. Got that one?

17 A. Okay.

18 Q. All right. I'd like you to assume that
19 the level of shareholder funding associated with the
20 January 2007 settlement is significantly in excess,
21 more than two times the shareholder funding that was
22 embedded in the April 2006 Stipulation. Will you
23 accept that one?

24 A. Okay.

1 Q. All right. Now, as a matter of math, is
2 the economic value to Vectren less as a result of the
3 January 12th, 2006 -- or 2007 Stipulation than it was
4 for the April 2006 Stipulation, based on those two
5 assumptions?

6 A. Under your hypothetical scenario?
7 Constraining ourselves to the assumptions around those
8 sets of numbers, I think the math would suggest that
9 the economic value is not greater -- the economic --
10 the net economic value would be less if we constrain
11 ourselves to those two parameters that you talked
12 about, whatever the effect of the decoupling is and
13 this \$2 million versus this other figure.

14 Q. And just so I'm clear, that the net
15 economic value of the January 2007 settlement,
16 constrained by those two assumptions, is less than the
17 net economic value to Vectren associated with the April
18 2006 Stipulation; is that correct?

19 MS. ROBERTS: I object. That wasn't what
20 the witness said. I think what the witness said was
21 that he was evaluating the economic value to Vectren.

22 MR. RANDAZZO: Well, I'd like to discuss
23 with the witness what the witness said.

24 THE EXAMINER: Objection is overruled.

1 Please answer the question.

2 By Mr. Randazzo:

3 Q. Did you understand the question?

4 A. Could you repeat that?

5 Q. I want to be clear about the implications
6 of the statement before my last question. As I
7 understand the statement that you made, it is this, and
8 you can correct me if I'm wrong, the statement that you
9 made is that constrained by the two assumptions that I
10 outlined earlier in the prior question, the economic
11 value to Vectren is less as a result of the January
12 2007 Stipulation than it would have been had the
13 Commission approved the April 2006 Stipulation as
14 filed?

15 A. Well, the economic value to ratepayers in
16 total is also considerably less, so I don't know how
17 you counterbalance the -- I mean, the fact that it's
18 less on that variable doesn't overcome the problem with
19 the Stipulation that --

20 THE EXAMINER: I would direct you to
21 answer his questions, and then Miss Roberts can ask you
22 questions on redirect with respect to ratepayers.

23 THE WITNESS: Sorry. One more time.

24 THE EXAMINER: You want us to read the

1 question back?

2 MR. RANDAZZO: No, no.

3 By Mr. Randazzo:

4 Q. Constrained by the two assumptions we
5 previously discussed -- do you recall the assumptions?

6 A. Yes.

7 Q. Am I correct that the economic value to
8 Vectren is less under the January 2007 Stipulation than
9 it would have been had the Commission approved the
10 April 2006 Stipulation as filed?

11 A. If the definition of economic value is
12 constrained simply to that math, then that would be
13 correct.

14 Q. Okay. That's all I have. Thank You.

15 THE EXAMINER: Mr. Rinebolt.

16 MR. RINEBOLT: Yes, Your Honor. Two quick
17 questions.

18 RECROSS-EXAMINATION

19 By Mr. Rinebolt:

20 Q. Hypothetically, if this case was -- if the
21 Company in this case had come in and said we want to
22 give \$2 million of shareholder money to provide
23 weatherization assistance to a large swath of our
24 customers, would you conclude that -- independent of

1 anything else -- that that was in the public interest?

2 A. If they just came forward with that
3 generous offer, I would say that would be a laudable
4 offer.

5 Q. So what this case is really about is
6 measuring the benefits associated with a weatherization
7 Demand-Side Management program versus the benefits to
8 the Company associated with the decoupling?

9 A. Well, what this case is about is weighing
10 the substantial benefits of a very significant change
11 in regulation for the Company versus the benefits to
12 ratepayers that could be captured at such an
13 opportunistic moment when Ohio is reconsidering its
14 regulatory approach to its natural gas utilities.
15 That's the fundamental question in my mind.

16 Q. Well put. Thank you, Doctor. I have no
17 more questions.

18 THE EXAMINER: Mr. Jones.

19 MR. JONES: No questions, Your Honor.

20 THE EXAMINER: Miss Roberts.

21 MS. ROBERTS: Thank you, Your Honor.

22 REDIRECT EXAMINATION

23 By Ms. Roberts:

24 Q. Do you recall Mr. Randazzo's questions

1 concerning the economic value to Vectren as it relates
2 to their funding of the April 6th Stipulation?

3 A. I think so, yes.

4 Q. Versus the January 12th Stipulation. In
5 your opinion, is that an appropriate analysis of
6 whether this is in the public interest or benefits
7 ratepayers?

8 A. No. As I mentioned, it's just one -- it's
9 one small component that could be used in an overview
10 of judging the value of the Stipulation.

11 Q. Is it your opinion that this difference in
12 funding between the two stipulations that Mr. Randazzo
13 asked you hypothetically to assume would be a
14 significant element in determining whether the programs
15 offered in the Stipulation are in the public interest?

16 A. That particular comparison, no, I
17 wouldn't -- I wouldn't consider it a large, weighty
18 factor in making that determination. It's just one,
19 one piece of the mosaic, if you will, of how to assess
20 the Stipulation.

21 Q. I have no other questions. Thank you.

22 THE EXAMINER: Mr. Randazzo.

23 MR. RANDAZZO: One more.

24

RECROSS-EXAMINATION

By Mr. Randazzo:

Q. Do I understand you to say, sir, that the relative economic value between the April -- strike that. Do I understand you to say that the relative economic value to Vectren, as between the April 2006 Stipulation and the January 12th, 2007, Stipulation, is a relatively small factor in the overall analysis that the Commission should conduct in this case?

A. The relative economic value of what?

Q. As between those two documents, the April 2006 Stipulation versus the January --

A. But I'm not understanding the relative economic value of what exactly.

Q. The relative economic value to Vectren Energy Delivery of Ohio produced by those two different documents --

A. Yes.

Q. -- and my question is, do you regard that economic value to be a relatively small factor in the overall consideration the Commission should give?

A. I think the question focused on the hypothetical that you set up and the comparison of the two different voluntary programs, and what I'm saying

1 is the difference between the earlier Stipulation and
2 the second Stipulation, focusing just on that
3 difference in that value, that difference is a
4 relatively small part of what I would say the overall
5 Stipulation needs to be judged on. That was my answer.

6 Q. Okay. That's fair enough. Thank you.

7 THE EXAMINER: Mr. Rinebolt.

8 MR. RINEBOLT: No questions, Your Honor.

9 THE EXAMINER: Miss Roberts.

10 REDIRECT EXAMINATION

11 By Ms. Roberts:

12 Q. Would there be economic value to the
13 Company in planning its gas supply portfolio, for
14 example, of purchasing gas for its customers entering
15 into a robust energy efficiency demand response
16 program?

17 MR. RANDAZZO: I object. That's beyond
18 the scope of my recross.

19 THE EXAMINER: Sustained.

20 MS. ROBERTS: I'm following up on Mr.
21 Randazzo question about --

22 THE EXAMINER: It's beyond the scope of
23 what their recross was. I'm trying to listen very
24 carefully because I'm trying to narrow the issues, and

1 that is beyond the scope of what his recross was.

2 By Ms. Roberts:

3 Q. Are there also economic benefits to
4 Vectren?

5 MR. RANDAZZO: I object. It's beyond the
6 scope.

7 THE EXAMINER: I'm sorry. It's
8 sustained. You've got to keep it within the scope of
9 what he said.

10 MS. ROBERTS: I have no other questions.

11 THE EXAMINER: I have two questions that
12 you'll probably not be surprised by. Are you stating
13 an opinion as to whether or not the January Stipulation
14 is the product of serious bargaining amongst capable
15 and knowledgeable parties?

16 THE WITNESS: I have no direct knowledge
17 of that.

18 THE EXAMINER: Are you stating an opinion
19 as to whether the January Stipulation violates any
20 important regulatory principles?

21 THE WITNESS: I'm not making an opinion on
22 that.

23 THE EXAMINER: Thank you. You're
24 excused.

1 (Witness excused.)

2 MS. ROBERTS: I would ask that OCC Exhibit
3 marked F for identification be admitted into the
4 record.

5 THE EXAMINER: Mr. Randazzo.

6 MR. RANDAZZO: Same objections that were
7 previously stated and overruled by Your Honor I would
8 like at this time.

9 THE EXAMINER: Noted. Thank you. The
10 exhibit will be admitted. Let's take a break of 10
11 minutes. Thank you all.

12 (EXHIBIT ADMITTED INTO EVIDENCE.)

13 (Recess taken.)

14 THE EXAMINER: Let's go back on the
15 record.

16 STEPHEN E. PUICAN,
17 being by The Examiner first duly sworn, as hereinafter
18 certified, testifies and says as follow:

19 THE EXAMINER: Please be seated and state
20 your name and business address for the record.

21 THE WITNESS: Stephen E. Puican, 180 East
22 Broad Street, Columbus, Ohio.

23 THE EXAMINER: Mr. Jones.

24 MR. JONES: Thank you, Your Honor.

DIRECT EXAMINATION

By Mr. Jones:

Q. Mr. Puican, would you please state where you are employed and what your title is, please?

A. I'm employed by the Public Utilities of Ohio. I'm Co-Chief of the Rates and Tariffs, Energy and Water Division of the Utilities Department.

Q. And did you cause to be filed supplemental testimony of yourself on March 14, 2007, in this case?

A. Yes.

Q. And did you prepare that testimony that's marked here as Staff Exhibit 3 and is before you?

A. Yes, I did.

Q. And do you have any changes or additions to make to that testimony?

A. I have a correction to a typo. On Page 2, Line 7, the word "customers" should be customer.

Q. So on Page 2, Line 7, change the plural to singular on customer; is that correct?

A. Correct.

Q. Would there be any other changes to be noted for the record for this exhibit?

A. No.

Q. If I were to ask these questions of you as

1 presented in Staff Exhibit 3, would you have the same
2 answers to these questions?

3 A. Yes, I would.

4 MR. JONES: Your Honor, subject to
5 cross-examination, we would move for the admission of
6 Staff Exhibit 3 and offer the witness for
7 cross-examination.

8 THE EXAMINER: Miss Grady.

9 MS. GRADY: Your Honor, at this time, OCC
10 would move to strike a portion of Mr. Puican's
11 testimony that would be Page 3, in the answer to
12 Question 8, contained on Lines 11 and 12. We would
13 move to strike the last two lines, that's 11 through
14 12, starting with, "But is entirely consistent with the
15 types of alternative" -- "with the types of alternative
16 rate-making approaches permitted under the statute," on
17 the basis that it is a legal opinion, and the general
18 rule is that expert testimony on an issue of law is
19 inadmissible, similar grounds that were argued earlier
20 today.

21 THE EXAMINER: And consistent with my
22 previous ruling, the Commission has long allowed people
23 to testify as to regulatory matters. The motion to
24 strike is overruled.

1 MS. GRADY: Thank you, Your Honor.

2 MR. JONES: Thank you, Your Honor.

3 CROSS-EXAMINATION

4 By Ms. Grady:

5 Q. Good afternoon, Mr. Puican.

6 A. Good afternoon.

7 Q. On Page 1 of your testimony, Lines 5 and
8 6, you indicate that you have previously submitted
9 testimony on behalf of the Staff of the Public
10 Utilities Commission. Do you see that?

11 A. Yes, I do.

12 Q. Would that testimony you're referencing
13 there be your prefile testimony of March 20th, 2007,
14 and your prefile surrebuttal testimony filed April
15 21st, 2006?

16 A. What was the second date?

17 Q. April 21st, 2006.

18 A. Yes. Yes to both.

19 Q. Is that testimony, both the testimony
20 filed March 20th, 2007, and the testimony filed April
21 21st, 2006, that testimony still is true, to the best
22 of your knowledge, belief, and understanding?

23 A. Yes.

24 Q. And you are presenting, Mr. Puican,

1 testimony at this time in support of the Amended
2 Stipulation and Recommendation filed January 12th,
3 2007?

4 A. Correct.

5 Q. And Staff is a signatory party to that
6 Stipulation?

7 A. Correct.

8 Q. The earlier Stipulation, the April, I
9 believe, 7th, 2006, Stipulation, Staff was not a
10 signatory party?

11 A. That's correct.

12 Q. You indicate, Mr. Puican, on Page 2 of
13 your testimony, Line 1 and 2, that you previously filed
14 testimony in this -- let me strike that. Let me go
15 ahead. I thought I was asking you the question, but
16 actually there you indicate, do you not, Mr. Puican,
17 Page 2 of your testimony, the top two lines, Lines 1
18 and 2, that you previously filed testimony opposing the
19 SRR. Is that a correct characterization?

20 A. Yes. That's what it says.

21 Q. And that testimony would be the testimony
22 that we just talked about, the two pieces, your
23 prefiled and your surrebuttal?

24 A. Correct.

1 Q. You also have filed testimony or presented
2 a Staff position in the Staff report, have you not, of
3 the Company's last rate case proceeding 04-571?

4 A. Yes.

5 Q. And in that Staff report -- in that Staff
6 report, did you not oppose the use of a mechanism
7 similar to the SRR mechanism being instituted here in
8 the Amended Stipulation?

9 A. I opposed it being implemented in the rate
10 case because we had problems with the DSM quid pro quo
11 that was in exchange for the SRR, or the SRC I think it
12 was called at that time, and I believe I also expressed
13 more of a generic opinion that I didn't think that that
14 sort of a rate recovery mechanism was appropriate at
15 that time.

16 Q. And, at that time, the rate recovery
17 mechanism was known as the equalized sales adjustment?

18 A. Yes, that's correct.

19 Q. Is that any different from the SRR
20 mechanism that's being implemented by the Amended
21 Stipulation in this proceeding?

22 A. No. That piece is the same as the SRR
23 proposed here.

24 Q. Now, as part of your responsibility in

1 that case, and the case I'm talking about is 04-571,
2 you reviewed the Company's proposal, did you not?

3 A. Yes, I did.

4 Q. And that proposal included an equalized --
5 actually included two components, an equalized sales
6 adjustment charge and a conservation funding charge?

7 A. Correct.

8 Q. And for the moment, we've been talking
9 about actually the Staff report, have we not?

10 A. You mentioned the Staff report that was
11 filed in that case, yes.

12 Q. And that's where the position would have
13 been taken on the ESA, the equalized sales adjustment,
14 as well as the conservation funding component?

15 A. That was where the initial Staff position
16 on those items was laid out, yes.

17 Q. Now, you also submitted testimony in that
18 proceeding, didn't you?

19 A. Correct.

20 Q. And in that testimony you directed -- let
21 me strike that. Your testimony in that proceeding was
22 directed toward the reasonableness of the level of the
23 funding for the conservation funding component of the
24 Company's proposal?

1 A. I believe I criticized the DSM recovery
2 piece of it altogether. I think I simply argued that I
3 didn't believe customer-funded DSM was appropriate.

4 Q. Now, on Page 2 of your testimony, Question
5 5, you are quoting from your earlier filed testimony,
6 your direct; is that correct?

7 A. Yes.

8 Q. In that earlier filed testimony you stated
9 that, "Customer-funded DSM does not, on its own merits,
10 provide sufficient customer benefits to justify the
11 sales reconciliation charge"?

12 A. That's what it says, yes.

13 Q. Do you believe, Mr. Puican, that charging
14 customers for the cost of implementing natural gas DSM
15 programs is justified?

16 A. In general, no, I don't believe it's
17 justified.

18 Q. In fact, you've testified not just in this
19 case, but in the last rate case that you do not believe
20 that charging customers for the cost of implementing
21 natural gas DSM programs is justified?

22 A. Correct.

23 Q. Have there been other proceedings where
24 you've taken that position as well?

1 A. Specific to gas?

2 Q. Yes.

3 A. I can't think of any, but I'm not 100
4 percent certain.

5 Q. Mr. Puican, do you consider the costs of
6 implementing Vectren's natural gas DSM program in this
7 case to include costs related to decoupling?

8 A. I'm sorry, could I have that read again,
9 please?

10 (Question read back.)

11 THE WITNESS: I'm not sure what you're
12 asking. Decoupling could be -- in my view, decoupling,
13 in this particular case, means the decoupling of sales
14 from revenues as presented by the Sales Reconciliation
15 Rider alone, independent of any recovery of DSM costs.
16 By Ms. Grady:

17 Q. Do you have an opinion, Mr. Puican, if the
18 conservation program included in the Amended
19 Stipulation provides systemwide benefits to VEDO's
20 customers?

21 A. There are some systemwide benefits by
22 virtue of when you reduce low-income customers' bills,
23 you potentially reduce uncollectable rider amounts as
24 well as PIP recovery amounts.

1 Q. And you said potentially?

2 A. Potentially.

3 Q. Have you done any studies or seen any
4 economic -- let me strike that. Have you seen any --
5 strike that. In the context of this proceeding,
6 beginning with the application being filed in November
7 of 2005, have you seen or reviewed any data which would
8 address systemwide benefits to VEDO's customers
9 associated with low-income programs? Let's start with
10 the \$1.1 million low-income program presently in
11 place.

12 A. No. I've been recommending low-income
13 programs for many years, heading back into the early to
14 mid '90s when we -- when DSM was in its heyday, and
15 there were often discussions of DSM on the natural gas
16 side, and we consistently argued, and the Commission
17 agreed, that it was appropriate for natural gas
18 companies to conduct low-income programs independent of
19 any cost-benefit analysis that you would normally
20 associate with a DSM program. So that has never been a
21 standard for approval of low-income DSM programs.

22 Q. And you don't believe it should be a
23 standard; is that correct?

24 A. I believe the low-income programs are

1 beneficial regardless of whether you can prove they
2 have systemwide benefits.

3 Q. Now, customers were paying for the low --
4 if customers instead of shareholder funding was
5 involved with the low-income program, the \$2 million
6 program, would you insist that there be a net economic
7 value, net economic benefit to those programs?

8 A. No. I consider this another one in a long
9 line of low-income programs that have been required of
10 all the four big gas companies, and as I said, the
11 Commission has never held the standard out that you
12 have to demonstrate some net economic benefit.

13 Q. Now, would you agree with me, Mr. Puican,
14 that -- strike that. Now, the excerpt in your
15 testimony, and again I'm referencing your testimony on
16 Page 2, Question 5, the answer, you've got an excerpt
17 there --

18 A. Yes.

19 Q. -- starting with the quotation mark, that
20 would have been an excerpt specifically from your March
21 20th, 2005, testimony; correct?

22 A. It was my direct testimony in this case,
23 yes.

24 Q. And if I wanted a specific reference, that

1 would be Page 8 of your testimony, Lines 12 through
2 18? Do you have a copy of that before you?

3 A. I think I do.

4 I'm sorry, I thought I did, but I appear
5 not to.

6 Q. If you may give me a moment?

7 A. Sure.

8 THE EXAMINER: I'd like to see it.

9 MS. GRADY: Sure, (indicating).

10 By Ms. Grady:

11 Q. I guess my question -- I was just trying
12 to specify where in that March 20th testimony your
13 excerpt comes from, and I believe I said on Page 8,
14 Lines --

15 A. It looks like Line 7.

16 Q. Lines 4 and 5 -- oh, I'm sorry. Page 8,
17 Lines 12 through 18.

18 A. Okay.

19 Q. Is that where it's -- the excerpt --

20 A. That appears to be, yes.

21 Q. Now, that's an excerpt from an answer.
22 That's not the complete answer nor the complete
23 question, is it?

24 A. That's right.

1 Q. So there's testimony before that and also
2 testimony subsequent to that all within that same
3 answer?

4 A. Yes.

5 Q. Now, Mr. Puican, the original opposition
6 to the SRR was premised in part upon VEDO getting
7 benefits of decoupling while incurring none of the
8 costs of the proposed conservation funding? That's
9 what your testimony addressed?

10 A. The direct testimony in this case, yes,
11 started to move away from our previous position in the
12 rate case where we were really just opposed in
13 principle to a Sales Reconciliation Rider. When we got
14 to this particular proposal, we had started to soften
15 that position, and I think I stated several times in my
16 direct and rebuttal testimony in this case that we were
17 not irrevocably opposed to a Sales Reconciliation
18 Rider, but in this particular case, that tying it to
19 customer-funded DSM made it unpalatable to us.

20 Q. Now, you said that you had started to
21 soften your position on decoupling as opposed to DSM
22 funding? Is that what you're driving at?

23 A. Decoupling in the form of an SRR type
24 rider, yes.

1 Q. And when you say in the form of an SRR
2 type rider, are you assuming that it goes along with
3 DSM?

4 A. No.

5 Q. Now, the benefits you've testified to in
6 your March 20th testimony, are they still present under
7 the current SRR proposed in the Amended Stipulation?

8 MR. JONES: Objection, Your Honor.
9 Outside the scope of the proceeding.

10 THE EXAMINER: Miss Grady.

11 MS. GRADY: Your Honor, Mr. Puican has put
12 into its testimony excerpts from his testimony
13 explaining that this was his prior position. The
14 question and answer on five says, you previously filed
15 testimony opposing the SRR; why are you now supporting
16 it. So there's been a change in position, and I'm
17 exploring that, and the witness is putting that
18 testimony in the record. He's opened the door for this
19 cross-examination.

20 MR. JONES: Your Honor, they've waived
21 cross-examination on the other testimony, so, I mean,
22 we're not opening the door. He's explained his
23 position.

24 MS. GRADY: I'm not sure what you're

1 talking about, waiving cross-examination.

2 THE EXAMINER: The parties all waived
3 cross-examination to the previous --

4 MS. GRADY: In the other phase of the
5 proceeding, but now the Staff has changed its
6 position. It's not a signatory party. It was not a
7 signatory party before. It's a whole different ball
8 game.

9 THE EXAMINER: You'll have to explain that
10 to me. I'm not sure if I understand.

11 MS. GRADY: Well, Your Honor, the previous
12 Stipulation, the Staff was not a signatory party to.
13 It had a different decoupling mechanism, and the
14 decoupling mechanism worked in conjunction with a
15 well-rounded conservation program. Now we have a
16 Stipulation before us with a decoupling program with no
17 or very little, minimal conservation funding --

18 THE EXAMINER: I'm not sure Staff would
19 agree with your characterization of that, but what I
20 want to know is --

21 MS. HAMMERSTEIN: And I don't believe the
22 witness' testimony would agree with that either.

23 THE EXAMINER: What I want to know is why
24 you believe that the fact that the Staff signed the

1 Stipulation somehow impacts your previous waiver of the
2 cross-examination of his testimony.

3 MS. GRADY: Your Honor, I think the
4 previous cross-examination is irrelevant. Mr. Puican's
5 testified today and is putting testimony on the record
6 about why he changed positions. I am responding to his
7 questions where it's got quotes, big quotes from his
8 original testimony, and I think that I have a right to
9 cross-examine him, unless we want to strike this
10 testimony.

11 THE EXAMINER: I have no problem with your
12 cross-examination regarding prior statements, but it's
13 the prior benefits that I think his counsel is
14 objecting to.

15 MR. JONES: That's correct, Your Honor.

16 THE EXAMINER: And I'm struggling to see
17 the relevance to the prior benefits question.

18 MS. GRADY: Your Honor, I will try to be a
19 bit more directed in my questions.

20 THE EXAMINER: Thank you.

21 By Ms. Grady:

22 Q. Now, on Page 2, Line 10 of your testimony,
23 you reference a DSM rebate program. Do you see that?

24 A. I'm sorry, what line?

1 Q. That would be Page 2, Line 10. It comes
2 from your quotation from your March 20th --

3 A. I see it.

4 Q. That DSM rebate program, that is described
5 in your testimony of March 20th back on Page 7, Lines 6
6 through 10?

7 A. Yes.

8 Q. And there, when you're talking about the
9 DSM program, you're talking about the fact that you
10 believe it should be directed toward direct financial
11 incentives such as rebates that encourage purchase of
12 equipment to reduce natural gas consumption?

13 A. Maybe I'm not looking at the right place.
14 The sentence -- maybe this isn't the sentence you're
15 referring to. "Rather, the Company should be required
16 to finance the DSM rebate program discussed above
17 without any additional cost to customers," is that
18 where you are?

19 Q. Yes. And I'm saying when you're talking
20 about -- when you take this quotation or excerpt in
21 here, when you say DSM rebate program, I'm trying to
22 put that in context, and the only context that I have
23 for that is your March 20th testimony which talks about
24 that DSM rebate program.

1 A. Okay.

2 Q. So I just want to make sure that when
3 you're referencing the DSM rebate program, it goes back
4 to your March 20th testimony.

5 A. I think I'm okay with that, yes.

6 Q. Did I leave my copy of your testimony
7 there? You may -- well, you may want to check it and
8 make sure you are okay, because if you go back to --
9 what I'm saying is go back to --

10 A. It's all part of that same quote we talked
11 about before.

12 Q. Yes. And that's kind of the point I was
13 getting at. When you have an excerpt in here, it's a
14 little bit difficult to follow.

15 A. Okay.

16 Q. Now, on Page 1, Lines 16 and 17, you
17 describe the Sales Reconciliation Rider incorporated
18 into the Amended Stipulation. Do you see that?

19 A. Yes.

20 Q. Is there a direct connection between the
21 revenues recovered under the SRR and the actual impact
22 of the \$2 million low-income energy efficiency program
23 recommended in the Stipulation?

24 MR. JONES: Objection. Asked and

1 answered.

2 THE EXAMINER: Overruled.

3 THE WITNESS: There is potentially some
4 impact between -- or some interaction between the two,
5 but I wouldn't say there's a direct connection.

6 By Ms. Grady:

7 Q. Now, on Line 17 through 19 of Page 1, you
8 testify that under the SRR, VEDO can recover the
9 difference between weather-normalized actual base
10 revenues and the base revenues approved in its most
11 recent rate case as adjusted for customer additions.
12 Do you see that?

13 A. Yes.

14 Q. Would you agree that under the SRR of the
15 Amended Stipulation that VEDO would be compensated for
16 all revenue reductions for the next two years and not
17 just reductions associated with the implementation of
18 energy efficiency programs?

19 A. With the caveat that it's weather-adjusted
20 and customer-growth adjusted, yes.

21 Q. So included in the revenue reductions that
22 VEDO would be compensated for would be such things as a
23 decline in natural gas use per customer?

24 A. That's what it's designed to recover.

1 Q. On Page 1, Lines 19 through 21, you
2 mention a two-year conservation program. Do you see
3 that reference?

4 A. Yes.

5 Q. Do you know when the term of the
6 conservation program begins?

7 A. I would imagine when this stage of the
8 proceeding finally comes to an end and there's some
9 finality for the Commission approving that program.

10 Q. Now, Mr. Puican, we talked a little bit
11 about the low-income conservation program, the \$2
12 million low-income conservation program associated with
13 the Amended Stipulation. Are you making a distinction
14 between -- and perhaps you have -- between a
15 conservation program and a Demand-Side Management
16 program?

17 A. I'm making a distinction. To me, DSM
18 means -- conservation is a subset of DSM. DSM, to me,
19 means cost-benefit analysis, a mix of customer and
20 company funding, supposedly quantifiable benefits that
21 justify the cost. Conservation, to me, especially
22 within the context of a low-income program, is more of
23 a way to -- more of a company service to assist
24 low-income customers to help pay their bills through

1 reducing their usage.

2 Q. So you would be concluding that the
3 low-income piece of the Amended Stipulation before the
4 Commission is not a DSM program?

5 A. You can call it a --

6 MR. JONES: Objection. It
7 mischaracterizes his testimony. It's not evidence in
8 the record.

9 THE EXAMINER: Sustained.

10 MS. GRADY: Can I have his answer read
11 back?

12 (Discussion off the record.)

13 (Answer read back.)

14 By Ms. Grady:

15 Q. And you testified, Mr. Puican, that you do
16 not believe that the low-income weatherization program
17 should be subjected to economic benefit tests, have you
18 not?

19 A. I believe that it should not be held to
20 that -- it should not be -- whether you go forward with
21 the program or not should not be based on a strict
22 cost-benefit analysis.

23 Q. What analysis should the Commission
24 undertake to determine whether or not a low-income

1 program such as the \$2 million low-income program
2 should be undertaken?

3 A. Making sure that the design of it is
4 intelligently set up. In this case, they put together
5 a working group of people with expertise in this area,
6 including groups that have actually done weatherization
7 and those sorts of activities in the past, and you
8 assign a group of people to it that have expertise and
9 confidence that they will implement a program
10 effectively. I know that our representative from the
11 PUCO, Connie Stewart, has been participating in these
12 types of groups for years. She's very competent, and I
13 have all the confidence in the world in their judgment.

14 Q. I guess my question, Mr. Puican, and
15 perhaps you didn't understand me, was really directed
16 toward how does the Commission determine whether or not
17 it's appropriate to implement a customer -- excuse me,
18 a Company-funded, low-income program such as that in
19 the Amended Stipulation?

20 MR. JONES: I object. Asked and
21 answered.

22 THE EXAMINER: I believe -- the objection
23 is -- I think he gave you his answer. Objection
24 sustained.

1 MS. GRADY: Can I have his answer reread?

2 THE EXAMINER: Certainly.

3 (Answer read back.)

4 By Ms. Grady:

5 Q. So as long as the Commission is confident
6 that it has a group to implement low-income
7 weatherization, then the Commission should implement
8 low-income weatherization, is that what you're telling
9 me?

10 A. No. That wouldn't be the only criteria.

11 Q. I guess I'm seeking the other criteria
12 that the Commission should look at.

13 A. I think that's an open-ended set of
14 criteria. I wouldn't sit here and try to come up with
15 every possible scenario of what would justify a
16 low-income program.

17 Q. That's fair enough. Mr. Puican, what data
18 and information on the record, to your knowledge,
19 supported the establishment of a company-funded, \$2
20 million low-income weatherization program in this
21 proceeding?

22 A. What data?

23 Q. Yes.

24 A. There was no particular data. This was an

1 amount of money that was agreed to that the Commission
2 initially determined to be a reasonable amount. We
3 looked at the Commission Order after the Stipulation
4 was dissolved and agreed that seemed like a reasonable
5 amount, and so that's what was put in the Stipulation.

6 Q. I'm going to back up a second. You said
7 that -- in your response you said this was an amount
8 agreed to, and I guess my question was, the Commission
9 came up with the \$2 million, did it not? There wasn't
10 an agreement at the time that the Commission came up
11 with the \$2 million?

12 A. In my answer I put the sequence out of
13 order initially, yes. I said there was an agreement,
14 then a Commission Order. The Commission Order was
15 where the \$2 million first appeared, and then
16 subsequently, through Stipulation and discussions, it
17 was decided to adopt that.

18 Q. As far as you know, there was no net
19 economic benefit information provided on the record
20 with respect to the new \$2 million low-income
21 commitment?

22 A. That's correct.

23 Q. Now, referring to your testimony on Page
24 2, Line 7, you discuss the lack of sufficient customer

1 benefits to justify the SRR change. Do you see that?

2 A. "SRR charge"?

3 Q. Yes, Line 7.

4 A. Yes.

5 Q. Are you addressing the original
6 application of the Company there? Is that what you're
7 addressing?

8 A. Yes. It says, "As initially proposed by
9 VEDO."

10 Q. And when you concluded that the SRR lacks
11 sufficient customer benefits, that was based upon the
12 fact that there was complete financing by ratepayers
13 and that VEDO got the benefits of decoupling while
14 incurring none of the costs of the funding,
15 essentially?

16 A. My objection was that customers were
17 paying both for the reconciliation rider and the DSM
18 rider.

19 Q. And was your objection as well based upon
20 the fact that VEDO got the benefits of decoupling while
21 incurring minimal costs associated with funding
22 programs?

23 A. No. At that time, not particularly.
24 It -- in fact, we had discussed among ourselves, other

1 Staff that do rate cases and so forth, that the Company
2 may have even been better off to file that SRR as a
3 standalone rider and left out the DSM altogether.

4 MS. GRADY: May I approach the witness?

5 THE EXAMINER: Yes.

6 MS. HAMMERSTEIN: Could I have the last
7 answer read back?

8 (Answer read back.)

9 By Ms. Grady:

10 Q. Mr. Puican, I'm going to give you a
11 copy -- I'll show you a copy, I can't give it to you,
12 of your testimony, your prefile testimony March 20,
13 2005, your response to Question 11, starting on Page 7
14 and carrying over to Page 8, and have you take a look
15 at that.

16 MS. HAMMERSTEIN: Can I give Mr. Puican a
17 copy of that testimony?

18 MS. GRADY: I think he has it.

19 THE WITNESS: They're both your copies.

20 By Ms. Grady:

21 Q. Do you have that now?

22 A. I'm sorry, what was your cite?

23 Q. I wanted you to in particular look at
24 Lines 4 and 5 of that testimony.

1 A. On what page?

2 Q. Page 8.

3 A. Okay.

4 Q. Now, Mr. Puican, you state there that VEDO
5 gets the benefits of the decoupling component while
6 incurring none of the costs of the proposed
7 conservation funding. Do you see that?

8 A. Yes.

9 Q. Was part of your conclusion that the SRR
10 should not be adopted under the application because the
11 benefits of the natural gas DSM were not sufficient to
12 justify the additional charges to customers?

13 A. No.

14 Q. Can you look at your testimony on Page 8,
15 Lines 5 through 8, if you will?

16 A. Okay.

17 MR. JONES: Your Honor, I think I'm going
18 to have to object to this line of questioning. We're
19 going outside the scope of the January 12th
20 Stipulation, going back to questions that could have
21 been asked by OCC in the -- before.

22 THE EXAMINER: I would like to give you
23 some leeway, but I'm just not sure where you're going
24 with this. It seems to me that you keep asking

1 questions and seeking to impeach the witness for prior
2 inconsistent statements, but none of the statements are
3 inconsistent; so, at some point, I'm looking just for
4 you to tie this up.

5 MS. GRADY: And I hope to get that
6 linkage --

7 THE EXAMINER: Soon.

8 MS. GRADY: Yes, I would hope so, soon.

9 THE EXAMINER: Thank you. Overruled.

10 By Ms. Grady:

11 Q. Do you see that reference?

12 A. I see it.

13 Q. Do you see the statement, "I do not
14 believe the benefits of a natural gas DSM are
15 sufficient to justify the additional charge to
16 consumers"?

17 A. Yes, I do.

18 Q. However, in the current Amended
19 Stipulation -- linkage --

20 THE EXAMINER: Thank you.

21 Q. -- you view that as providing sufficient
22 customer benefits to justify the SRR charge; is that
23 correct?

24 A. I believe that --

1 MR. JONES: I have to object, Your Honor.
2 It's a mischaracterization again of the evidence.

3 MS. GRADY: I thought I was asking him if
4 he believes that.

5 THE EXAMINER: Why don't you rephrase your
6 question again, and we'll go from there.
7 By Ms. Grady:

8 Q. Mr. Puican, do you have an opinion as to
9 whether the Amended Stipulation put before the
10 Commission provides sufficient customer benefits to
11 justify the SRR charge associated with the Amended
12 Stipulation?

13 A. As I stated before, at this point, we
14 began to see some value in the SRR as a standalone
15 rider, where the previous Stipulation was packaged with
16 customer-funded DSM that we believe was onerous and
17 sufficient for us not to sign that Stipulation. The
18 removal of that additional customer cost and the
19 replacement with a \$2 million low-income program, we
20 felt was sufficient to change our position under the
21 SRR and recommend approval.

22 Q. Now, you indicated in your response that
23 you began to see some value in the standalone rider.
24 And what value are you referring to there? Is that a

1 customer value or a Company value?

2 A. We take an expansive view of value since
3 we represent all sides of this, customers and the
4 utilities themselves; so the value was really because
5 we began to see the substantial drop in use per
6 customer that Mr. Ulrey testified about, which was from
7 the time of the rate case, the time those rates went
8 into effect to present. I think he estimated about a
9 17 percent drop, very substantial; so we began to look
10 at this and ask ourselves, with his this type of
11 volatility, with strict adherence to a test year
12 policy, was that really an appropriate way to proceed
13 from here on out or might there be a better way to do
14 it, and we believed that possibly the SRR would be --
15 may be a better way to do it that may decrease the
16 frequency of rate cases. And it is, frankly,
17 consistent with the way the Commission has been doing
18 things recently, as we've seen with the best example
19 being the bad debt rider. As customer debts -- as
20 company debts went up because of high gas prices,
21 rather than strictly adhering to, well, this is a base
22 rate item, so you can't touch it, the Commission
23 decided that there was some value to establishing that
24 as a rider and allowing companies to recover their

1 actual costs, and I see this as very similar to that.

2 Q. That's a long answer. I tried to jot down
3 pieces of your answer, so I'm going to talk about
4 little pieces of it first.

5 A. Sure.

6 Q. You talked about the fact that you look at
7 the value of something like a standalone rider, the
8 SRR, from an expansive perspective because you
9 represent customers and ratepayers; is that correct?

10 A. The point I was trying to make is that we
11 don't look at something and if it's a cost to
12 customers, you don't do it. That's not a
13 black-and-white standard.

14 Q. Can you tell me what the value to
15 customers are that would justify an SRR charge?

16 A. The SRR, again, to me is simply an
17 alternative rate-making or rate-recovery mechanism.
18 It's consistent with the statutes, and as a standalone
19 is justified, as with my example of the bad debt rider
20 that's already been approved by the Commission. The
21 conservation program, the low-income conservation
22 program is something that is a little bit extra that
23 makes -- that at least provides some direct customer
24 benefit to the package of the Stipulation.

1 Q. Is there direct customer benefit to a
2 standalone SRR, as you describe it?

3 A. There may be --

4 Q. I'm sorry. To customers, I'm talking
5 about customers.

6 A. I'm sorry, could you ask it again?

7 Q. Let me rephrase it. Is there a standalone
8 value to customers -- strike that. Is there a value to
9 customers from a standalone rider such as a decoupling
10 rider?

11 A. I think there is some value in regulatory
12 efficiency over time that will decrease the need for
13 multiple rate cases. As we're seeing right now, all
14 the companies are coming in because of, to a large
15 extent, the same issue that VEDO is facing with
16 reductions in use per customer, but keep in mind that
17 this SRR is not intended to be a customer or systems
18 benefit charge. This is attempting to accomplish
19 something different, and in order that customers get
20 some value out of it immediately, the Company is
21 funding a \$2 million low-income program.

22 Q. You mention in your response strict
23 adherence to the test year policy. Do you remember
24 that piece?

1 A. Yes.

2 Q. Can you explain to me what you meant by --
3 let me strike that. Are you saying that the use of an
4 SRR is an exception to the test year policy?

5 A. Just as when you pull out any former base
6 rate item out of base rates and put it into a rider,
7 yes, that is technically inconsistent with the test
8 year concept, because you're allowing something to
9 float as circumstances float.

10 Q. Now, you mentioned a bad debt rider?

11 A. Yes.

12 Q. Do you agree the decoupling mechanism,
13 such as one that's proposed here in the Amended
14 Stipulation, is anything different than a bad debt
15 rider?

16 A. Do I view it?

17 Q. Yes.

18 A. Do I view the decoupling as different from
19 a bad debt rider?

20 Q. Yes. Because you mentioned a bad debt
21 rider as an example of one of the things the Commission
22 is doing or one of the avenues that the Commission is
23 starting to look at and starting to move towards, so I
24 was just trying to determine whether or not you viewed

1 a bad debt rider as very similar or dissimilar to the
2 decoupling mechanism of --

3 A. It's similar in this approach, we always
4 used to say coming out of a rate case you assume that
5 some items -- or some costs increase from what they
6 were in the test year, some costs decrease, and you
7 assume that it just evens out.

8 Q. Yes.

9 A. What's going on now is the Commission more
10 and more is looking at individual items and pulling
11 them out of the rate case and allowing direct recovery
12 of some of those costs; so, in that sense, those two
13 are similar.

14 Q. Now, a bad debt rider -- strike that. You
15 also indicated in your answer -- got a long memory --
16 that the decoupling mechanism may provide an indirect
17 benefit, and I'm paraphrasing, to ratepayers if it
18 reduces the need to come in for a rate increase? Is
19 that a fair characterization of what you were trying to
20 convey?

21 A. There is some value to that, yes.

22 Q. Do you know whether, if this decoupling
23 mechanism is implemented, whether Vectren will not come
24 in for a rate increase any sooner because of the

1 decoupling mechanism than it would otherwise have come
2 in?

3 MR. JONES: Objection. Speculation, Your
4 Honor.

5 THE EXAMINER: Sustained.

6 By Ms. Grady:

7 Q. Do you know of any plans by Vectren to
8 come in for a rate increase?

9 MR. JONES: Objection. Speculation.

10 THE EXAMINER: Overruled.

11 THE WITNESS: Yes. I'm aware that they
12 are planning to come in in the near future.

13 By Ms. Grady:

14 Q. And when you say "near future," what would
15 you explain that to be?

16 A. I believe over the next six months.

17 Q. Thank you, Mr. Puican.

18 (Discussion off the record.)

19 By Ms. Grady:

20 Q. Now, originally you made the
21 recommendation, and when I say originally, in your
22 March 20, 2006, testimony, you made the recommendation
23 that the Commission should consider a rate case
24 stay-out requirement if the SRR was approved. Do you

1 recall that recommendation?

2 A. Yes.

3 Q. Why did you make that recommendation?

4 A. It was intended to reflect what we had
5 just discussed, that given this level of rate recovery
6 outside of base rates, it should -- it should reduce
7 the need to have to come in, and so I was recommending
8 as a thought the Commission may want to consider that
9 if they felt that that was a further inducement then to
10 approve the rider.

11 Q. Now, Mr. Puican, am I safe in assuming
12 that that is not your current recommendation with
13 regard to the Stipulation presented before the
14 Commission?

15 A. Possibly after this rate case, if there is
16 another Sales Reconciliation Rider approved at the end
17 of that rate case, then there may well -- it may be
18 appropriate to have a rate case stay-out. The problem
19 here is that a year and a half without recovery of the
20 SRR has already gone by, and I suspect an awful lot of
21 the decline in use per customer that has caused this
22 problem has already taken place before an SRR has ever
23 been implemented, so I'm not sure it really applies in
24 this situation.

1 Q. Now, Mr. Puican, is there anything that
2 prevented the Company from coming in for a rate
3 increase in the last period of time?

4 A. Companies can come in whenever they feel
5 like it.

6 Q. Now, referring to your testimony at three,
7 Line 1, you indicate that, with respect to the first
8 prong of the Stipulation, that you believe the Amended
9 Stipulation meets that. Do you see that reference?

10 A. Yes.

11 Q. Was a concerned citizen group a
12 participant in the discussion, if you know?

13 A. No, not to my knowledge.

14 Q. Was there a participant in the discussions
15 that represented residential or commercial rate -- let
16 me strike that. Was there a participant to those
17 discussions that represented residential or commercial
18 customers, if you know?

19 A. OPAE represents a segment of residential
20 customers, but the Consumers' Counsel was not a
21 participant.

22 Q. When you say OPAE represents a segment of
23 residential customers, are you meaning that
24 weatherization providers qualify as a residential

1 customer?

2 A. OPAE, in my view, represents -- looks out
3 for the interest of low-income customers in that
4 service territory.

5 Q. And it looks -- would you say it looks out
6 for the interests of those customers indirectly because
7 its direct clients are weatherization providers?

8 A. They are advocates for low-income programs
9 which benefit low-income customers.

10 Q. And they happen to provide the
11 weatherization services and will be receiving dollars
12 from the low-income weatherization funding in this
13 proceeding?

14 A. I don't know.

15 Q. Now, in your testimony, Mr. Puican, and
16 again it's that very same reference where you say --
17 your testimony at three, Line 1 -- actually, I want to
18 direct your attention to Page 2, Line 7, and the
19 question posed there, is the Amended Stipulation a
20 product of serious bargaining among capable and
21 knowledgeable parties, and I think your answer responds
22 to the capable and knowledgeable parties piece of that
23 question. Would you agree with that?

24 A. Yes.

1 Q. Can you tell me if there was serious
2 bargaining among those parties that you mentioned on
3 Page 3?

4 A. Yes. Yes, I can say that.

5 Q. And by serious bargaining, how would you
6 define that?

7 A. There were several weeks of discussions
8 back and forth till there was a document that everyone
9 could agree to.

10 Q. Were there any -- was there anyone in that
11 group of knowledgeable and capable parties that
12 represented -- let me strike that. Now, your testimony
13 on Page 3, Question 8, you indicate that the Amended
14 Stipulation does not violate any regulatory
15 principles. Do you see that reference?

16 A. Yes.

17 Q. And you also state, do you not, that the
18 "SRR is a new approach"? Do you see that reference?

19 A. I do say that, yes.

20 Q. Would you agree with me, Mr. Puican, that
21 compensating the Company for revenue reductions, for
22 all revenue reductions over the next two years and not
23 just reductions due to the financing of conservation
24 programs, is a radicle change in regulatory policy?

1 A. I've changed my views since I wrote that.

2 Q. That cite comes from the Staff report
3 filed in 04-571-GA-AIR?

4 A. If you say so. I can't remember if it was
5 the Staff report or my testimony in support of the
6 Staff report.

7 MS. GRADY: Your Honor, may I approach?

8 THE EXAMINER: For what purpose?

9 By Ms. Grady:

10 Q. Would you accept, subject to check, that
11 it was Staff report?

12 A. I will accept that.

13 THE EXAMINER: He wasn't disputing it, I
14 don't believe.

15 MS. GRADY: I thought he was indicating
16 that he didn't know whether it was testimony or Staff
17 report.

18 THE EXAMINER: Go ahead.

19 THE WITNESS: I'll accept it was Staff
20 report.

21 MS. GRADY: Thank you.

22 THE EXAMINER: What was the date of the
23 Staff report?

24 MS. GRADY: January 18th, 2002 -- I'm

1 sorry. I've got the wrong Staff report. Let me take
2 that back. That was November 24th, 2004.

3 THE EXAMINER: Thank you.

4 MS. GRADY: And that is the Staff report
5 that has been admitted into evidence in this
6 proceeding.

7 THE EXAMINER: Yes.

8 By Ms. Grady:

9 Q. What has caused you to change your opinion
10 that the SRR is no longer a radicle change in
11 regulatory policy?

12 A. In discussions with other Staff people
13 that are in charge that have more responsibility for
14 rate-making than I typically do, there is a sense that
15 we should consider alternatives to -- alternative ways
16 to allow more of a recovery of fixed costs through
17 nontraditional mechanisms.

18 Q. And the nontraditional mechanism would,
19 for instance, be the SRR?

20 A. Correct.

21 Q. Now, to your knowledge, Mr. Puican, in the
22 State of Ohio, is there any other company, any other
23 natural gas company that has the benefit of a
24 decoupling mechanism?

1 A. Not yet.

2 Q. You would agree with me that it is a
3 benefit?

4 A. Yes. Allowing recovery of costs that have
5 been eroding since the rate case is a benefit, yes.

6 Q. Now, you say in your testimony, Mr.
7 Puican, that the Stipulation will allow VEDO the
8 opportunity to recover revenues authorized in its last
9 rate case. Do you see that reference?

10 A. I'm sorry, which document is that?

11 Q. I am going back to I believe it's your
12 direct testimony.

13 A. Okay.

14 Q. Page 3, Line 9.

15 MS. HAMMERSTEIN: Staff Exhibit 3, which
16 is his supplemental testimony.

17 MS. GRADY: When I said direct, I meant in
18 this phase of the proceeding.

19 By Ms. Grady:

20 Q. Mr. Puican, let me rephrase it and make
21 sure the record is clear. You say in your testimony,
22 your supplemental testimony filed March 14th, 2007
23 Staff Exhibit 3, that the Stipulation, and I'm looking
24 at Page 3, Line 9 through 10, that the Stipulation will

1 allow VEDO the opportunity to recover the revenues
2 authorized in its last rate case. Do you see that
3 reference?

4 A. Yes, I do.

5 Q. And that opportunity is the one that is
6 ensured by the decoupling mechanism sought to be
7 approved in this case?

8 A. Yes.

9 Q. Wouldn't you agree with me, Mr. Puican,
10 that it's more than the opportunity to recover
11 revenues?

12 MR. JONES: Objection, Your Honor. Asked
13 and answered. It did provide an opportunity. She's
14 saying now this provides more of an opportunity.

15 THE EXAMINER: Overruled.

16 THE WITNESS: It's more than an
17 opportunity to recover variations due to reductions in
18 use per customer.

19 By Ms. Grady:

20 Q. Would you agree with me that it functions
21 as almost a dollar-for-dollar assurance of recovery of
22 revenues approved in the last rate case?

23 A. Only of residential revenues associated
24 with the use per customer.

1 Q. And with any other customers? The general
2 service customers were also subject to the decoupling
3 mechanism?

4 A. The same with the general service
5 customers that are covered by this mechanism, yes.

6 Q. Would you agree with me that this
7 guaranteed recovery of VEDO's per customer revenue
8 requirement is a notion of revenue recovery under
9 traditional rate-making?

10 MR. JONES: I'll have to object, Your
11 Honor, to the question. She's loading up the question,
12 and then guaranteed recovery, there's -- you know,
13 that's not -- there isn't anything in evidence in the
14 record here that she's basing her question on here,
15 guaranteed recovery.

16 THE EXAMINER: Sustained.

17 MS. GRADY: Your Honor, I was going to
18 withdraw the question and ask it a different way.

19 THE EXAMINER: We're all in agreement.

20 MS. GRADY: That's an unusual thing, but
21 not bad.

22 By Ms. Grady:

23 Q. Mr. Puican, are you familiar with the
24 Staff's brief that was filed in the first phase of this

1 proceeding?

2 A. Yes.

3 Q. Would you have assisted in the
4 presentation of that brief?

5 A. To some extent, yes.

6 Q. Do you have a copy of that brief before
7 you?

8 A. No, I don't.

9 MS. GRADY: May I approach the witness,
10 Your Honor?

11 THE EXAMINER: Yes.

12 MR. JONES: I guess I'm going to have to
13 object on the record as to the brief, briefing done on
14 the April Stipulation. Obviously, we're dealing with
15 the January 12th Stipulation here, so that brief does
16 not apply to this proceeding and the scope of this
17 proceeding on the January 12th Stipulation, the Amended
18 Stipulation, Your Honor, so I don't know why we're
19 going there.

20 THE EXAMINER: I understand what you're
21 saying. I'm just waiting for the question before we
22 make a decision.

23 MS. GRADY: I'll wait for my arguments as
24 well.

1 THE EXAMINER: Thank you.

2 MR. RANDAZZO: Maybe we'll all be in
3 agreement again.

4 By Ms. Grady:

5 Q. I'm going to show you, Mr. Puican, a
6 portion of that brief. In fact, it is Page 14, and I'm
7 going to direct your attention to a paragraph and a
8 couple of sentences in there, but first I'm going to
9 show your counsel.

10 THE EXAMINER: First you should show the
11 Examiner.

12 MS. GRADY: I'm sorry.

13 By Ms. Grady:

14 Q. Mr. Puican, I'd like you to look at the
15 highlighted, but certainly read the entire paragraph if
16 you feel the need to.

17 A. Okay.

18 Q. Does that sentence state, Mr. Puican,
19 that -- am I reading it correctly, "The Stipulation
20 proposes to permit VEDO recovery of the lost" -- now
21 I've lost my focus.

22 If I may have a moment?

23 THE EXAMINER: Certainly.

24

1 By Ms. Grady:

2 Q. I'm sorry. Although I have the right
3 page, Mr. Puican, my reference really was to a sentence
4 earlier up in this paragraph, and I'm going to read it
5 to you and ask if I'm reading that correctly. "The
6 Stipulation is a package that requires the Commission
7 approval of the costs and funding of the conservation
8 proposal and the guaranteed recovery of VEDO's per
9 customer revenue requirement captured by the SRR." Did
10 I read that correctly?

11 A. Yes.

12 Q. Would you agree with me, Mr. Puican, there
13 is a profit component built into the SRR?

14 THE EXAMINER: One second, please. Staff
15 had previously objected. We were going to wait for a
16 question. Now I want to hear your argument on that
17 line. I mean, other than agreeing that you read it
18 correctly, what's the relevance to this proceeding?

19 MS. GRADY: Well, Your Honor, the
20 relevance to this proceeding is that Staff has made --
21 they've taken a prior -- this is a prior inconsistent
22 statement. We have statements in the first phase of
23 this proceeding where Mr. Puican claimed that this was
24 a break from traditional regulation and that because it

1 was, it violated regulatory principles and, in fact,
2 did not meet one prong of the Stipulation test which
3 says that does the Stipulation -- is it consistent with
4 regulatory principles. Earlier on, the same mechanism,
5 if we accept that it's the same, and we will for
6 purposes at this point, the same mechanism. In April
7 or in March, when he submitted the testimony, violated
8 the Stipulation, three-prong Stipulation test. Now it
9 does not, and I'm trying to determine what is the
10 reason why the statements are inconsistent with its own
11 expert witness. I think I'm entitled to determine the
12 nature of the inconsistency and where the change has
13 been, and that's what my questions are going to.

14 MS. HAMMERSTEIN: Your Honor, may I
15 address the --

16 THE EXAMINER: Yes, please.

17 MS. HAMMERSTEIN: Thank you. First of
18 all, this is an argument in a brief. It's not
19 testimony of this witness or any witness on behalf of
20 Staff, and, you know, for Mrs. Grady to characterize it
21 in the manner that she has is basically
22 mischaracterizing it. The statement talks about the
23 guaranteed recovery of VEDO's per customer revenue
24 requirement captured by the SRR, and the revenue

1 requirements, as we've heard today, as captured by the
2 SRR, is the reduction in customer usage only, accepting
3 the risk of changes in weather and customer additions.
4 So there's really -- there's only one portion of the
5 reduction in usage that's being -- one cause that's
6 being covered or guaranteed in this case, and to say
7 otherwise is mischaracterizing the evidence in the
8 record.

9 MS. GRADY: Your Honor, if I may respond
10 to that, I believe, in fact, contrary to counsel's
11 representations, that Mr. Puican did, in fact, testify
12 that these Stipulation submitted in the prior phase of
13 this proceeding did not satisfy the prong of the
14 Stipulation. I'm now searching to find that cite, but
15 I do believe it is contained in one form of testimony
16 or another.

17 THE EXAMINER: Mr. Randazzo.

18 MR. RANDAZZO: Well, I've been trying to
19 think of how this might be useful. To the extent that
20 the line of questioning that we seem to be going
21 through at the moment is designed to impeach the
22 witness with prior inconsistent statements pulled from
23 this document or that document, I think, in fairness to
24 the witness, the witness has already testified that his

1 position has changed. He is not attempting to back
2 away from that observation. He's essentially agreed
3 with OCC, and yet we continue to flog this horse. It
4 is unproductive at this point. If the point of the
5 cross-examination is to demonstrate that the Staff
6 position at one point was this and at this point -- and
7 today it may be somewhat different, I don't understand
8 the value of the line of examination relative to the
9 record that needs to be accumulated here. The witness
10 has knowledged the very point that counsel is
11 attempting to make, as far as I can tell.

12 THE EXAMINER: On the narrow question of
13 impeaching the witness, if you're going to impeach the
14 witness, you should do so with his prior statements,
15 but Mr. Randazzo's point is well taken. We're
16 beginning to reach the cumulative point. Staff has
17 knowledged their position has changed and they've
18 explained the reasons why, and if you care to further
19 explore their reasons why, please do so, but there's no
20 point in asking him again and again with each statement
21 of every document that is in this voluminous record
22 that might be contradictory. If the parties are going
23 to engage in that, we'll be here quite a long time.

24 MS. GRADY: I understand that, Your Honor,

1 and I will try to narrow the questions down.

2 THE EXAMINER: Thank you.

3 By Ms. Grady:

4 Q. Earlier you testified, Mr. Puican, that
5 there was a profit component built into the SRR; is
6 that correct?

7 A. Yes.

8 Q. Is it still your testimony today that
9 there is a profit component built into the SRR --

10 A. Yes.

11 Q. -- under the Amended Stipulation?

12 A. Yes.

13 Q. Can you explain what you mean by a profit
14 component being built into it?

15 A. The Company's authorized rate of return as
16 a part of the rate set.

17 Q. What has changed since then that alters
18 your opinion on whether or not the inclusion of an SRR
19 in an Amended Stipulation violates a policy or practice
20 of the Commission?

21 A. Are you reading literally policies or
22 practices?

23 Q. I'm referring to -- if you may give me a
24 moment. I'm referring to the regulatory principles

1 that you are referring to in your testimony at Page 3,
2 Lines 8, where you're testifying on that prong of the
3 Stipulation.

4 A. Well, I think what I'm saying here is --

5 THE EXAMINER: One second, please. Before
6 you ask him what has changed, you need to show a prior
7 inconsistent statement, and I have not heard that yet.
8 If you have a line in his previous testimony saying I
9 believe the SRR violates an important regulatory
10 principle, then let's put that on the record and then
11 we'll ask him what has changed, but to ask him out of
12 the blue is not fair.

13 MS. GRADY: Understand, Your Honor.

14 Your Honor, may I have a moment?

15 THE EXAMINER: Certainly.

16 (Discussion off the record.)

17 THE EXAMINER: And just to clarify the
18 record while you're looking for that, the prior
19 question that we had our lengthy discussion with
20 regarding the quotations from the Staff brief, my
21 motion will be stricken from the record. I don't know
22 that we closed the loop on that.

23 MS. GRADY: I'll move along and come back
24 to that when I find it specifically.

1 THE EXAMINER: Thank you.

2 By Ms. Grady:

3 Q. Now, you indicate in your testimony, Mr.
4 Puican, that the SRR -- and I'm looking at the
5 testimony again at Staff Exhibit 3, your supplemental
6 testimony filed March 14th, 2007, Page 3, Question and
7 Answer 8 on Lines 11 and 12, you indicate that, "The
8 SRR is a new approach, but is entirely consistent with
9 the types of alternative rate-making approaches
10 permitted under the statutes." Do you see that
11 reference?

12 A. Yes.

13 Q. Now, what statutes are you referring to
14 there?

15 A. I'm referring to the Alt. Reg. statute. I
16 can't quote you the exact cite.

17 Q. Would you agree with me that the SRR is
18 inconsistent with traditional rate-making approaches
19 under the Ohio statutes?

20 A. It is different from the traditional
21 approach.

22 Q. Mr. Puican, you submitted testimony, did
23 you not, in the 04-571 proceeding relative to a
24 post-tax year adjustment?

1 A. I filed testimony in the proceeding. I
2 can't remember paragraph by paragraph what I wrote.

3 Q. Do you recall submitting testimony on the
4 level of funding associated with a low-income program
5 and maintaining it with a post-test year adjustment?

6 A. I'm sorry, I'm not really recalling that.

7 Q. Would you agree with me, Mr. Puican, that
8 post-test year adjustments should require heightened
9 scrutiny in determining whether they're appropriate?

10 MR. RANDAZZO: I object.

11 MR. JONES: Objection. No foundation for
12 that question, Your Honor.

13 THE EXAMINER: Sustained.

14 By Ms. Grady:

15 Q. Do you know whether or not the Commission
16 has applied a heightened scrutiny test to post-test
17 year adjustments, if you know?

18 MR. RANDAZZO: Objection.

19 MR. JONES: Objection to relevance, Your
20 Honor.

21 THE EXAMINER: Where are you going with
22 this?

23 MS. GRADY: Your Honor, Mr. Puican, I
24 think earlier in his testimony, characterized the SRR

1 as a post-test year adjustment, and on that basis, I'm
2 trying to determine whether or not -- what level of
3 scrutiny should be given here given the SRR --

4 THE EXAMINER: Mr. Jones.

5 MR. JONES: Your Honor, I think Miss
6 Grady's mischaracterized the testimony again. That's
7 not the testimony in this case.

8 THE EXAMINER: I have to admit, I don't
9 recall him saying the words post-test year adjustment,
10 so can you cite his testimony? We have voluminous
11 testimony here. Are you talking today or in one of the
12 past direct testimonies he's filed?

13 MS. GRADY: I'm just having a problem
14 locating it in his different copies.

15 THE EXAMINER: I understand.

16 By Ms. Grady:

17 Q. In this proceeding, Mr. Puican, didn't you
18 characterize the SRR as a post-test year adjustment?

19 A. Today, through cross-exam?

20 Q. Yes.

21 A. I made the statement early on that we used
22 to come out of a rate case and assume that some costs
23 went up and others went down and it evened out. I
24 don't recall the words I used, but I indicated the SRR

1 is a change to that because it does allow that SRR to
2 vary according to how, in this particular case, use per
3 customer varies.

4 Q. Okay. So it's a change to the test year
5 concept, is that what you're saying?

6 A. I indicated --

7 MR. RANDAZZO: I object.

8 THE EXAMINER: Grounds?

9 MR. RANDAZZO: Your Honor, to the extent
10 that it was a change to the test year concept, it was a
11 change to the test year concept when it was originally
12 proposed back when we filed the application. This is
13 all stuff that is not related to this phase of the
14 proceeding and could have been gone over a long time
15 ago, and we're now impeaching -- OCC is attempting to
16 revive Mr. Puican's prior objections to a different
17 animal as a basis for supporting its case that the
18 Commission shouldn't approve the current Stipulation.
19 We're going around in circles here, but, in any event,
20 this should have been done a long time ago.

21 MS. GRADY: Well, Your Honor, he's got
22 testimony that he's offering that the SRR is entirely
23 consistent with alternative rate-making methodology,
24 and I'm exploring the other side of it, is it

1 consistent with traditional rate-making methodology,
2 because that --

3 THE EXAMINER: He's answered that
4 question. I don't think that he's made any
5 representation that it is consistent with that. In
6 fact, I think he said that it's different. I mean, we
7 could spend forever talking about how this differs from
8 traditional rate-making, but where is that going to get
9 us?

10 MS. GRADY: Well, that's going to get us,
11 Your Honor, toward a discussion in the three-prong
12 Stipulation test which says does this -- does any
13 policy or practice associated with the Stipulation
14 violate any regulatory principles or practices, and if
15 the principle or practice involves traditional
16 regulation, we're talking about what does it do to
17 traditional regulation and does it violate those
18 principles.

19 MS. HAMMERSTEIN: Your Honor, the context
20 which the Bench and the Commission has ratified is that
21 we are in an alternate rate-making scenario here and
22 not a traditional one.

23 THE EXAMINER: Please explain to me how,
24 in this case -- the Commission directed this case be

1 brought pursuant to the Alt. Reg. statutes. Please
2 explain how, by bringing it under a different statute,
3 it's violating an entirely different -- a separate
4 statute.

5 MS. GRADY: Well, Your Honor, as we've
6 argued in a number of documents, the 4929.05 Alt. Reg.
7 statute requires a filing under 4909.18. 4909.18 is
8 most certainly a traditional rate-making statute with a
9 traditional rate-making formula built into it. 4909 --

10 THE EXAMINER: That's a legal argument
11 that you can preserve on brief. If that's where you're
12 coming down on, then the objection is sustained.

13 By Ms. Grady:

14 Q. Let's talk, Mr. Puican, about alternative
15 rate making approaches; okay?

16 A. Okay.

17 Q. The alternative rate-making approaches
18 you're talking about are the approach embodied in 4929,
19 chapter on gas utility alternative regulation plans?

20 A. That's the statute that covers alternative
21 regulation, yes.

22 Q. Can you tell me if -- let me take that
23 back. Have you looked at the definition of alternative
24 rate-making under Chapter 4929?

1 A. I've looked at that statute, yes.

2 Q. Have you looked at specifically the
3 section which -- the definitional section of that
4 chapter?

5 A. In preparation for cross, I looked at I
6 think it was 11.

7 Q. But we're not in a 4929.11 proceeding, are
8 we?

9 A. I'm sorry, I misspoke. I don't remember
10 which one I looked at. I shouldn't try to quote those
11 sorts of things.

12 Q. We like to throw numbers around, and when
13 the lawyers get a chance to throw numbers around versus
14 the witness, it's a real treat.

15 A. It's funny, yes.

16 THE EXAMINER: Do you have an objection?

17 MS. HAMMERSTEIN: We have a copy.

18 THE EXAMINER: Would you like to give a
19 copy of the statute to the witness?

20 MS. HAMMERSTEIN: If necessary.

21 THE EXAMINER: Is that going to be
22 necessary?

23 MS. GRADY: Yes, Your Honor, I think it
24 will be, because the witness is testifying as to his

1 belief that this is consistent with the alternative
2 regulation -- alternative rate-making approaches
3 permitted under the statute, so I want to go through
4 the statute and see where it fits in.

5 MR. RANDAZZO: Well, if I might, if she
6 wants to inquire the basis for his opinion, I think
7 that's probably fair game, even at this point, but to
8 go through individual statutory provisions and inquire
9 of the witness and say is this it, is it a combination
10 of these, is a profound waste of time, and we are
11 quickly approaching I think a point where a waste of
12 time needs to be a consideration relative to the scope
13 of cross-examination.

14 THE EXAMINER: Miss Grady, response.

15 MS. GRADY: Your Honor, I'm exploring his
16 testimony. His testimony says the SRR is consistent
17 with alternative rate-making approaches approved under
18 the -- permitted under the statute. I'm trying to find
19 out what that means.

20 THE EXAMINER: I think Mr. Randazzo's
21 point is well taken. Let's hear your questions, but
22 I'm not going to be waiting for objections.

23 By Ms. Grady:

24 Q. Does the SRR promote and reward

1 efficiency, to your knowledge?

2 A. My recommendations on the SRR -- well, let
3 me ask you this before I give you the answer to that
4 question, are you talking about energy efficiency?

5 Q. I'm talking about what the statute refers
6 to.

7 A. I don't have the statute in front of me.

8 MS. HAMMERSTEIN: Your Honor, we don't
9 know what statute she's referring to.

10 MS. GRADY: 4929.01.

11 THE EXAMINER: Please rephrase your
12 question including the statutory reference. It might
13 make it easier for them.

14 By Ms. Grady:

15 Q. Are you familiar with the alternative
16 regulation definition contained in 4929.01 which
17 defines an alternative rate plan as one that could
18 include the promotion and reward of efficiency?

19 A. I don't have 01 in front of me.

20 THE EXAMINER: Your counsel is giving you
21 a copy of 01.

22 MS. HAMMERSTEIN: Are you talking about
23 A?

24 MS. GRADY: Yes.

1 THE WITNESS: Okay.

2 By Ms. Grady:

3 Q. Is it your opinion that the SRR promotes
4 and rewards efficiency?

5 A. That's not specifically the purpose of
6 that particular alternative rate mechanism.

7 Q. Is the alternative -- or is the purpose of
8 the SRR to promote cost containment, if you know?

9 THE EXAMINER: Now I'm going to -- now I'm
10 going to, as I promised, not wait for objections. If
11 you have statutory provisions within the Alt. Reg.
12 statute that you believe the SRR violates, you can
13 cross him on that. We're not going to go through the
14 statute line by line and say is it consistent with this
15 prong, that prong. The test is whether it violates
16 regulatory policies and practices. If you have a
17 question relating to violating one, please ask it, but
18 the consistency questions I'm not going to allow.

19 By Ms. Grady:

20 Q. What is the basis for your statement that
21 the SRR approach is consistent with the types of
22 alternative rate-making approaches permitted under the
23 statute, as you provide in your testimony on Page 3,
24 Line 11 and 12 in the response to Question 8A -- or 8?

1 A. I'm reading, "Alternative rate plans may
2 include, but are not limited to, methods that provide
3 adequate and reliable natural gas services and goods in
4 this state." The next phrase is, "Minimize the cost
5 and the time expended in the regulatory process," and I
6 would certainly think it meets that criteria.

7 Q. Is there anything else that would -- that
8 is the basis of your opinion that the SRR is entirely
9 consistent with the types of alternative rate making
10 approaches permitted under the statute?

11 A. The next phrase includes, Tend to assess
12 the costs of any natural gas service or goods to the
13 entity, service or goods that cause such costs to be
14 incurred, and I think that would also apply to the SRR.

15 Q. Thank you, Mr. Puican.

16 A. Sure.

17 Q. Going to your testimony on Page 3,
18 Question 9, you indicate, on Lines 18 and 19, that,
19 "Customers further benefit." Do you see that
20 reference?

21 A. Yes, I do.

22 Q. What are the first benefits to the Company
23 that proceed the "further"?

24 A. I'm sorry? I'm sorry, I didn't understand

1 the question.

2 Q. You indicate in your testimony, Mr.
3 Puican, on Page 3, in response to Question 9, that,
4 "Customers further benefit," all right, and I was
5 focusing on the word "further." Are you talking about
6 an initial benefit here and then adding another benefit
7 on?

8 A. No. The first sentence refers to here's a
9 benefit to the Company, and customers further benefit
10 by the low-income program. It's a way of pointing out
11 that both customers and the Company benefit from this.

12 Q. I understand. I was just trying to make
13 sure I wasn't missing a customer benefit as you define
14 it.

15 A. No.

16 Q. Can you tell me which customers benefit by
17 the Company funding of a DSM program targeted to low-
18 and moderate-income customers?

19 MR. JONES: Objection. Asked and
20 answered.

21 THE EXAMINER: Sustained.

22 MS. GRADY: Really?

23 THE EXAMINER: Yes. I'm quite certain
24 he's answered that question in one form or another

1 previously in his cross-examination.

2 By Ms. Grady:

3 Q. Would you agree with me that direct
4 benefits are only provided to low-income customers
5 under the weatherization program who actually receive
6 weatherization services?

7 A. My understanding is, from Mr. Ulrey's
8 testimony, that that potential pool is about 60 percent
9 of their residential customers.

10 Q. Again, the 60 percent is how many would be
11 eligible for the low-income weatherization, not how
12 many would receive low-income weatherization?

13 A. That's correct.

14 Q. Do you know how many customers that would
15 be given the \$2 million funding, if you know?

16 A. The program is not underway, so there's no
17 answer to your question.

18 Q. Do you know, Mr. Puican, how much less
19 energy customers are using as a result of the current
20 ratepayer-funded \$1.1 million low-income program?

21 A. No. I can't cite a figure.

22 Q. Now, Mr. Puican, you have reviewed at
23 least one other gas alternative regulation plan, have
24 you not?

1 A. Yes and no, because if you're referring to
2 CG&E --

3 Q. Yes.

4 A. Ultimately, that was determined to not be
5 an Alt. Reg. case by Stipulation.

6 Q. But it was filed as an Alt. Reg. plan --

7 A. It was.

8 Q. -- and you did, in fact, review it as an
9 Alt. Reg. plan?

10 A. Yes.

11 Q. And that would have been Case No.
12 01-1228-GAA?

13 A. I don't recall the case number.

14 Q. With the exception of the --

15 MR. JONES: I have to object to the
16 relevance.

17 THE EXAMINER: Where are you going?

18 MS. GRADY: Your Honor, it goes to a
19 prior -- it goes to whether or not the witness'
20 approach to reviewing the Alt. Reg. filing in this case
21 is consistent with the prior approach the Staff has
22 taken in reviewing a gas Alt. Reg. filing.

23 THE EXAMINER: CG&E was -- I've not heard
24 anybody dispute the fact that CG&E was ultimately

1 stipulated not as an Alt. Reg. case.

2 MS. GRADY: I understand that, Your Honor,
3 but it was filed as an Alt. Reg. case, a Staff report
4 was issued, Mr. Puican was in charge of that portion of
5 the Staff report, and he did an analysis of the gas
6 alternative rate plan under -- in the Staff report.

7 MR. JONES: Your Honor, this has been an
8 Alt. Reg. case since February, and they had the
9 opportunity to question witnesses on -- you know, for
10 that question there before, and so that opportunity has
11 come and gone.

12 THE EXAMINER: Was there another one?

13 MR. RANDAZZO: Your Honor, I mean, first
14 of all, the question presumes that the Cincinnati Gas &
15 Electric's filing, which, for the record, consisted of
16 an application to increase rates in conjunction with an
17 alternative regulation approach, has anything to do
18 with the proposal that's currently before the
19 Commission in this case. We have not proposed an
20 alternative form of rate-making. They have an
21 alternative rate collection mechanism, so the predicate
22 that needs to be laid in order to pursue this line of
23 cross-examination has not been made. The two cases are
24 apples and oranges in terms of their -- the way they

1 were presented to the Commission. In the end, the
2 alternative regulation filing was withdrawn and the
3 case was not processed as an alternative regulation
4 case regardless of what Staff may have done in the
5 Staff report.

6 THE EXAMINER: I don't believe the case is
7 a precedent for this case. The objection is
8 sustained.

9 MS. GRADY: Your Honor, I would like to
10 proffer the evidence related to that particular case.
11 The proffer would be this, Your Honor, that in the
12 01-1228-GA-AIR proceeding, that the Staff indeed did
13 conduct an analysis of the alternative regulation plan,
14 that the alternative regulation plan was evaluated by a
15 standard that looked at whether or not the regulatory
16 freedom being sought under the alternative regulation
17 was commensurate with the commitment sought or the
18 commitments willing to be made by the company to that
19 case, and that was the approach that the Staff made in
20 its analysis in the Staff report, and I've got the
21 Staff report cite for you, Your Honor. That would be
22 01-1228-GA-AIR. The specific Staff report section
23 would be beginning on Page 70 through --

24 THE EXAMINER: Are you asking the Bench to

1 take administrative notice of this Staff report?

2 MS. GRADY: No, Your Honor. I'm
3 proffering it.

4 THE EXAMINER: We don't have an exhibit.
5 It's not in the record of this proceeding.

6 MS. GRADY: I understand that. I'm making
7 a record, evidence, a proffer.

8 THE EXAMINER: I mean, I understand the
9 idea that you're making a proffer, but I'm just trying
10 to figure out how to deal with that proffer, because
11 the exhibit -- we don't have an exhibit, but for
12 purposes of your proffer, I will take administrative
13 notice of the Staff report, the pages in question that
14 you are referencing.

15 MS. GRADY: Your Honor, that would be
16 Pages 70 through 73.

17 THE EXAMINER: Thank you.

18 MR. RANDAZZO: Your Honor, if I may, if
19 you are going to take administrative notice ultimately,
20 I would suggest that you probably do not want to
21 constrain it to a couple of pages in that document
22 because of the context of that case. I'm just -- I
23 participated in the case and they had other things
24 going on, so the alternative regulation component of

1 that was a part of the overall case. Ultimately, that
2 was not the way the case finished up, so I'm not sure
3 what we're doing here, but, in any event, I think you
4 need a broader context.

5 THE EXAMINER: I understand that, but my
6 reluctance is I don't want the entire Staff report from
7 an unrelated case going over as part of the record in
8 this case. So I understand the issue that you're
9 making, and I've already ruled that it's not relevant.
10 We'll accept OCC's proffer, and I suppose that they're
11 going to make this argument to the Commission while
12 they're making this proffer, and we'll go on from
13 there.

14 MS. GRADY: Thank you, Your Honor.
15 By Ms. Grady:

16 Q. As part of the SRR in this case, you have
17 not proposed a cap on the amount of the recovery, have
18 you?

19 A. No.

20 Q. Is there a reason why you have not
21 proposed a cap on the recovery under the SRR?

22 A. One of the reasons was that they are
23 shortly going to be in for a rate case, and so that --
24 there didn't seem a whole lot of need to cap it for

1 that short a period of time.

2 Q. How do you understand that a rate case
3 would affect the SRR under the Amended Stipulation?

4 A. Presumably, an approved SRR, once you get
5 into a rate case, would get zeroed out, and those
6 amounts in the rider or uncollected from the rider
7 would simply be put into test year amounts or recovered
8 through the rates set in that proceeding.

9 Q. So the rider, the SRR rider would cease?

10 A. It can be done different ways. I think
11 probably the way it would be done is the amounts in the
12 rider would be recovered through the AIR case, the
13 rider zeroed out, and then continue again from that
14 point forward with deferrals from that point forward.

15 Q. Do you know if your understanding is
16 consistent with the language in the Amended
17 Stipulation?

18 A. I don't know that the Amended Stipulation
19 deals with that.

20 MS. HAMMERSTEIN: Can I have that read
21 back, please, Your Honor?

22 (Question and answer read back.)

23 MS. HAMMERSTEIN: Thank you.

24

1 By Ms. Grady:

2 Q. Do you have a recommendation -- knowing
3 the fact that the Company is coming in for a rate
4 increase, do you have a recommendation as to how the
5 SRR rider would be treated in the rate case?

6 A. No. I'm happy to let the --

7 MR. JONES: Objection, Your Honor.
8 Speculative.

9 THE EXAMINER: Sustained.

10 By Ms. Grady:

11 Q. Now, Mr. Puican, you are familiar, are you
12 not, with the Staff report filed in the last rate case?

13 A. The Vectren rate case?

14 Q. Yes.

15 A. Somewhat, yes.

16 Q. And that's the test year concept of 2004?

17 A. Yes, that's correct.

18 Q. Were you involved in the Staff report or
19 in the Stipulation and Recommendation ultimately
20 submitted in that proceeding?

21 A. I did author sections of that Staff
22 report.

23 MR. JONES: I have to object, Your Honor.
24 Again, this is not relevant to this proceeding. It's

1 way outside here.

2 MS. GRADY: Your Honor, the Staff report
3 has been incorporated into the record in this
4 proceeding at the behest of the Staff in order to -- or
5 in order to try, attempt to fulfill the statutory
6 requirements of investigation under 4929.05, as well as
7 the requirements under the Ohio Administrative Code.
8 We can't have it both ways. If it's in, it's subject
9 to cross. If it's out, it's not subject to cross.

10 THE EXAMINER: Mr. Jones.

11 MR. JONES: I believe she's going into
12 testimony, though, not just the Staff report. It's
13 going in other aspects of the case.

14 THE EXAMINER: Let's limit this to the
15 Staff report. Please proceed.

16 By Ms. Grady:

17 Q. Do you know if the amount of rate base
18 included in the Staff report is a correct amount of
19 rate base as we sit here today?

20 THE EXAMINER: No, we're not going to go
21 down that path. The Commission made its ruling in that
22 case based upon the record in that proceeding. We're
23 not going to break out every element of the Staff
24 report down. If you have questions related to the

1 Staff report that relate to this proceeding that have
2 not already been determined by this Commission, then
3 ask your questions, but the Commission has ruled on
4 this issue.

5 By Ms. Grady:

6 Q. Mr. Puican, is it your opinion that the
7 current rates of Vectren are just and reasonable?

8 A. The Commission says they're just and
9 reasonable until they do something different.

10 Q. If the rates are just and reasonable, then
11 why do we need an SRR?

12 A. VEDO's return over the last few years has
13 been well below their authorized return. Even
14 hypothetically, if you had included revenues from a
15 hypothetical SRR since the last rate case, their return
16 would still be well below their authorized return; so
17 I'm not sure your question is even valid.

18 MS. GRADY: If I may have a moment, Your
19 Honor, I believe that might be the end of my cross.

20 THE EXAMINER: Thank you. Let's take a
21 five-minute break, let the witness stretch his legs.
22 Back at 5:30.

23 MS. GRADY: Thank you. That will be
24 sufficient.

1 (Recess taken.)

2 THE EXAMINER: Back on the record.

3 MS. GRADY: Thank you, Mr. Puican. I have
4 no further questions. I appreciate your patience.

5 THE WITNESS: Thank you.

6 THE EXAMINER: Mr. Randazzo, questions for
7 the witness?

8 MR. RANDAZZO: No.

9 THE EXAMINER: Mr. Rinebolt.

10 MR. RINEBOLT: No, Your Honor.

11 THE EXAMINER: Staff, redirect.

12 MS. HAMMERSTEIN: Your Honor, if I may,
13 just one question.

14 REDIRECT EXAMINATION

15 By Ms. Hammerstein:

16 Q. Just to clarify some testimony that you
17 gave in response to a question by Mrs. Grady, you
18 stated that -- or the question was asked, does the SRR
19 provide a benefit to the Company, and I believe you, in
20 responding to that, you said that that allowed recovery
21 of costs. Is that really what you meant to say?

22 A. If I said costs, I misspoke. I meant
23 recovery of revenues, revenues that had eroded due to
24 declining use per customer.

1 MS. HAMMERSTEIN: Thank you, Your Honor.

2 THE EXAMINER: Recross.

3 MS. GRADY: No, Your Honor.

4 MR. JONES: Your Honor, at this time --

5 THE EXAMINER: I'm not sure if I'm going
6 to ask a question, Mr. Jones. Why would I leave him
7 out?

8 In your testimony, you indicate that Staff
9 opposed the customer funding of the Demand-Side
10 Management programs?

11 THE WITNESS: Yes.

12 THE EXAMINER: For my benefit, since I did
13 not preside over the first phase of this case, what was
14 the amount of customer funding for DSM programs in the
15 April 2006 Stipulation?

16 THE WITNESS: It was \$3.7 million customer
17 funded, 970,000 Company funded.

18 THE EXAMINER: What was the form of the
19 customer funding?

20 THE WITNESS: It was a foregone \$1.98
21 million GCR refund. There were some deferrals that
22 ultimately the Company would be allowed to recover.
23 There were one or two other items. I'm not remembering
24 the entire package.

1 THE EXAMINER: Thank you. You're
2 excused.

3 (Witness excused.)

4 THE EXAMINER: Mr. Jones.

5 MR. JONES: Staff would move for admission
6 of Staff Exhibit 3.

7 THE EXAMINER: Any objections? Staff
8 Exhibit 3 would be admitted.

9 (EXHIBIT ADMITTED INTO EVIDENCE.)

10 MR. JONES: Thank you, Your Honor.

11 THE EXAMINER: Do we have any other
12 witnesses for Staff?

13 MR. JONES: No other witness for Staff.

14 THE EXAMINER: Rebuttal.

15 MR. RANDAZZO: No rebuttal.

16 THE EXAMINER: Okay. Let's go off the
17 record, please.

18 (Discussion off the record.)

19 THE EXAMINER: Let's go back on the
20 record. Initial briefs in this proceeding will be due
21 on April 23rd. Reply briefs will be due on May 3rd.

22 Without any other matters to come before
23 the Bench, we consider this to be submitted on the
24 record. Thank you.

1 (Thereupon, the hearing was concluded at
2 5:40 p.m.)
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CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings taken
by me in this matter on Monday, April 2, 2007. And
carefully compared with my original stenographic notes.

Valerie J. Sloas (SAK)
Valerie J. Sloas, Registered
Professional Reporter and Notary
Public in and for the State of
Ohio.

My commission expires June 8, 2011.

(VJS-163)

Case Number 05-1444-GA UNC

The following exhibit(s) were prefiled and can be located with the pleadings:

Exhibits

Date Filed

COMPANY EXHIBITS

2C - Testimony of Jerrold L. Ulrey

2/21/2007

7 - Errata Sheet, Deposition of
Mr. Ulrey, March 13, 2007

3/27/2007

Joint 2 - Amended Stipulation and
Recommendation

1/12/2007

OCC EXHIBITS

A - 2007 Gas Utility Margin Growth

B - Response to Interrogatory by OCC,
First Set, February 6, 2007

2/6/2007

C - 2007 Utility Outlook

D - Vectren Actual SRR Variance,
October 2006 through February 2007

E - Testimony of Paul L. Chernick

2/21/2007

F - Testimony of Martin G. Kushler

2/21/2007

STAFF EXHIBITS

3 - Testimony of Stephen E. Puican

3/14/2007



2006 & 2007 Earnings Guidance

Conference Call and Webcast

December 14, 2007



2007 Gas Utility Margin Growth

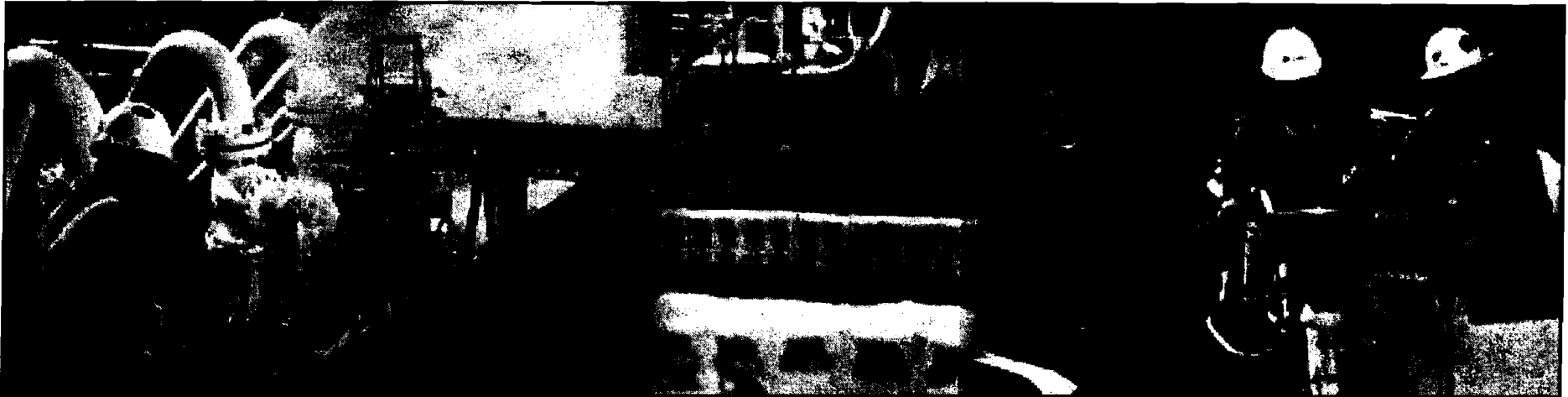


Amounts are in millions.

2006 Gas Utility Margin	\$390	to	\$394
Incremental decoupling recovery	8	to	12
South gas rate relief & decoupling	3	to	4
Normal weather - Ohio	3	to	4
2007 Gas Utility Margin	<u>\$404</u>	to	<u>\$414</u>

Key Assumptions

- Indiana and Ohio Conservation/Decoupling orders in place in 2006
- South gas rate case & decoupling achieved in late summer
- NTA in place in Indiana, normal weather in Ohio
 - ~ \$400,000 of margin at risk per +/- 1% of normal HDD
- Residential customer growth ~ 1%
- Large customer margins flat year over year



2006 & 2007 Earnings Guidance

Conference Call and Webcast

December 14, 2007



2007 Utility Outlook



	Expected 2006	Forecast 2007
Utility Net Income (millions)	\$88 to \$90	\$91 to \$98
Utility EPS	\$1.17 to \$1.19	\$1.20 to \$1.30

- ~ 6% EPS growth in utility operations
- 5 year rate base growth - 5% CAGR
- Conservation/Decoupling orders stabilize earnings & reduce risk
- Rate increases for Indiana South gas and electric territories by late summer
- Rate increases and progressive regulatory approaches will be pursued to achieve allowed returns at each utility

Vectren Energy Delivery of Ohio
Actual SRR Variance
October 2006 through February 2007
Update of First Set OCC Production of Documents No. 5, Case No. 05-144-GA-UNC

	October 2006			November 2006			December 2006			January 2007			February 2007		
	Residential Rate 310/315	General Service Rate 320/325	Total	Residential Rate 310/315	General Service Rate 320/325	Total	Residential Rate 310/315	General Service Rate 320/325	Total	Residential Rate 310/315	General Service Rate 320/325	Total	Residential Rate 310/315	General Service Rate 320/325	Total
1 Actual Revenue	\$ 14,041,779	\$ 7,037,210	\$ 21,078,989	\$ 23,108,014	\$ 9,121,781	\$ 32,229,794	\$ 30,564,711	\$ 13,180,309	\$ 43,745,020	\$ 38,293,631	\$ 16,151,878	\$ 54,445,509	\$ 46,740,555	\$ 19,138,633	\$ 65,879,189
2 Less Riders:															
3 PIPP	\$ (210,070)	\$ (96,154)	\$ (306,225)	\$ (328,035)	\$ (123,657)	\$ (451,692)	\$ (417,247)	\$ (168,743)	\$ (585,989)	\$ (540,637)	\$ (213,541)	\$ (754,178)	\$ (1,262,526)	\$ (487,051)	\$ (1,749,577)
4 Uncollectible Expense	\$ (251,044)	\$ (115,271)	\$ (366,315)	\$ (392,012)	\$ (147,907)	\$ (539,919)	\$ (498,391)	\$ (201,489)	\$ (699,881)	\$ (645,768)	\$ (255,135)	\$ (900,902)	\$ (809,699)	\$ (311,105)	\$ (1,120,804)
5 SB287	\$ (271,833)	\$ (103,356)	\$ (375,189)	\$ (424,913)	\$ (128,411)	\$ (553,326)	\$ (540,588)	\$ (178,222)	\$ (718,810)	\$ (700,609)	\$ (225,216)	\$ (925,825)	\$ (878,109)	\$ (257,595)	\$ (1,135,704)
6 Gross Receipts Excise Tax	\$ (739,342)	\$ (334,883)	\$ (1,074,225)	\$ (1,176,606)	\$ (430,649)	\$ (1,607,255)	\$ (1,548,777)	\$ (631,468)	\$ (2,180,245)	\$ (1,883,330)	\$ (757,943)	\$ (2,641,273)	\$ (2,285,511)	\$ (904,183)	\$ (3,189,694)
7 GCR Revenue and variances	\$ (10,393,038)	\$ (5,476,294)	\$ (15,869,331)	\$ (17,554,860)	\$ (7,124,188)	\$ (24,679,048)	\$ (23,513,769)	\$ (10,424,921)	\$ (33,938,690)	\$ (29,219,916)	\$ (12,690,994)	\$ (41,910,910)	\$ (35,022,147)	\$ (14,750,373)	\$ (49,772,520)
8 Transportation Program Rider	\$ 12	\$ 11	\$ 23	\$ 38	\$ (0)	\$ 38	\$ 4	\$ 5	\$ 9	\$ 3	\$ 1	\$ 4	\$ (1)	\$ -	\$ (1)
9 SRR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10 Actual Base Revenue	\$ 2,176,565	\$ 911,263	\$ 3,087,828	\$ 3,231,624	\$ 1,166,968	\$ 4,398,593	\$ 4,045,945	\$ 1,575,470	\$ 5,621,415	\$ 5,303,376	\$ 2,009,050	\$ 7,312,426	\$ 6,482,563	\$ 2,428,326	\$ 8,910,890
11 Service Charge Revenue	\$ 2,001,684	\$ 360,673	\$ 2,362,357	\$ 2,035,670	\$ 367,107	\$ 2,402,777	\$ 2,049,793	\$ 368,726	\$ 2,418,518	\$ 2,068,202	\$ 369,848	\$ 2,438,049	\$ 2,055,843	\$ 369,578	\$ 2,425,421
12 Weather Normalization	\$ (296,225)	\$ (123,547)	\$ (419,772)	\$ 199,055	\$ 67,283	\$ 266,338	\$ 802,137	\$ 304,007	\$ 1,106,143	\$ 808,968	\$ 298,853	\$ 1,107,822	\$ (1,480,274)	\$ (538,235)	\$ (2,018,509)
13 Normalized Base Revenue	\$ 3,882,023	\$ 1,148,390	\$ 5,030,413	\$ 5,466,349	\$ 1,601,359	\$ 7,067,708	\$ 6,897,874	\$ 2,248,203	\$ 9,146,077	\$ 8,180,546	\$ 2,677,751	\$ 10,858,297	\$ 7,058,133	\$ 2,259,669	\$ 9,317,802
14 Order Granted Base Revenue	\$ 4,006,000	\$ 1,175,000	\$ 5,181,000	\$ 5,525,000	\$ 1,699,000	\$ 7,224,000	\$ 7,663,000	\$ 2,438,000	\$ 10,101,000	\$ 8,484,000	\$ 2,734,000	\$ 11,218,000	\$ 7,398,000	\$ 2,351,000	\$ 9,749,000
15 Add: Customer Growth Revenue	\$ 38,504	\$ (27,807)	\$ 10,696	\$ 34,138	\$ (30,908)	\$ 3,230	\$ 12,175	\$ (18,179)	\$ (6,003)	\$ (7,400)	\$ (55,820)	\$ (63,221)	\$ 73,145	\$ (21,799)	\$ 51,346
16 Adjusted Order Granted Revenue	\$ 4,044,504	\$ 1,147,193	\$ 5,191,696	\$ 5,559,138	\$ 1,668,092	\$ 7,227,230	\$ 7,675,175	\$ 2,419,821	\$ 10,094,997	\$ 8,476,600	\$ 2,678,180	\$ 11,154,779	\$ 7,471,145	\$ 2,329,201	\$ 9,800,346
17 SRR Amount (line 15 - 12)	\$ 162,480	\$ (1,197)	\$ 161,284	\$ 92,789	\$ 66,733	\$ 159,522	\$ 777,301	\$ 171,619	\$ 948,920	\$ 296,054	\$ 429	\$ 296,483	\$ 413,012	\$ 69,533	\$ 482,545
18 Add: Gross Receipts Excise Tax (4.8767%)	\$ 7,924	\$ (58)	\$ 7,865	\$ 4,525	\$ 3,254	\$ 7,779	\$ 37,907	\$ 8,369	\$ 46,276	\$ 14,438	\$ 21	\$ 14,459	\$ 20,141	\$ 3,391	\$ 23,532
19 SRR Amount- Gross (line 16-17)	\$ 170,404	\$ (1,255)	\$ 169,149	\$ 97,314	\$ 69,988	\$ 167,302	\$ 815,208	\$ 179,988	\$ 995,196	\$ 310,491	\$ 450	\$ 310,941	\$ 433,154	\$ 72,923	\$ 506,077
Banner Customer Count (ACRT)															
20 Actual Customer Count	286,976	24,382		290,674	24,610		292,502	24,759		293,227	24,805		294,167	24,896	
21 Financial vs Service Charge Customer Count															
22 Actual Customer Count	286,976	24,382		290,674	24,610		292,502	24,759		293,227	24,805		294,167	24,896	
23 Order Granted Customer Count	284,344	24,973		288,889	25,066		292,038	24,945		293,483	25,322		291,287	25,129	
24 Customer Growth	2,732	(591)		1,785	(456)		464	(186)		(256)	(517)		2,880	(233)	
25 Order Granted Base/Customer	\$ 14.09	\$ 47.05		\$ 19.12	\$ 67.78		\$ 26.24	\$ 97.74		\$ 28.91	\$ 107.97		\$ 25.40	\$ 93.56	
26 Customer Growth Base Revenue	\$ 38,504	\$ (27,807)		\$ 34,138	\$ (30,908)		\$ 12,175	\$ (18,179)		\$ (7,400)	\$ (55,820)		\$ 73,145	\$ (21,799)	