

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc.)	Case No. 13-1121-GA-RDR
for Authority to Adjust Its Distribution)	
Replacement Rider Charges.)	

APPLICATION

Vectren Energy Delivery of Ohio, Inc. (“VEDO” or “Company”) respectfully requests that the Commission approve an adjustment to its Distribution Replacement Rider (“DRR”) charges as described and supported herein. In support of this Application, VEDO states:

1. VEDO is an Ohio corporation engaged in the business of providing natural gas distribution service to approximately 314,000 customers in west central Ohio and, as such, is a “natural gas company” and “public utility” as defined by R.C. 4905.03(A)(5) and 4905.02, respectively.

2. On January 7, 2009, in Case No. 07-1080-GA-AIR, the Commission approved a Stipulation and Recommendation filed on September 8, 2008 (“the 2008 Stipulation”), that authorized VEDO to establish a DRR for the recovery of: (1) the return on and of plant investment, including capitalized interest, or post-in-service carrying cost charges (“PISCC”), along with incremental costs incurred under a multi-year program for the accelerated replacement and retirement of cast iron mains and bare steel mains and service lines (“the Program”); (2) deferred expenses incurred during Company’s investigation of the installation, use, and performance of natural gas service risers; (3) all costs of replacement of prone-to-fail risers; (4) the incremental costs attributable to assuming ownership of service lines installed or replaced by Company; and (5) the incremental cost of assuming maintenance responsibility for all service lines, less the actual annual savings of certain Operations and Maintenance (“O&M”)

expenses as compared to a baseline level of O&M expenses of \$1,192,953. (2008 Stipulation at 9–10.)

3. In an Opinion and Order issued on October 3, 2012, in Case No. 12-1423-GA-RDR, the Commission approved a Stipulation and Recommendation that established the current DRR charges. Those charges became effective on October 3, 2012.

4. The 2008 Stipulation requires that by May 1 of each year for which the DRR is approved, commencing with 2010, VEDO “shall make an application in this docket . . . to establish the DRR to be effective on the following September 1 for the subsequent twelve (12) month period.” (2008 Stipulation at 11.) The 2008 Stipulation provides that this Application, which is to be served on the parties electronically, shall not be considered to be an application to increase rates and charges. *Id.* In its Opinion and Order issued on September 22, 2010 in Case No. 10-595-GA-RDR (*see* p. 8), the Commission ordered VEDO to file its annual DRR applications in an RDR docket.

5. As a part of the required May 1 application, VEDO is required to provide support for the following:

- a. The return of and on the plant investment, inclusive of capitalized interest or post-in-service carrying costs charges (“PISCC”). PISCC shall be accrued and recovered at the rate of 7.02% for the accumulated infrastructure investment amounts in the DRR from the date that the applicable assets are placed in service until the effective date of the next subsequent DRR;
- b. The incremental costs of the Program (as described in Exhibit No. JMF-6);
- c. The actual deferred costs resulting from compliance with the PUCO-ordered riser investigation (Case No. 05-463-GA-COI);
- d. The incremental costs of assuming ownership and repair of customer service lines as described in the rate case application;
- e. The costs associated with the replacement of prone-to-fail risers over a five year period;

- f. The incremental revenue requirement for the year and for each component of the DRR;
- g. A summary of its construction plans for the next year, including expected investment, expected location of the infrastructure replacement work, and the expected miles to be replaced; and
- h. The actual annual savings of O&M expenses.

(2008 Stipulation at 9–12.)

6. With respect to this Application, the 2008 Stipulation provides that VEDO shall “bear the burden of proof of demonstrating the justness and reasonableness of the level of recovery proposed by the Company for the successor DRR charge” and “support the adjustment to the annual revenue requirement for increases or adjustments to the then existing DRR charge.”

(2008 Stipulation at 12.)

7. In order to demonstrate the justness and reasonableness of the proposed DRR charges and to support the proposed adjustment to the underlying annual revenue requirement, VEDO submits the following as attachments hereto:

- a. Attachment A: Direct Testimony and Exhibits of James M. Francis;
- b. Attachment B: Direct Testimony and Exhibits of J. Cas Swiz; and
- c. Attachment C: Direct Testimony and Exhibits of Shawn M. Kelly.

8. The data and information contained in the Application and supporting testimony support the following revised DRR charges:

Rate Schedule	\$ Per Month	\$ Per Ccf
310, 311 and 315	\$2.77	
320, 321 and 325 (Group 1)	\$2.77	
320, 321 and 325 (Group 2 and 3)		\$0.02344
341	\$14.82	
345		\$0.00562
360		\$0.00362

9. A revised tariff Sheet No. 45, Seventh Revised Page 2 of 2, which reflects the revised DRR charges, is included as Exhibit No. SMK-2 to the Direct Testimony of Shawn M. Kelly.

10. The Commission's Order in Case No. 07-1080-GA-AIR provided that the DRR "shall be in effect for the lesser of five years from the effective date of rates approved in this proceeding or until new rates become effective as a result of the filing by the Company of an application for an increase in rates under Section 4909.18, Revised Code, or the filing of a proposal to establish rates pursuant to an alternative method of regulation under Section 4929.05, Revised Code." Opin. & Order at 5. The rates approved in Case No. 07-1080-GA-AIR became effective on February 22, 2009. (*See* Final Tariff Pages, Case No. 07-1080-GA-AIR (filed on Feb. 17, 2009).) VEDO has not established new rates under either R.C. 4909.18 or R.C. 4929.05. Therefore, the DRR will continue to be in effect in order to recover DRR costs through February 21, 2014. The Company will file a request in a separate proceeding to extend the DRR mechanism beyond February 21, 2014.

WHEREFORE, VEDO respectfully requests that the Commission approve the DRR charges, approve the proposed Sheet No. 45, Seventh Revised Page 2 of 2, and grant all other necessary and proper relief.

Dated: May 1, 2013

Respectfully submitted,

/s/ Andrew J. Campbell

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CERTIFICATE OF SERVICE

I hereby certify that a copy of this Application and Attachments was served by electronic mail this 1st day of May, 2013 to the following:

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Vectren Energy Delivery of Ohio, Inc.)	Case No. 13-1121-GA-RDR
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DIRECT TESTIMONY OF

JAMES M. FRANCIS,

DIRECTOR OF ENGINEERING AND ASSET MANAGEMENT

ON BEHALF OF

VECTREN ENERGY DELIVERY OF OHIO, INC.

1 **Direct Testimony of**
2 **James M. Francis**

3 **I. INTRODUCTION**

4 **Q1. Please state your name, business address and occupation.**

5 A. My name is James M. Francis. My address is One Vectren Square, Evansville, Indiana,
6 and I am Director of Engineering & Asset Management for Vectren Utility Holdings, Inc.
7 (“VUHI”), the immediate parent company of Vectren Energy Delivery of Ohio, Inc.
8 (“VEDO” or “the Company”).

9 **Q2. What are your duties in your present position?**

10 A. I have responsibility for engineering and technical support for VEDO utility operations.
11 My specific responsibilities include System Design and Planning, Corrosion Control,
12 Project Engineering, Compliance, Standards, Asset Management, Pipeline Integrity
13 Management, and Capital Planning and Management. Additionally, I am responsible for
14 identifying and implementing many of VEDO’s asset management programs.

15 **Q3. Please describe your work experience.**

16 A. I have been employed by VEDO since April 8, 2004 as the Director of Technical
17 Services. My title has subsequently been changed to Director of Engineering & Asset
18 Management. Prior to my current position, I have been employed with VEDO since the
19 purchase of the gas assets of the Dayton Power & Light Company by Vectren
20 Corporation in 2000. Immediately prior to my current position, I was the Regional
21 Manager of the Troy Operating Region with responsibility for field operations. I also
22 held other positions at VEDO including Planning Manager and Measurement Supervisor.
23 Prior to my employment with VEDO, in 1991, I became an employee of Dayton Power &
24 Light serving as a Project Engineer, System Planner and Measurement Supervisor.

1 **Q4. What is your educational background?**

2 A. I received a Bachelor of Science in mechanical engineering from the University of
3 Dayton in 1993. I received a Masters in Business Administration from The Ohio State
4 University in 2000.

5 **Q5. Are you involved in any gas industry association activities?**

6 A. Yes. I am active in the American Gas Association's ("AGA") Operating Section. I am
7 currently a member of the AGA's Distribution and Transmission Engineering
8 Committee.

9 **Q6. Have you previously testified before this Commission?**

10 A. Yes. I testified in VEDO's most recent general rate case, Case No. 07-1080-GA-AIR
11 ("Rate Case"), in support of the need for recovery of certain costs under the Distribution
12 Replacement Rider ("DRR") proposed in that proceeding. I also testified in VEDO's
13 2010 DRR proceeding, Case No. 10-0595-GA-RDR, its 2011 DRR proceeding, Case No.
14 11-2776-GA-RDR, and its 2012 DRR proceeding, Case No. 12-1423-GA-RDR.

15 **Q7. What is the purpose of your testimony in this proceeding?**

16 A. First, I will provide details on the progress of VEDO's accelerated bare steel and cast iron
17 replacement program ("Replacement Program"). I will discuss the status of pipe
18 replacement, the costs incurred and the benefits identified in 2012. I will discuss certain
19 other issues, such as meter relocations and plastic pipe retirements, and how these are
20 addressed within the Replacement Program. I will discuss the processes used to assess
21 and award the construction work associated with the Replacement Program. I will
22 conclude this section by discussing VEDO's 2013 replacement plan, as well as its
23 intention for the DRR beyond 2013.

1 The second portion of my testimony will discuss VEDO's experience with the
2 change in service line ownership and responsibilities which took effect in 2009.

3 The third portion of my testimony will discuss identified savings resulting from
4 the Replacement Program as well as the additional costs incurred by VEDO due to its
5 assumption of service line responsibility in 2009.

6 **Q8. What Exhibits are you sponsoring in this proceeding?**

7 A. I am sponsoring the following exhibits:

- 8 • Exhibit No. JMF-1 – 2012 VEDO BS/CI Replacement Program Progress
- 9 • Exhibit No. JMF-2 – Plastic Main Retirement Causes
- 10 • Exhibit No. JMF-3 – VEDO BS/CI 2013 Replacement Plan
- 11 • Exhibit No. JMF-4 – VEDO 2012 BS/CI Maintenance Expense
- 12 • Exhibit No. JMF-5 – VEDO Incremental Service Line Responsibility Capital Costs

13 **Q9. How is your testimony organized?**

14 A. My testimony is organized in three sections:

- 15 • Bare Steel and Cast Iron Replacement Program
- 16 • Service Line Responsibility
- 17 • O&M Savings and Incremental Costs

18 **II. BARE STEEL AND CAST IRON REPLACEMENT PROGRAM**

19 **Q10. Please provide a brief description of VEDO's Replacement Program.**

20 A. At the end of 2011, VEDO had a total of 470 miles of bare steel and 156 miles of cast
21 iron main remaining in its system. In the Rate Case, VEDO proposed to replace its
22 remaining bare steel and cast iron infrastructure over a twenty-year period at a rate of
23 approximately 35 miles per year. The actual replacement rate has been less than this, due

1 to a variety of circumstances, including an economic downturn following the approval of
2 the DRR. The Replacement Program, as approved by the Commission in the Rate Case,
3 includes the replacement of both mains and service lines. Existing bare steel and cast
4 iron mains and service lines are being retired as part of the Replacement Program.

5 **Q11. Given the actual replacement/retirement rate during the first few years, is the**
6 **Replacement Program still expected to be completed within a twenty-year period?**

7 A. Yes. The miles of BS/CI pipe retired per year will increase as the program matures to
8 ensure the Replacement Program is completed within the original timeline
9 communicated. In 2013, the rate of replacement is expected to increase to 42 miles of
10 bare steel and case iron main per year.

11 **Q12. How much bare steel and cast iron infrastructure did VEDO retire in 2012 as part**
12 **of the Replacement Program?**

13 A. In 2012, VEDO retired 27.11 miles of bare steel and 9.30 miles of cast iron mains under
14 the Replacement Program. Additionally, VEDO retired 4,190 bare steel service lines,
15 with 3,827 of those being replaced. 5.92 miles of bare steel and 0.74 miles of cast iron
16 mains retired in 2012, will be accounted for in 2013's filing due to the timing of when the
17 project was placed in service in VEDO's plant accounting system (see notes section in
18 Exhibit No. JMF-1).

19 **Q13. How much did VEDO invest in the Replacement Program in 2012?**

20 A. As identified by VEDO witness J. Cas Swiz, VEDO's Replacement Program investment
21 for projects placed in service in 2012 was \$19,902,620.28. Exhibit No. JMF-1 provides a
22 detailed list of the projects placed in service under the Replacement Program in 2012, the
23 costs of each project as of December 31, 2012, and the amount of pipe (main footage and
24 number of service lines) retired and replaced. For some projects placed in service in

2012, additional trailing charges (such as restoration costs) will be incurred in 2013.

VEDO intends to seek recovery of these costs in a future filing.

Q14. Did VEDO retire any plastic main as part of the Replacement Program in 2012?

A. Yes. As contemplated in the original DRR application and supporting testimony, it is sometimes necessary to retire plastic main, and such costs are included in the DRR.

VEDO retired a total of 8,189 feet of plastic main within the replacement projects completed in 2012. There are a number of reasons why plastic main segments are retired as part of the Replacement Program, which were discussed in my testimony in the Rate Case and also in previous DRR filings. Some short segments of plastic main are interspersed in the bare steel or cast iron systems, and it would have been more costly to salvage such main rather than replace it. Also, sections of plastic main at the ends of some distribution systems being retired no longer served any customers; therefore, there was no reason to continue to maintain those segments. Additionally, sections of plastic main that fail a pressure test must be replaced. Exhibit No. JMF-2 "Plastic Main Retirement Causes" provides a brief description of the reason for the plastic retirement for each applicable project.

Q15. Did the Rate Case Stipulation contemplate the inclusion of plastic pipe replacement costs for recovery through the DRR?

A. Yes. The Rate Case Stipulation, Paragraph 10(a) requires that the annual Replacement Program construction plans are to be provided to the Rate Case parties on February 1 of each year and shall include, among other things, the "investment in infrastructure replacement under the program (including service line replacement costs and the other cost components included in the Company's application)" The Rate Case Application, Alt. Reg. Exhibit A, Page 4, discusses in detail the replacement of plastic pipe as a part of

1 the Replacement Program. Additionally, the Rate Case Stipulation, Paragraph 10(c),
2 requires that the annual application to establish the DRR rate “will include the
3 information described in Paragraph 10(a) above for the costs incurred during the previous
4 calendar year,” which, as already indicated, includes the cost components, including
5 plastic pipe replacement, that were included in the Rate Case Application. Finally, Scott
6 E. Albertson’s Rate Case direct testimony, page 5, confirms that the replacement of
7 plastic pipe was included within the Replacement Program from its inception.

8 **Q16. Did VEDO move any meters outside as part of the Replacement Program?**

9 A. Yes. VEDO moved 3,282 meters outside in 2012. Newly installed mains operate at a
10 higher pressure (requiring the installation of a service regulator), and the cost associated
11 with moving the meters outside is less than the cost of installing a service regulator. In
12 addition to better utilization of VEDO’s capital, moving the meters outside should
13 improve operational efficiency associated with future meter order work and will
14 eliminate the need for inside atmospheric corrosion inspections. VEDO has employed
15 this meter move-out approach since the Replacement Program was first implemented.

16 **Q17. Does VEDO believe that the Replacement Program is achieving or will achieve the**
17 **expected benefits?**

18 A. Yes. VEDO expects to continue to experience improved service reliability and safety
19 through the reduction of leakage and the replacement or retirement of the mains and
20 service lines that contribute most to system leaks. Proactive replacement of this pipe,
21 moving meters outside, and retiring the older assets will drive workforce efficiencies.
22 The Company was able, in 2012, to achieve improved capital utilization by retiring more
23 existing main infrastructure than it was necessary to replace. Customers and property
24 owners will experience a reduction in the number and frequency of disturbances and

inconveniences (such as leak repair, service interruptions, etc.) as the older sections of main are retired. VEDO has historically repaired approximately one (1) leak per mile per year on the mains retired. Additionally, as quantified below, there are active leaks and meter orders that will be eliminated as a result of replacing the infrastructure. The elimination of active leaks will result in a relatively lower level of lost and unaccounted for gas, although it is impractical to quantify a specific reduction. Finally, VEDO expects long term benefits in terms of reduced impacts on the communities where public infrastructure improvements may occur after these projects are completed.

Q18. What operational benefits did VEDO achieve as a result of the Replacement Program in 2012?

A. There are a number of operational benefits that VEDO has achieved as a result of the Replacement Program.

The replacement of these assets has reduced the number of active leaks in VEDO's system, is expected to reduce the occurrence of future leaks and leak repair work, and will reduce interruptions, inconveniences and disturbances to customers. Specifically, the replacement projects from 2012 have allowed VEDO to eliminate 126 active leaks, of which 18 would have required a more immediate and less efficient repair.

Over the past 8 years, the Company has experienced an average of 156 asset-condition-related meter orders on the types of assets that were replaced in 2012. VEDO will experience a reduction in the number of these meter orders (Outside Gas Leak, Gas Emergency, Water in Line, and No Gas orders) through the retirement of bare steel and cast iron infrastructure.

As stated above, VEDO moved 3,282 inside meters outside. This will eliminate the requirement for a separate atmospheric corrosion check.

1 Certain system components that had been used to address issues associated with
2 assets in poor condition have been eliminated, such as the 165 drips used to remove water
3 from low pressure mains.

4 Ultimately, these types of improvements provide reliability and safety benefits to
5 VEDO's customers or property owners that live in the vicinity of the replacement
6 projects.

7 **Q19. Did VEDO derive cost savings from the 2012 replacement projects?**

8 A. Yes. VEDO has detailed the reduction of specific work items, assets and the estimated
9 reduction of historically experienced work quantities, all of which allowed VEDO to
10 achieve maintenance cost savings attributable to the Replacement Program (and specific
11 to the assets that were retired) in 2012. Quantification of the savings achieved in 2012
12 compared to the baseline amount of \$1,192,953 established in the Rate Case will be
13 discussed later in my testimony.

14 **Q20. Were the construction projects within the 2012 Replacement Program competitively**
15 **bid?**

16 A. Yes.

17 **Q21. How were the bid packages organized, bid and awarded?**

18 A. Based on the geographical location of the projects, VEDO divided the planned 2012
19 projects into 11 bid packages. Contractors that either received a small entry level
20 package in 2011 or did not complete a BS/CI project in 2011, were limited to bid on a
21 specified amount of work to monitor growth. All other existing contractors were eligible
22 to bid on any of the 11 packages but were not required to bid on all packages. Each bid
23 package was independently evaluated.

1 Six (6) different construction contractors were invited to provide bids for the
2 work. A pre-bid conference call was held with all of the contractors to provide direction
3 and to answer questions with regard to the work to be performed and the bids to be
4 submitted. Each contractor was provided with copies of prints for all of the projects and
5 given time to visit the project sites prior to submitting bids.

6 Bids were submitted based on unit pricing; that is, a fixed price for a given unit of
7 work to be performed. VEDO used the unit prices and the estimated work units for each
8 project to create comparative cost estimates. These comparative estimates were then
9 summarized for each bid package. Each package was evaluated based on overall cost,
10 and the contractor's resources. If a contractor submitted bids on several packages, the
11 contractor's capacity was evaluated to ensure the potential award did not exceed their
12 ability to complete all packages awarded.

13 **Q22. What is VEDO's replacement plan for 2013?**

14 A. VEDO's planned replacement projects for 2013 are identified in Exhibit No. JMF-3.
15 VEDO plans, in 2013, to spend approximately \$24 Million under the Replacement
16 Program, retiring approximately 42 miles of bare steel and cast iron main along with the
17 bare steel service lines served from those mains. As was the case in 2012, VEDO
18 reserves the right to modify the plan as necessary, including to accommodate higher
19 priority projects as circumstances may change throughout the year.

20 **Q23. Does VEDO intend to seek extension of the DRR beyond 2013?**

21 A. Yes. As explained in the testimony of VEDO witness Shawn M. Kelly, the DRR will
22 continue to be in effect in order to recover DRR costs through February 21, 2014. At this
23 time, VEDO intends to file later this year a request to extend the term of the DRR beyond
24 February 2014.

1 **III. SERVICE LINE RESPONSIBILITY**

2 **Q24. Are you able to assess how VEDO's transition to service line responsibility has**
3 **progressed?**

4 A. VEDO continues to view the transfer of service line responsibility to the Company as a
5 positive for both the Company and its customers. In general, VEDO's assumption of
6 service line responsibility has been a benefit to its customers. Customers no longer are
7 required to schedule the services of a plumber to repair or replace their service line,
8 minimizing inconvenience and out of pocket costs. VEDO's response times to
9 investigate and repair leaks reduce the amount of time customers are out of service.
10 Also, confusion over customer responsibility for the service line has been essentially
11 eliminated because there is now a clear delineation of responsibility between the
12 customer and VEDO. Because VEDO (and its customers) have a significant number of
13 aged service line assets, the annual number of service line replacements is significant.
14 VEDO has responded to numerous leak calls, many on bare steel service lines that have
15 required replacement. VEDO does expect that over time as the Replacement Program
16 matures and as individual service lines are replaced, this leak call activity will be
17 reduced, as was identified in the Replacement Program benefits as shown in Exhibit No.
18 JMF-4 Meter order management line B5.

19 **Q25. Has VEDO experienced any incremental costs as a result of assuming service line**
20 **responsibility?**

21 A. Yes. VEDO has had to repair a number of gas leaks on the portion of the below-ground
22 service line and above-ground meter setting that had previously been maintained by the
23 customer. As a result of this added responsibility, VEDO has seen an increase both in
24 capital replacements and operations and in maintenance expenses to repair these leaks.
25 Incremental capital replacement costs related to service line responsibility are included in

VEDO witness J. Cas Swiz's DRR revenue requirement. The incremental O&M expenses will be discussed later in my testimony.

IV. MAINTENANCE SAVINGS AND INCREMENTAL COSTS

Q26. Did VEDO achieve maintenance savings in 2012 compared to the baseline amount of \$1,192,953?

A. Yes. VEDO calculated its maintenance expenses incurred in 2012 by the same method it used to calculate the baseline maintenance expense amount of \$1,192,953. The actual comparable maintenance expenses in 2012 were \$918,034, resulting in a savings against the baseline of \$274,919. This amount is broken into expense reductions attributable to mains of \$257,022 and expense reductions from service lines replaced, and now owned by VEDO, of \$17,897, for a net savings of \$274,919. Additionally, VEDO experienced an increase in maintenance expenses of \$49,029 for those service lines that are not bare steel. Exhibit No. JMF-4 provides the actual 2012 maintenance expenses and a comparison against the baseline expense amount. Additionally, this exhibit provides a breakdown of the maintenance expenses between mains and services.

Q27. Are the maintenance savings fully attributable to the Replacement Program?

A. No. While certainly the elimination of the bare steel and cast iron infrastructure would have driven some of the cost reductions, the change in service line responsibilities also led to some of the savings. The reason for this is that VEDO completed a significant number of service line replacements that would have formerly been at the customer's expense. Personnel who previously had been repairing leaks instead replaced service lines, which are capital expenditures. As such, the maintenance expenses identified in 2012 are not necessarily indicative of the ongoing level of O&M, but of the work VEDO

1 actually performed in that year. Thus, VEDO expects that the actual maintenance
2 savings as compared to the baseline will change year over year.

3 **Q28. Has any incremental capital investment, beyond the Replacement Program, been**
4 **made necessary as a result of assuming service line responsibility?**

5 A. Yes. VEDO has replaced a number of service lines in order to eliminate gas leaks on the
6 portion of the buried service line and the above ground meter setting that was previously
7 maintained by the customer. As a result of this change, VEDO has seen an increase in
8 capital costs. In 2012, VEDO spent, on average, \$4,348 per service line replaced. The
9 incremental cost of replacing the curb-to-meter portion of the service line is
10 approximately \$649 over that experienced during the baseline period of 2007. The
11 incremental investment includes the cost for the incremental length of curb-to-meter
12 service line and meter setting that was formerly installed and maintained by the customer.
13 In 2012, VEDO replaced 1,292 service lines that were not associated with the formal
14 Replacement Program. This equated to an incremental capital investment of \$838,508
15 for service line replacements as a result of the assumption of this responsibility for
16 service lines. Exhibit No. JMF-5 provides the calculation of the incremental investment.

17 **Q29. Does this conclude your testimony?**

18 A. Yes.

2012 VEDO BS/CI Replacement Program
Actual Install & Retirement

A	B	C	D	E	F	G
Work Order Number	Completion Date ⁵	Group#	City	Utility Plant Additions	Removal Cost	Total Work Order Charges ¹
09046852543	20-Dec-12	V-10-42	DAYTON	\$1,420,650.82	\$78,886.04	\$1,499,536.86
10046903052210	21-Sep-12	V-453	MIAMISBURG	\$710,828.83	\$20,314.85	\$731,143.68
10046903052213	19-Apr-12	V-291	DAYTON	\$989,376.39	\$16,741.06	\$1,006,117.45
10046903052214	15-May-12	V-147	DAYTON	\$1,448,482.17	\$22,840.29	\$1,471,322.46
11046603052212	22-Jun-12	V-440	CEDARVILLE	\$222,430.67	\$7,050.85	\$229,481.52
11046603052213	25-Jun-12	V-612	JAMESTOWN	\$222,156.85	\$8,748.42	\$230,905.27
11046603052210	14-Nov-12	V-116	DAYTON	\$1,430,682.80	\$29,959.33	\$1,460,642.13
11046803052212	09-Jan-13	V-117	DAYTON	\$755,386.63	\$25,987.31	\$781,373.94
11046803052213	9-Jan-13	V-118	DAYTON	\$1,079,283.69	\$47,755.52	\$1,127,039.21
11046803052218	26-Jul-12	V-123	EATON	\$510,947.64	\$8,624.50	\$519,572.14
11046803052225	15-Nov-12	V-511	DAYTON	\$836,860.06	\$16,902.88	\$853,762.94
11046803052232	22-Mar-12	V-567	DAYTON	\$900,113.84	\$21,251.53	\$921,365.37
11046803052234	27-Feb-12	V-596	DAYTON	\$239,955.88	\$8,768.02	\$248,723.90
11046803052235	23-Feb-12	V-744-D	CENTERVILLE	\$142,054.33	\$5,975.98	\$148,030.31
11046803052236	24-May-12	V-810-D	CENTERVILLE	\$553,408.93	\$11,976.36	\$565,385.29
11046903052212	29-Jun-12	V-530	DAYTON	\$1,272,430.62	\$16,925.14	\$1,289,355.76
11046903052213	09-May-12	V-513	DAYTON	\$212,107.12	\$3,489.27	\$215,596.39
11046903052214	30-Jul-12	V-524	DAYTON	\$1,034,590.91	\$15,913.68	\$1,050,504.59
11046903052215	29-Jun-12	V-523	DAYTON	\$484,588.08	\$11,455.66	\$496,043.74
11046903052216	5-Sep-12	V-133	DAYTON	\$1,425,510.50	\$28,248.09	\$1,453,758.59
11048103052210	18-Dec-12	V-120	NEW MADISON	\$361,399.76	\$6,268.99	\$367,668.75
11048103052212	20-Apr-12	V-522	PIQUA	\$275,766.93	\$3,904.43	\$279,671.36
11048103052214	22-Apr-12	V-520	PIQUA	\$312,996.57	\$4,602.63	\$317,599.20
11048103052215	26-Apr-12	V-460	SIDNEY	\$645,294.29	\$18,464.80	\$663,759.09
11048103052217	31-May-12	V-623	SIDNEY	\$510,247.86	\$8,021.43	\$518,269.29
11048203052210	8-Jun-12	V-481	BELLEFONTAINE	\$198,009.22	\$5,211.00	\$203,220.22
11048203052212	08-Jun-12	V-441	BELLEFONTAINE	\$361,313.69	\$8,869.58	\$370,183.27
12046703052215	01-Oct-12	V-1011-D	BLOOMINGBURG	\$71,601.51	\$304.67	\$71,906.18
12048103052212	13-Sep-12	V-130	PIQUA	\$1,086,030.68	\$31,252.76	\$1,117,283.44
12048103052226	05-Sep-12	V-914-D	TROY	\$46,991.14	\$422.03	\$47,413.17
11046603052215	13-Jan-12	V-775	DAYTON	\$141,121.87	\$5,050.89	\$146,172.76
10046803052215	6-Feb-13	V-134	DAYTON ⁴	See Notes	See Notes	See Notes
11046603052210	5-Feb-13	V-452	XENIA ⁴	See Notes	See Notes	See Notes
10046803052214	19-Dec-12	V-115	DAYTON ⁴	See Notes	See Notes	See Notes
11046803052229	05-Dec-12	V-528	DAYTON ⁴	See Notes	See Notes	See Notes
12046803052216	10-Jan-13	V-1029D	DAYTON ⁴	See Notes	See Notes	See Notes
09046852537	22-Dec-11	V-10-18	DAYTON ³	See Notes	See Notes	See Notes
09046852542	22-Dec-11	V-10-35	DAYTON ³	See Notes	See Notes	See Notes
TOTAL				\$19,902,620.28	\$500,187.98	\$20,402,808.26

Mains ²					Services ²		Meter Move-Outs ²	
H	I	J	K	L=I+J+K	M	N	O	P
Plastic Installed (Feet)	Total BS Retired (Feet)	Total CI Retired (Feet)	Total PL Retired (Feet)	Total Main Retired (Feet)	Total # Services Installed	Total # Services Retired	Total # Meter Move-Outs	Total # Meter Installations Retired
8,495	2,904	5,210	60	8,174	194	211	195	195
8,359	6,991		375	7,366	110	111	94	94
4,863	4,695			4,695	167	168	171	171
7,692	5,445	1,870	110	7,425	256	258	234	234
3,065	3,700		1,300	5,000	59	59	22	22
3,754	4,428		111	4,539	73	76	26	26
5,835	6,015		635	6,650	246	269	212	212
7,255	3,921	3,343	102	7,366	103	119	80	80
8,152	3,905	5,610	110	9,625	168	223	174	174
6,987	7,278		257	7,535	111	115	59	59
4,376	4,080	1,080	270	5,430	169	183	132	132
6,036	2,890	4,835	710	8,435	64	134	37	37
2,586	727	3,614		4,341	38	48	16	16
678	1,314	810		2,124	19	19	18	18
3,770	3,861		94	3,955	83	83	84	84
6,920	1,825	4,955	71	6,851	223	228	200	200
950	1,450		65	1,515	48	48	35	35
4,505	1,112	4,851	296	6,259	156	178	153	153
3,150	255	2,773	46	3,074	75	78	70	70
6,581	344	5,936	1,506	7,786	189	257	207	207
5,634	6,749		49	6,798	101	105	50	50
2,821	3,377			3,377	68	70	25	25
2,064	2,705		232	2,937	83	85	50	50
5,931	6,461		310	6,771	129	136	132	132
4,410	4,808			4,808	151	159	78	78
2,194	2,163		435	2,598	51	51	39	39
3,470	4,660	287	53	5,000	82	83	66	66
483	791		123	914	11	11	12	12
6,358	5,675		310	5,985	96	100	136	136
391	346			346	10	10	2	2
2,157	1,331		56	1,387	29	29	27	27
6,995	4,935	2,790	195	7,920	137	137	114	114
8,990	12,295		155	12,450	125	125	41	41
6,025	9,417	1,099	153	10,669	46	60	59	59
2,480	3,487			3,487	76	82	170	170
3,268	1,133			1,133	81	82	62	62
See Notes	4,459	41	0	4,500	See Notes	See Notes	See Notes	See Notes
See Notes	1,215	0	0	1,215	See Notes	See Notes	See Notes	See Notes
139,922	143,147	49,104	8,189	200,440	3,827	4,190	3,282	3,282

Miles 27.11 9.30

Notes:

¹ Total Work Order Charges exclude 2012 trailing charge activity associated with BS/CI groups placed in service prior to January 1, 2013, which will be included in the 2013 DRR filing.

² Quantities may reflect estimates as final as-built information has not been received for all work orders; final as-built quantities will be reflected in 2013 DRR filing.

³ These projects only had retirement footage in 2012.

⁴ These projects were construction complete but not included in this filing for accounting purposes because the process date of closing was in 2013.

⁵ Completion Date represents the physical date when all work was completed and all substantial invoices were received. It differs from the financial in-service date, which represents when the assets were used and useful. The Completion Date does not drive any accounting transactions.

2012 VEDO BS/CI Replacement Program
Plastic Main Retirement Causes

Work Order Number	Completion Date	Group#	City	Total PL Retired (Feet)	Plastic Retirement Causes
09046852543	20-Dec-12	V-10-42	DAYTON	60	Plastic main crossing was retired (higher cost to dig both ends and uprate). 6" segment of plastic was between steel mains segments to be retired (directional bore the new main).
10046903052210	21-Sep-12	V-453	MIAMISBURG	375	375' of Existing plastic main did not hold pressure test. Higher cost to repair and retest.
10046903052214	15-May-12	V-147	DAYTON	110	94' of 4" plastic main was between steel mains (higher cost to dig both ends and uprate).
11046603052212	22-Jun-12	V-440	CEDARVILLE	1,300	500' of 4" plastic main with no customer, 760' of plastic with existing MP pressure main / Transfer services to MP main / Retire plastic main, and one segment of main between steel mains (higher cost to dig both ends and uprate).
11046603052213	25-Jun-12	V-612	JAMESTOWN	111	2 segments of 4" plastic mains were between steel mains and crossing (higher cost to dig both ends and uprate).
11046803052210	14-Nov-12	V-116	DAYTON	635	200' of 3" with existing MP pressure main/ Transfer services to MP main / Retire plastic main. 2 segments of 4" and 6" plastic mains were between steel mains (higher cost to dig both ends and uprate)
11046803052212	09-Jan-13	V-117	DAYTON	102	3 segments of 3", 4" AND 6" plastic mains were between steel mains and crossing (higher cost to dig both ends and uprate).
11046803052213	9-Jan-13	V-118	DAYTON	110	3 segments of 2", 3" and 8" plastic mains were between steel mains and crossing (higher cost to dig both ends and uprate).
11046803052218	26-Jul-12	V-123	EATON	257	5 segments of 2", 3" plastic mains were between steel mains and crossing (higher cost to dig both ends and uprate).
11046803052225	15-Nov-12	V-511	DAYTON	270	3 segments of 1", 4" plastic mains were between steel mains and crossing (higher cost to dig both ends and uprate).
11046803052232	22-Mar-12	V-567	DAYTON	710	385' of 3" plastic main between steel mains and 325' of 3" plastic main inserted (higher cost to dig both ends and uprate).
11046803052236	24-May-12	V-810-D	CENTERVILLE	94	94' of 4" plastic mains were between steel mains (higher cost to dig both ends and uprate).
11046903052212	29-Jun-12	V-530	DAYTON	71	2 segments of 4" and 6" plastic mains were between steel mains (higher cost to dig both ends and uprate).
11046903052213	09-May-12	V-513	DAYTON	65	65' of 4" plastic mains were between steel mains (higher cost to dig both ends and uprate).
11046903052214	30-Jul-12	V-524	DAYTON	296	2 segments of 4" plastic mains were between steel mains (higher cost to dig both ends and uprate).
11046903052215	29-Jun-12	V-523	DAYTON	46	46' of 4" plastic main, road crossing (higher cost to dig both ends and uprate).
11046903052216	5-Sep-12	V-133	DAYTON	1,506	1506' of Existing 4" and 6" plastic main did not hold pressure test. Higher cost to repair and retest.
11048103052210	18-Dec-12	V-120	NEW MADISON	49	2 segments of 4" plastic mains were between steel mains (higher cost to dig both ends and uprate).
11048103052214	22-Apr-12	V-520	PIQUA	232	192' of 4" plastic, end of main, no customer, 40' of 4" plastic mains were between steel mains (higher cost to dig both ends and uprate).
11048103052215	26-Apr-12	V-460	SIDNEY	310	8 segments of 1 1/4", 2", 3" and 8" plastic mains were between steel mains and crossing (higher cost to dig both ends and uprate).
11048203052210	8-Jun-12	V-481	BELLEFONTAINE	435	435' of Existing plastic main did not hold pressure test. Higher cost to repair and retest.
11048203052212	08-Jun-12	V-441	BELLEFONTAINE	53	2 segments of 3" and 6" plastic mains were between steel mains (higher cost to dig both ends and uprate).
12046703052215	01-Oct-12	V-1011-D	BLOOMINGBURG	123	123' of 2" plastic, no customer.
12048103052212	13-Sep-12	V-130	PIQUA	310	3 segments of 2", 3" and 4" plastic mains were between steel mains and crossing (higher cost to dig both ends and uprate).
11046603052215	13-Jan-12	V-775	DAYTON	56	56' of 4" plastic mains were between steel mains (higher cost to dig both ends and uprate).
10046803052215	6-Feb-13	V-134	DAYTON	195	3 segments of 6" and 4" plastic mains were between steel mains (higher cost to dig both ends and uprate). 75' of 4" plastic conflict with AT&T at the tie-in location.
11046603052210	5-Feb-13	V-452	XENIA	155	49' of 4" plastic mains road crossing (higher cost to dig both ends and uprate).
10046803052214	19-Dec-12	V-115	DAYTON	153	3 segments of 10", 6", 4" and 2" plastic mains were between steel mains (higher cost to dig both ends and uprate).
TOTAL				8,189	



VEDO Bare Steel / Cast Iron 2013 Replacement Program

Calendar Year 2013

Project Group #	Operating Center	City	Street	Install Footage	Retire Footage	Project Services	Estimated Project Cost
V-119	DW	Alexandria	N Main St., Third St.	6,150	6,315	112	\$568,552
V-125	DW	Eaton	W Walnut St., S Beech St.	6,585	7,415	140	\$866,996
V-127	TR	West Milton	Miami St., Main St.	4,720	8,065	138	\$792,132
V-128	TR	Troy	Mulberry St., Clay St.	6,382	9,598	171	\$994,003
V-135	DW	Dayton	Third St., June St.	7,327	10,903	60	\$617,120
V-140	DW	Dayton	E Second St., Garland St.	5,225	6,150	163	\$818,376
V-146	CN	Dayton	Morse St., Nordale Ave.	6,025	6,115	187	\$918,621
V-350	TR	Tipp City	N Second St., Plum St.	2,030	1,935	53	\$342,817
V-355	CN	Dayton	Banner St., Johnson St.	3,265	3,105	99	\$535,494
V-373	WC	South Solon	Main St., Washington St.	4,755	4,655	91	\$497,223
V-448	TR	Troy	Indiana St., Troy St.	1,824	4,878	87	\$408,862
V-595	DW	Dayton	S Garland Ave., Springfield St.	6,395	7,445	103	\$608,597
V-618	TR	Piqua	High St., Short St.	5,865	6,295	146	\$792,961
V-620	TR	Piqua	Camp St, Madison Ave.	3,369	3,910	69	\$374,037
V-621	TR	Piqua	Nicklin Ave., Vine St.	3,830	5,400	103	\$461,854
V-626	BF	Bellefontaine	Wright St., Waren Ave.	2,932	3,079	68	\$374,393
V-627	TR	Sidney	Miami st., Adams St.	2,927	4,304	51	\$291,417
V-655	TR	Sidney	Main St., Ohio St.	6,060	7,355	130	\$778,240
V-656	CN	Oakwood	Far Hills Ave., S Main St.	4,180	7,016	49	\$606,919
V-760	CN	Dayton	Colwick Dr., Croyden Dr.	8,856	9,494	227	\$992,287
V-763	FA	Cedarville	Xenia Ave., Grove St.	3,745	8,923	145	\$576,812
V-766	WC	Greenfield	Washington St., South St.	3,448	8,581	141	\$660,550
V-769	CN	Oakwood	Beverly Pl., Spirea Dr.	9,892	10,324	171	\$1,273,582
V-770	CN	Dayton	Cincinnati St., Heck Ave.	4,683	6,262	106	\$756,196
V-785	DW	Dayton	Fifth St., Samuel St.	7,915	12,725	244	\$1,779,200
V-787	TR	Covington	Ludlow St., Wenrick St.	3,310	4,300	67	\$385,913
V-790	CN	Oakwood	Harmon Ave., Dellwood Ave.	11,171	8,317	181	\$1,077,312
V-814	FA	Dayton	Mesmer Ave., Cleveland Ave.	7,058	4,754	146	\$878,421
V-851	FA	Dayton	Woodcliffe Ave., Pleasantview Ave.	6,543	5,861	169	\$837,896
V-856	TR	Dayton	Fifth St., Fourth St.	4,887	6,808	142	\$740,121
V-857	TR	Greenville	Washington St., Gray Ave.	3,956	5,005	148	\$711,889
V-858	TR	Greenville	Sweitzer, Fort Jefferson	2,136	2,096	56	\$304,988
V-948	BF	Bellefontaine	Madriver, Cantwell	1,790	1,595	46	\$238,522
V-949	BF	Bellefontaine	Carlisle St., Detroit Ave.	3,269	3,077	56	\$330,693
V-961	WC	Dayton	Washington St., Front St.	5,710	5,690	84	\$445,540
V-997	WC	South Solon	Washington st., Cleveland St.	3,220	4,725	70	\$361,380
Total				181,435	222,475	4,219	\$23,999,917

VEDO 2012 Maintenance Expense - BS/CI & Service Line Ownership

Service O&M Expense Change

Service O&M Expense Change						
		A		B		C
Meter Order Management						
Meter Orders	Baseline		2012		Change from Baseline	
1 Outside Leaks	3467		3128			
2 Investigate Gas Emergency	937		648			
3 No Gas	1831		1498			
4 Water in Service	11		12			
5 Total	6246		5286			
6 % Allocated to BS/CI Facilities	48%		41.7%			
7 Orders applicable to BS/CI	2998	A5 * A6	2204	B5 * B6		
Maintenance Expenses	Baseline		2012			
8 Total Meter Orders	122091		107624			
9 Meter Order Mgmt Actuals	\$ 3,542,248		\$ 3,952,717			
10 Average Cost per Order	29.01	A9/A8	36.73	B9/B8		
11 Average cost per Asset Condition based Order	58.03	2 * A10	73.45	2 * B10		
* Leak Investigation order averages approximately 2x's longer than average meter order						
Maintenance Expenses Reduction Opportunity	Baseline (C1xC2)		2012		Change from Baseline	
12 Orders Applicable to BS/CI x Average Order Cost per Asset Condition based Order	\$ 173,968	A7 * A11	\$ 161,912	B7 * B11	\$ 12,056	A12 - B12

Leak Repair & Management						
Service Leaks Maintenance Expenses	Baseline		2012		Change from Baseline	
13 Service Leak Repair Actuals	\$ 145,655		\$ 188,843		\$ (43,188)	A13-B13
14 % of Service BS/CI Leak Repairs	56%		40.1%			
15 Incremental Service O&M Expenses attributable to BS/CI	\$ 81,567	A13*A14	\$ 75,726	B13*B14	\$ 5,841	A15-B15
16 Incremental Service O&M Expenses attributable to All Other Asset Types	\$ 64,088	A13-A15	\$ 113,117	B13-B15	\$ (49,029)	A16-B16
17 TOTAL BS/CI SERVICE MAINTENANCE EXPENSES	\$ 255,535	A12+A15	\$ 237,638	B12+B15	\$ 17,897	A17-B17

MAIN O&M Expense Change

Leak Repair & Management						
Main Leaks Maintenance Expenses	Baseline		2012		Change from Baseline	
18 Total Main Leak Repair Actuals	\$ 1,610,684		\$ 1,342,891			
19 Cost Associated with Soft Surface Repairs	\$ 644,274		\$ 487,469			
20 % of Soft Surface Repairs on BS/CI Main Leaks	39%		28%			
21 Cost Associated with Hard Surface Repairs	\$ 966,410		\$ 855,556			
22 % of Hard Surface Repairs on BS/CI Main Leaks	71%		64%			
23 Main O&M Expenses attributable to BS/CI	\$ 937,418	(A19*A20)+(A21*A22)	\$ 680,396	(B19*B20)+(B21*B22)	\$ 257,022	A23-B23
24 Total O&M Maintenance Expenses (Main + Services)	\$ 1,192,953	A17+A23	\$ 918,034	B17+B23	\$ 274,919	A24-B24

VEDO Incremental Service Line Responsibility Capital Costs

		A		B		C	
		Baseline		2012		Incremental over Baseline	
1	Service Line Replacements Costs	\$ 3,313,867		\$ 5,618,189			
2	Count of Service Lines Replaced	896		1,292			
3	Average Cost per Service Line Replaced	\$ 3,699	A1/A2	\$ 4,348	B1/B2	\$ 649	B3-A3

		Incremental Cost per Service		Service Replacements		Total Incremental Capital Cost	
7	Total Incremental Capital Investment for Service Line Responsibility	\$ 649	C3	1,292	B2	\$ 838,508	A7*B7

Note: The service replacements included in this count were not replaced as part of a bare steel/cast iron replacement project. Replacements were performed as a result of individual leaks, relocations, public improvement projects or other system improvement projects.

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc.)	Case No. 13-1121-GA-RDR
for Authority to Adjust Its Distribution)	
Replacement Rider Charges.)	

DIRECT TESTIMONY

OF

J. CAS SWIZ

DIRECTOR, REGULATORY IMPLEMENTATION AND ANALYSIS

ON BEHALF OF

VECTREN ENERGY DELIVERY OF OHIO, INC.

1 **Direct Testimony of**
2 **J. Cas Swiz**

3 **I. INTRODUCTION**

4 **Q1. Please state your name and business address.**

5 A. My name is J. Cas Swiz, and my address is One Vectren Square, Evansville, Indiana
6 47708.

7 **Q2. What position do you hold with Applicant Vectren Energy Delivery of Ohio, Inc.**
8 **(“VEDO” or “the Company”)?**

9 A. I am Director, Regulatory Implementation and Analysis for Vectren Utility Holdings, Inc.
10 (“VUHI”), the immediate parent company of VEDO. I hold the same position with two
11 other utility subsidiaries of VUHI -- Southern Indiana Gas and Electric Company, Inc.
12 d/b/a Vectren Energy Delivery of Indiana, Inc. (“Vectren South”) and Indiana Gas
13 Company, Inc. d/b/a/ Vectren Energy Delivery of Indiana (“Vectren North”).

14 **Q3. Please describe your educational background.**

15 A. I am a 2001 graduate of the University of Evansville with a Bachelor of Science Degree
16 in Accounting, and a 2005 graduate of the University of Southern Indiana with a Masters
17 of Business Administration.

18 **Q4. Please describe your professional experience.**

19 A. From 2001 to 2003, I was employed by ExxonMobil Chemical as a Product and
20 Inventory accountant. Since 2003, I have been employed with VUHI in various
21 accounting capacities. In 2008, I was named Manager, Regulatory and Utility
22 Accounting, and in November 2012 I was promoted to Director, Regulatory
23 Implementation and Analysis.

Q5. What are your present duties and responsibilities as Director, Regulatory Implementation and Analysis?

A. I am responsible for the financial analysis and implementation of all regulatory initiatives for VEDO (and VUHI's other utility subsidiaries), as well as the preparation of accounting exhibits submitted in various regulatory proceedings.

Q6. Are you familiar with the books, records, and accounting procedures of VEDO?

A. Yes, I am.

Q7. Are VEDO's books and records maintained in accordance with the Uniform System of Accounts ("USoA") and generally accepted accounting principles?

A. Yes.

Q8. Have you previously testified before this Commission?

A. No.

Q9. What is the purpose of your testimony in this proceeding?

A. My testimony in this proceeding will provide an explanation of the calculation of the revenue requirement for VEDO's Distribution Replacement Rider ("DRR"), which includes the bare steel and cast iron replacement program ("Replacement Program"), natural gas riser replacement program and incremental costs associated with the Company's assumption of service line responsibility. I will also provide an explanation of the accounting procedures the Company uses to record and segregate the costs recoverable in the DRR.

Q10. Please explain the exhibits to your testimony?

A. The following exhibits are attached to my testimony:

Exhibit No. JCS-1 - Summary of DRR Revenue Requirement

Exhibit No. JCS-2 – Revenue Requirement for Main Replacement Program

Exhibit No. JCS-2a – Utility Plant Additions for Main Replacement Program

1 Exhibit No. JCS-2b – Utility Plant Retirements for Main Replacement Program

2 Exhibit No. JCS-2c – Accumulated Depreciation for Main Replacement Program

3 Exhibit No. JCS-2d – Cost of Removal for Main Replacement Program

4 Exhibit No. JCS-2e – Post in Service Carrying Costs (“PISCC”) for Main Replacement

5 Program

6 Exhibit No. JCS-2f – Annualized Property Tax Expense for Main Replacement Program

7 Exhibit No. JCS-2g – Deferred Taxes on Liberalized Depreciation for Main Replacement

8 Program

9 Exhibit No. JCS-2h – Deferred Depreciation Regulatory Asset Balance for Main

10 Replacement Program

11 Exhibit No. JCS-3 – Revenue Requirement for Service Line and Riser Replacement

12 Program

13 Exhibit No. JCS-3a – Utility Plant Additions for Service Line and Riser Replacement

14 Program

15 Exhibit No. JCS-3b – Utility Plant Retirements for Service Line and Riser Replacement

16 Program

17 Exhibit No. JCS-3c – Accumulated Depreciation for Service Line and Riser Replacement

18 Program

19 Exhibit No. JCS-3d – Cost of Removal for Service Line and Riser Replacement Program

20 Exhibit No. JCS-3e – PISCC for Service Line and Riser Replacement Program

21 Exhibit No. JCS-3f – Annualized Property Tax Expense for Service Line and Riser

22 Replacement Program

23 Exhibit No. JCS-3g – Deferred Taxes on Liberalized Depreciation for Service Line and

24 Riser Replacement Program

25 Exhibit No. JCS-3h – Deferred Depreciation Regulatory Asset Balance for Service Line

26 and Riser Replacement Program

27 Exhibit No. JCS-4 – DRR Revenue Requirement Variance at December 31, 2012.

28 Exhibit No. JCS-4a – DRR Recoveries by Tariff

1 **II. ACCOUNTING PROCEDURES**

2 **Q11. Please explain the work order process that VEDO utilizes to segregate and record**
3 **the capital costs of the bare steel and cast iron replacement and riser/service line**
4 **replacement programs (collectively “Programs”) while the projects are under**
5 **construction (“Program Construction Costs”).**

6 A. To ensure proper accumulation and segregation of Program Construction Costs, a project
7 number is assigned to each capital work order. All Program Construction Costs, as
8 incurred, are recorded to the assigned project number and are maintained in the
9 Company’s Financial Information System (“FIS”) Projects Accounting (“PA”)
10 module. The project number is required for the recording of all Program Construction
11 Costs into any of the FIS feeder systems. Each of the feeder systems, which include
12 payroll, accounts payable, and material inventory, interface with the PA module. Total
13 Program Construction Costs incurred can be viewed and/or reported by the project
14 number at any point in time as the Programs progress.

15 **Q12. What types of costs did VEDO include in the value of the property for the DRR rate**
16 **base additions?**

17 A. The DRR includes the construction costs of the Programs, as well as engineering and
18 project management, permitting, consulting services, site preparation, equipment and
19 installation, cost of retirement, an allocation of administrative overhead, and other related
20 expenses.

21 **Q13. Is an allowance for funds used during construction (“AFUDC”) included in the**
22 **Program Construction Costs?**

23 A. Yes, AFUDC has been recorded as part of the Program Construction Costs in accordance
24 with USoA and the 2012 AFUDC rate used for all other VEDO construction projects was
25 0.47%.

1 **Q14. When does VEDO discontinue recording AFUDC on the Program Construction**
2 **Costs?**

3 A. VEDO ceases the accrual of AFUDC when each work order is placed in service and
4 begins accruing PISCC at an annual rate of 7.02%, as provided in the Commission's
5 order in Case No. 07-1080-GA-AIR. The net PISCC deferred as of December 31, 2012,
6 has been reflected on Exhibit No. JCS-2, Line 11 for mains and Exhibit No. JCS-3, Line
7 18 for service lines.

8 **Q15. Please explain PISCC and how it works.**

9 A. PISCC is an allocation of interest cost to the infrastructure investments made in the
10 Programs and is accumulated from the in-service date through the date each project's
11 costs are included for recovery in the DRR or in base rates.

12 **Q16. Does the Replacement Program include retirements and cost of removal of utility**
13 **plant assets?**

14 A. Yes. Existing bare steel and cast iron mains and service lines are being retired as part of
15 the Program. VEDO had discontinued the installation of bare steel and cast iron pipe by
16 the 1950s; therefore any retirements of these types of mains and service lines represent
17 fully depreciated plant in service. As the retirements are performed, VEDO is also
18 recording the cost to retire or remove the bare steel and cast iron assets as part of the
19 Replacement Program.

20 **Q17. How did VEDO account for the asset retirements and associated cost of removal?**

21 A. In accordance with the USoA, the retirement of utility assets, at original cost, and the
22 retirement's related cost of removal made necessary by the Replacement Program were
23 charged to the associated depreciation reserve(s). The Replacement Program's original
24 cost retirements are reflected on Exhibit No. JCS-2, Lines 4 and 9 for mains, and on
25 Exhibit No. JCS-3, Lines 7 and 8 and Lines 15 and 16 for service lines, and cost of

removal is reflected on Exhibit No. JCS-2, Line 8 for mains and Exhibit No. JCS-3, Line 14 for service lines.

Q18. What operating expenses are included in the DRR revenue requirement calculation?

A. VEDO has reflected the incremental property tax (Exhibit No. JCS-2, Line 20 (mains) and Exhibit No. JCS-3, Line 29 (service lines and risers)) and annualized depreciation expense (Exhibit No. JCS-2, Line 21 (mains) and Exhibit No. JCS-3, Line 30 and 31 (service lines and risers)) based on the net additions to plant in service shown on Exhibit No. JCS-2, Line 5, mains, and Exhibit No. JCS-3, Line 9, service lines. The annualized depreciation expense was calculated using the depreciation rates approved in VEDO's base rate case, Case No. 04-0571-GA-AIR, and property tax expense is supported by Exhibit Nos. JCS-2f (mains) and JCS-3f (service lines and risers).

VEDO has also included in the DRR revenue requirement the incremental cost associated with assuming ownership of service lines. This expense is reflected on Exhibit No. JCS-3, Line 35. VEDO witness James M. Francis provides the support for the incremental expense in Exhibit No. JMF-4.

Q19. Are there maintenance expense adjustments associated with the Replacement Program?

A. Yes. As described by Witness Francis, the maintenance expense savings are measured by comparing actual maintenance expenses for leaks (mains and services) and meter maintenance for the twelve months ended December 31, 2012 to baseline O&M expense of \$1,192,953 established in Case No. 07-1080-GA-AIR. Witness Francis' Exhibit No. JMF-4 provides the comparison of actual and baseline expenses and defines the adjustment applicable to this filing, which is reflected in the DRR revenue requirement

on Exhibit No. JCS-2, Line 24 for mains and Exhibit No. JCS-3, Line 36 for service lines.

III. EXPLANATION OF EXHIBITS

Q20. Please explain Exhibit No. JCS-1.

A. Exhibit No. JCS-1 summarizes the annualized revenue requirement for the Programs. The revenue requirement is supported by Exhibit Nos. JCS-2 through JCS-4.

Q21. Please explain Exhibit No. JCS-2 and Exhibit No. JCS-3.

A. Exhibit No. JCS-2 and Exhibit No. JCS-3 represent the revenue requirement calculation for VEDO's DRR rates based on net rate base at December 31, 2012 inclusive of PISCC and deferred taxes related to depreciation and PISCC. Exhibit No. JCS-2 represents the revenue requirement calculation for the main replacement program and Exhibit No. JCS-3 represents the revenue requirement calculation for service line and riser replacements.

Q22. Please explain Exhibit No. JCS-2a and Exhibit No. JCS-3a.

A. Exhibit No. JCS-2a and Exhibit No. JCS-3a provide the balance of plant additions at December 31, 2011, and actual plant additions by month for the twelve months ended December 31, 2012 to determine utility plant additions at December 31, 2012. Exhibit No. JCS-2a provides information for the main replacement program and Exhibit No. JCS-3a provides information for the service line and riser replacement programs.

Q23. Please explain Exhibit No. JCS-2b and Exhibit No. JCS-3b.

A. Exhibit No. JCS-2b and Exhibit No. JCS-3b provide the balance of the original cost plant retired under the Program as of December 31, 2011 as shown in Case No. 12-1423-GA-RDR and actual original cost retired by month for projects completed during the twelve months ended December 31, 2012 to calculate the Replacement Program's total original cost retirements. Exhibit No. JCS-2b provides information for the main replacement

1 program and Exhibit No. JCS-3b provides information for the service line and riser
2 replacement programs.

3 **Q24. Please explain Exhibit No. JCS-2c and Exhibit No. JCS-3c.**

4 A. Exhibit No. JCS-2c and Exhibit No. JCS-3c provide the balance of accumulated
5 depreciation at December 31, 2011, and actual provision for depreciation by month for
6 the twelve months ended December 31, 2012 to calculate the accumulated depreciation
7 provision at December 31, 2012. Exhibit No. JCS-2c provides information for the main
8 replacement program and Exhibit No. JCS-3c provides information for the service line
9 and riser replacement programs.

10 **Q25. Please explain Exhibit No. JCS-2d and Exhibit No. JCS-3d.**

11 A. Exhibit No. JCS-2d and Exhibit No. JCS-3d provide the balance of cost of removal at
12 December 31, 2011 and the actual cost of removal by month for the twelve months ended
13 December 31, 2012 to calculate the Program's total cost of removal through December
14 31, 2012. Exhibit No. JCS-2d provides information for the main replacement program
15 and Exhibit No. JCS-3d provides information for the service line and riser replacement
16 programs.

17 **Q26. Please explain Exhibit No. JCS-2e and Exhibit No. JCS-3e.**

18 A. Exhibit No. JCS-2e and Exhibit No. JCS-3e provide the balance of the PISCC regulatory
19 asset at December 31, 2011, and the PISCC activity by month for the twelve months
20 ended December 31, 2012 to calculate the PISCC regulatory asset balance at December
21 31, 2012. These schedules also provide the amortization of PISCC by month for the
22 twelve months ended December 31, 2012, and an accumulated PISCC amortization
23 balance at December 31, 2012. Furthermore, these schedules provide the Net PISCC
24 Regulatory Asset at December 31, 2012. Exhibit No. JCS-2e provides information for

the main replacement program and Exhibit No. JCS-3e provides information for the service line and riser replacement programs.

Q27. Please explain Exhibit No. JCS-2f and Exhibit No. JCS-3f.

A. Exhibit Nos. JCS-2f and Exhibit No. JCS-3f provide the calculation of the annualized property tax expense based on the net additions (mains, service lines and risers) to Plant In-Service under the Programs. This calculation follows the process used in VEDO's Annual Report to the Ohio Department of Taxation to determine the Net Property Valuation and uses the latest known average personal property tax rate. Exhibit No. JCS-2f provides information for the net main additions and Exhibit No. JCS-3f provides information for the net service line and riser additions.

Q28. Please explain Exhibit No. JCS-2g and Exhibit No. JCS-3g.

A. Exhibit Nos. JCS-2g (mains) and Exhibit No. JCS-3g (service lines/risers) provide the calculation of depreciation-related deferred taxes for the Programs' capital investments placed in service during 2009, 2010, 2011 and 2012.

Q29. Please explain Exhibit No. JCS-2h and Exhibit No. JCS-3h.

A. Exhibit No. JCS-2h (mains) and Exhibit No. JCS-3h (service lines) provide the balance of the deferred depreciation regulatory asset as of December 31, 2011, and deferred depreciation activity by month for the twelve months ended December 31, 2012 to calculate the deferred depreciation regulatory asset balance as of December 31, 2012. These schedules also provide the amortization of deferred depreciation by month for the twelve months ended December 31, 2012, and an accumulated deferred depreciation amortization balance at December 31, 2012. Furthermore, these schedules provide the net deferred depreciation Regulatory Asset at December 31, 2012. Exhibit No. JCS-2h

1 provides information for the main replacement program and Exhibit No. JCS-3h provides
2 information for the service line and riser replacement programs.

3 **Q30. Please explain Exhibit No. JCS-4 and Exhibit No. JCS-4a.**

4 A. Exhibit No. JCS-4 provides the calculation of the DRR variance at December 31, 2012.

5 This variance is associated with the DRR revenue requirement for the twelve months
6 ended December 31, 2012. Exhibit No. JCS-4a reflects DRR recoveries by month by
7 customer group for the twelve months ended December 31, 2012.

8 **Q31. Does this conclude your direct testimony?**

9 A. Yes.

**VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
SUMMARY OF DRR REVENUE REQUIREMENT**

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Mains Revenue Requirement	\$ 3,560,447	Exhibit No. JCS-2, Line 27
2	Service Lines Revenue Requirement	<u>8,572,694</u>	Exhibit No. JCS-3, Line 39
3	Annual DRR Revenue Requirement	<u>\$ 12,133,141</u>	Line 1 + Line 2

**VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
ANNUAL REVENUE REQUIREMENT - MAINS**

Line	Description	Amount	Reference
1	<u>Return on Investment:</u>		
2	<u>Plant In-Service at December 31, 2012</u>		
3	Additions - Main Replacements	\$ 28,363,400	Exhibit JCS-2a, Column O, Line 2
4	Original Cost - Retired Mains	(1,386,667)	Exhibit JCS-2b, Column Q, Line 2
5	Total Plant In-Service	\$ 26,976,733	Line 3 + Line 4
6	<u>Less: Accumulated Depreciation at December 31, 2012</u>		
7	Depreciation Expense - Mains	\$ (874,579)	Exhibit JCS-2c, Column O, Line 2
8	Cost of Removal - Mains	1,294,485	Exhibit JCS-2d, Column O, Line 2
9	Original Cost - Retired Mains	1,386,667	-Line 4
10	Total Accumulated Depreciation	\$ 1,806,573	Sum of Lines 7 - 9
11	Net Deferred Post In-Service Carrying Costs (PISCC) ⁽³⁾	\$ 1,634,859	Exhibit JCS-2e, Column O, Line 4
12	Deferred Depreciation Regulatory Asset Balance - Mains	\$ 258,434	Exhibit JCS-2h, Column B, Line 3
13	Net Deferred Tax Balance - PISCC	\$ (572,201)	-Line 11 x 35%
14	Deferred Taxes on Depreciation	\$ (7,230,154)	Exhibit No. JCS-2g, Line 19
15	Deferred Taxes on Deferred Depreciation Regulatory Asset	\$ (90,452)	-Line 12 x 35%
16	Net Rate Base	\$ 22,783,792	Sum of Lines 5 and 10-15
17	Pre-Tax Rate of Return	11.67%	Case No. 07-1080-GA-AIR
18	Annualized Return on Rate Base - Mains	\$ 2,658,868	Line 16 x Line 17
19	<u>Operations and Maintenance Expenses</u>		
20	Annualized Property Tax Expense	\$ 601,655	Exhibit No. JCS-2f, Line 17
21	Annualized Depreciation Expense	477,488	Line 5 x 1.77% ⁽¹⁾
22	Annualized PISCC Amortization Expense	25,416	Exhibit JCS-2e, Column D, Line 13
23	Annualized Deferred Depreciation Amortization Expense - Mains	3,989	Exhibit JCS-2h, Column C, Line 21
24	Annualized Maintenance Adjustment	(257,022)	(2)
25	Total Incremental Operating Expenses - Mains	\$ 851,526	Sum of Lines 20-24
26	Variance	\$ 50,053	Exhibit JCS-4, Line 15
27	Total Annual Revenue Requirement - Mains	\$ 3,560,447	Line 18 + Line 25 + Line 26

(To Exhibit No. JCS-1 and Exhibit No. SMK-1, page 1 of 5)

(1) FERC Account 676 depreciation rate approved in Case No. 04-0571-GA-AIR.

(2) Support provided by VEDO Witness James Francis, Exhibit No. JMF-4, Column C, Line 23.

(3) PISCC is accrued at an annual rate of 7.02% from the in service date until investments are reflected in the DRR rate.
as approved in Case No. 07-1080-GA-AIR.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Plant Additions
Twelve Months Ended December 31, 2012

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line		Balance at												Balance at	
No.	Description	<u>12/31/2011</u>	<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	
1	<u>Cumulative Balance</u>														
2	Mains	\$ 19,150,236	\$ 19,162,296	\$ 19,379,400	\$ 20,118,234	\$ 20,788,079	\$ 21,925,970	\$ 23,676,205	\$ 23,823,806	\$ 24,897,002	\$ 25,496,837	\$ 27,470,085	\$ 27,718,759	\$ 28,363,400	To JCS-2, Line 3
3	<u>Current Year Activity</u>		<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	Activity for Twelve Months Ended <u>12/31/2012</u>
4	Mains		\$ 12,060	\$ 217,104	\$ 738,834	\$ 669,845	\$ 1,137,891	\$ 1,750,235	\$ 147,601	\$ 1,073,196	\$ 599,835	\$ 1,973,248	\$ 248,674	\$ 644,641	\$ 9,213,164

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Retirements
Twelve Months Ended December 31, 2012

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
Line No.	Description	Retirements per 2012 Filing	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	12/31/2012		Total Retirements for Work Orders Placed in Service by 12/31/2012
1	<u>Cumulative Balance</u>															
2	Mains	\$ (505,092)	\$ (506,446)	\$ (506,446)	\$ (526,793)	\$ (583,000)	\$ (653,799)	\$ (739,556)	\$ (744,806)	\$ (783,611)	\$ (801,436)	\$ (964,254)	\$ (965,824)	\$ (1,298,652)	\$	(1,386,667) To JCS-2, Line 4
3	<u>Current Year Activity</u>		<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	2013 ⁽¹⁾	Retirements for Work Orders Placed In Service in 2012
4	Mains	\$	(1,354)	\$ -	\$ (20,347)	\$ (56,207)	\$ (70,799)	\$ (85,757)	\$ (5,250)	\$ (38,805)	\$ (17,825)	\$ (162,818)	\$ (1,570)	\$ (332,828)	\$ (88,015)	\$ (881,575)

Notes:

(1) Represents retirements recorded in early 2013 for work orders closed in 2012.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Depreciation
Twelve Months Ended December 31, 2012

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	
Line No.	Description	Accumulated Depreciation at 12/31/2011	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	12/31/2012	
1	<u>Cumulative Balance</u>														
2	Mains	\$ (464,213)	\$ (492,468)	\$ (520,893)	\$ (550,023)	\$ (580,191)	\$ (611,693)	\$ (645,325)	\$ (680,356)	\$ (716,288)	\$ (753,453)	\$ (792,516)	\$ (833,218)	\$ (874,579)	To JCS-2, Line 7
3	<u>Current Year Activity</u>		<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	2012 Depreciation Expense
4	Mains		\$ (28,255)	\$ (28,425)	\$ (29,130)	\$ (30,168)	\$ (31,502)	\$ (33,632)	\$ (35,031)	\$ (35,932)	\$ (37,165)	\$ (39,063)	\$ (40,702)	\$ (41,361)	(410,366)

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Cost of Removal
Twelve Months Ended December 31, 2012

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Cost of Removal at 12/31/2011	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	Balance at 12/31/2012	
1	<u>Cumulative Balance</u>														
2	Mains	\$ 1,101,959	\$ 1,109,378	\$ 1,122,260	\$ 1,143,683	\$ 1,148,748	\$ 1,170,320	\$ 1,195,810	\$ 1,203,799	\$ 1,222,669	\$ 1,245,882	\$ 1,249,300	\$ 1,256,964	\$ 1,294,485	To JCS-2, Line 8
3	<u>Current Year Activity</u>		<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	Activity for Twelve Months Ended 12/31/2012
4	Mains		\$ 7,419	\$ 12,882	\$ 21,423	\$ 5,065	\$ 21,572	\$ 25,490	\$ 7,989	\$ 18,870	\$ 23,213	\$ 3,418	\$ 7,664	\$ 37,521	\$ 192,526

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Post In Service Carrying Costs (PISCC)
Twelve Months Ended December 31, 2012

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	PISCC at 12/31/2011	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	Balance at 12/31/2012	
1	<u>Cumulative Balance</u>														
2	Mains-PISCC	\$ 1,033,770	\$ 1,074,092	\$ 1,114,917	\$ 1,158,958	\$ 1,208,224	\$ 1,262,688	\$ 1,326,141	\$ 1,393,163	\$ 1,465,649	\$ 1,501,636	\$ 1,549,499	\$ 1,598,283	\$ 1,650,395	
3	Mains-PISCC Amortization	\$ (4,420)	\$ (5,147)	\$ (5,874)	\$ (6,601)	\$ (7,328)	\$ (8,055)	\$ (8,782)	\$ (9,509)	\$ (10,236)	\$ (11,561)	\$ (12,886)	\$ (14,211)	\$ (15,536)	
4	Deferred PISCC - Mains	\$ 1,029,350	\$ 1,068,945	\$ 1,109,043	\$ 1,152,357	\$ 1,200,896	\$ 1,254,633	\$ 1,317,359	\$ 1,383,654	\$ 1,455,413	\$ 1,490,075	\$ 1,536,613	\$ 1,584,072	\$ 1,634,859	To JCS-2, Line 11
5	<u>Current Year Activity</u>		<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	Activity for Twelve Months Ended 12/31/2012
6	2011 Mains - Deferred PISCC	\$ 40,113	\$ 40,113	\$ 40,113	\$ 40,113	\$ 40,113	\$ 40,113	\$ 40,113	\$ 40,113	\$ 40,113	\$ -	\$ -	\$ -	\$ -	\$ 320,904
7	2012 Mains - Deferred PISCC	209	712	3,928	9,153	14,351	23,340	26,909	32,373	35,987	47,863	48,784	52,112	295,721	
8	Total 2012 Deferred PISCC	\$ 40,322	\$ 40,825	\$ 44,041	\$ 49,266	\$ 54,464	\$ 63,453	\$ 67,022	\$ 72,486	\$ 72,486	\$ 35,987	\$ 47,863	\$ 48,784	\$ 52,112	\$ 616,625
9	Mains-PISCC Amortization	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (727)	\$ (1,325)	\$ (1,325)	\$ (1,325)	\$ (1,325)	\$ (11,116)
10	<u>Annualized PISCC Amortization</u>														
11	Cumulative PISCC at 12/31/2012	\$ 1,650,395													
12	Amortization % ⁽¹⁾	1.54%													
13	Annualized PISCC Amortization	\$ 25,416													To JCS-2, Line 22

Notes:

(1) FERC Account 676 depreciation rate's average service life or 65 years, as approved in Case No. 04-0571-GA-AIR.

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
ANNUALIZED PROPERTY TAX EXPENSE - MAIN REPLACEMENTS

Line	Description	Amount					Reference
		In Service Year					
		2009	2010	2011	2012	Total	
1	Mains Replacements - Book Value	\$ 7,062,973	\$ 5,230,340	\$ 6,856,923	\$ 9,213,164	\$ 28,363,400	Exhibit No. JCS-2, Line 3
2	Less: Capitalized Interest / AFUDC	(14,378)	(18,419)	(19,885)	(1,595)	(54,277)	
3	Net Cost of Taxable Property	\$ 7,048,595	\$ 5,211,921	\$ 6,837,038	\$ 9,211,569	\$ 28,309,123	Line 1 + Line 2
4	% Good ⁽¹⁾	88.3%	91.7%	95.0%	98.3%		
5	Tax Value	\$ 6,223,909	\$ 4,779,332	\$ 6,495,186	\$ 9,054,972	\$ 26,553,399	Line 3 x Line 4
6	x Valuation Percentage (25%) ⁽²⁾	25.0%	25.0%	25.0%	25.0%	25.0%	
7	Taxable Value/Assessment	\$ 1,555,977	\$ 1,194,833	\$ 1,623,797	\$ 2,263,743	\$ 6,638,350	Line 5 x Line 6
8	VEDO's Average 2012 Personal Property Tax Rate					9.174%	
9	Annual Property Tax Expense - Main Replacements					\$ 609,002	Line 7 x Line 8
10	Mains Retired - Property Tax Basis	\$ (155,580)	\$ (91,239)	\$ (258,273)	\$ (881,575)	\$ (1,386,667)	Exhibit No. JCS-2, Line 4
11	% Good ⁽³⁾	23.1%	23.1%	23.1%	23.1%		
12	Tax Value	\$ (35,939)	\$ (21,076)	\$ (59,661)	\$ (203,644)	\$ (320,320)	Line 10 x Line 11
13	x Valuation Percentage (25%) ⁽²⁾	25.0%	25.0%	25.0%	25.0%	25.0%	
14	Taxable Value/Assessment	\$ (8,985)	\$ (5,269)	\$ (14,915)	\$ (50,911)	\$ (80,080)	Line 12 x Line 13
15	VEDO's Average 2012 Personal Property Tax Rate					9.174%	
16	Annual Property Tax Reduction - Main Retirements					\$ (7,347)	Line 14 x Line 15
17	Annualized Property Tax Expense - Mains					\$ 601,655	Line 9 + Line 16
(To Exhibit No. JCS-2, Line 20)							

Notes:

- (1) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule C, Distribution Plant.
(2) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule G.
(3) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule C(2), Distribution Plant.

**VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
DEFERRED TAXES ON LIBERALIZED DEPRECIATION - MAINS**

Line	Description	Amount					Reference
		In Service Year					
		<u>2009</u> ^[2]	<u>2010</u> ^[2]	<u>2011</u>	<u>2012</u>	<u>Total</u>	<u>2012 Reference</u> ^[1]
1	Plant in Service at December 31, 2012:						
2	Mains - Bare Steel/Cast Iron Replacements	\$ 7,062,973	\$ 5,230,340	\$ 6,856,923	\$ 9,213,164	\$ 28,363,400	Exhibit No. JCS-2, Line 3
3	Book to Tax Basis Adjustment - Capitalized Interest	\$ (2,013)	\$ (2,579)	\$ (2,784)	\$ (223)	\$ (7,599)	
4	Book to Tax Basis Adjustment - 50% Bonus Depreciation	(3,530,480)	(2,327,524)	591,548	(4,580,674)	(9,847,130)	(-Line 2 - Line 3 - Line 5) / 2
5	Book to Tax Basis Adjustment - 100% Bonus Depreciation	-	(572,714)	(8,037,235)	(51,592)	(8,661,541)	[3]
6	Total Income Tax MACRS Depreciation Base	\$ 3,530,480	\$ 2,327,524	\$ (591,548)	\$ 4,580,674	\$ 9,847,130	Sum of Lines 2-4
7	Tax Depreciation:						
8	MACRS Rate - 15 Year	30.750%	23.050%	14.500%	5.000%		
9	MACRS Rate - 20 Year	23.823%	17.646%	10.969%	3.750%		
10	MACRS Depreciation - 15 Year	\$ 1,085,623	\$ 536,494	\$ -	\$ -	\$ 1,622,117	[4]
11	MACRS Depreciation - 20 Year	-	-	(64,887)	171,775	106,888	[4]
12	Bonus Depreciation	3,530,480	2,900,238	7,445,687	4,632,266	18,508,671	-Line 4 - Line 5
13	Cost of Removal Incurred	407,719	395,153	299,087	192,526	1,294,485	Exhibit No. JCS-2, Line 8
14	Total Tax Depreciation	\$ 5,023,822	\$ 3,831,885	\$ 7,679,887	\$ 4,996,568	\$ 21,532,161	Line 10 + Line 11 + Line 12 + Line 13
15	Book Depreciation:						
16	Mains					\$ 874,579	-Exhibit No. JCS-2, Line 7
17	Tax Depreciation in Excess of Book Depreciation					\$ (20,657,582)	Line 16 - Line 14
18	Federal Deferred Taxes at 35%					35%	
19	Deferred Tax Balance at December 31, 2011 - Mains					<u>\$ (7,230,154)</u>	Line 17 * Line 18
						(To Exhibit No. JCS-2, Line 14)	

Notes:

[1] Reference column is applicable to column 2012 under In Service Year section to the left.

[2] Agrees to Exhibit JMB-3g in Case No. 12-1423-GA-RDR, with the exception of the Cost of Removal Incurred amount (Line 13). See Note 4 for tax depreciation formula.

[3] Represents 2011 spend on work orders placed in service in 2012, eligible for 100% bonus depreciation.

[4] Per Internal Revenue Code ("IRC") Sec 168(e)(3)(E)(viii), gas utility distribution facilities placed in service before January 1, 2011 have a MACRS life of 15 years. For utility distribution facilities placed in service after January 1, 2011, MACRS life is 20 years per IRC Rev. Proc. 87-56. Below is the formula for tax depreciation by year.

Formula:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Line 10 = Line 6 * Line 8	X	X		
Line 11 = Line 6 * Line 9			X	X

Vectren Energy Delivery of Ohio, Inc.
Distribution Replacement Rider (DRR)
Mains - Deferred Depreciation Regulatory Asset Balance
For the Period Ended December 31, 2012

A

(2012 Filing Exhibit No. JMB-2h)

B

C

Line	Description	Deferred Depr at 12/31/2011	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Total Balance at Dec-12
	Cumulative Balance													
1	Mains - Deferred Depreciation	\$ 113,672	\$ 113,885	\$ 117,247	\$ 128,464	\$ 144,676	\$ 165,281	\$ 191,069	\$ 203,928	\$ 225,216	\$ 241,289	\$ 259,540	\$ 267,427	\$ 259,018
2	Mains - Deferred Depreciation Amortization	-	-	-	-	-	-	-	-	-	(146)	(292)	(438)	(584)
3	Mains - Deferred Depreciation	\$ 113,672	\$ 113,885	\$ 117,247	\$ 128,464	\$ 144,676	\$ 165,281	\$ 191,069	\$ 203,928	\$ 225,216	\$ 241,143	\$ 259,248	\$ 266,989	\$ 258,434

To JCS-2, Line 12

Line	Description	Activity for	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total Balance by Calendar Year
4	Mains In-Service Activity	2012 Filing Exhibit No. JMB-2a	\$ 2,628	\$ -	\$ 97,387	\$ 721,868	\$ 745,830	\$ 875,969	\$ 996,215	\$ 1,222,895	\$ 1,214,278	\$ 980,994	\$ 622,069	\$ (623,210)	
5	Less: Retirements	2012 Filing Exhibit No. JMB-2b	-	-	-	-	-	(42,980)	(4,329)	(689)	(106,792)	-	-	(103,483)	
6	Net Main Additions	Line 4 + Line 5	\$ 2,628	\$ -	\$ 97,387	\$ 721,868	\$ 745,830	\$ 832,989	\$ 991,886	\$ 1,222,206	\$ 1,107,486	\$ 980,994	\$ 622,069	\$ (726,693)	
7	Monthly Depreciation Rate	(1)	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	
8	# of Months from 1/1/2012 to Effective Date of DRR Rates, 9/1/2012		8	8	8	8	8	8	8	8	8	8	8	8	
9	2012 Depreciation Expense Recognized - 1/1/2012 to 9/1/2012	Line 6 x Line 7 x Line 8	\$ 31	\$ -	\$ 1,149	\$ 8,518	\$ 8,801	\$ 9,829	\$ 11,704	\$ 14,422	\$ 13,068	\$ 11,576	\$ 7,340	\$ (8,575)	\$ 77,864

Line	Description	Activity for	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Total Balance by Calendar Year
10	Mains In-Service Activity	Exhibit No. JCS-2a	\$ 12,060	\$ 217,104	\$ 738,834	\$ 669,845	\$ 1,137,891	\$ 1,750,235	\$ 147,601	\$ 1,073,196	\$ 599,835	\$ 1,973,248	\$ 248,674	\$ 644,641	
11	Less: Retirements	Exhibit No. JCS-2b	(1,354)	-	(20,347)	(56,207)	(70,799)	(85,757)	(5,250)	(38,805)	(17,825)	(162,818)	(1,570)	(420,843)	
12	Net Main Additions	Line 10 + Line 11	\$ 10,706	\$ 217,104	\$ 718,487	\$ 613,638	\$ 1,067,092	\$ 1,664,478	\$ 142,351	\$ 1,034,391	\$ 582,010	\$ 1,810,430	\$ 247,104	\$ 223,798	
13	Monthly Depreciation Rate	(1)	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	
14	# of Months from In-Service Date to Effective Date of DRR Rate, 9/1/2013		19.5	18.5	17.5	16.5	15.5	14.5	13.5	12.5	11.5	10.5	9.5	8.5	
15	Depreciation Expense Recognized - In-Service to 9/1/2013	Line 12 x Line 13 x Line 14	\$ 308	\$ 5,924	\$ 18,546	\$ 14,934	\$ 24,396	\$ 35,599	\$ 2,835	\$ 19,072	\$ 9,872	\$ 28,039	\$ 3,463	\$ 2,806	\$ 165,794
16	Deferred Depreciation Expense - Calendar Year 2012		\$ 182	\$ 3,362	\$ 10,068	\$ 7,693	\$ 11,805	\$ 15,958	\$ 1,155	\$ 6,866	\$ 3,005	\$ 6,676	\$ 547	\$ 165	\$ 67,481
17	Deferred Depreciation Expense - Calendar Year 2013		\$ 126	\$ 2,562	\$ 8,478	\$ 7,241	\$ 12,592	\$ 19,641	\$ 1,680	\$ 12,206	\$ 6,868	\$ 21,363	\$ 2,916	\$ 2,641	\$ 98,313
18	Mains - Deferred Depreciation Amortization		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (146)	\$ (146)	\$ (146)	\$ (146)	\$ (584)
19	Net Mains Deferred Depreciation at 12/31/2012	Line 1, Column B													\$ 259,018
20	Average Service Life - Mains	(2)													1.54%
21	Annual Amortization Expense	Line 19 x Line 20													\$ 3,969

To JCS-2, Line 23

(1) FERC Account 676 depreciation rate approved in Case No. 04-0571-GA-AIR.

(2) FERC Account 676 depreciation rate's average service life or 65 years, as approved in Case No. 04-0571-GA-AIR.

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
ANNUAL REVENUE REQUIREMENT - SERVICE LINES

Line	Description	Amount	Reference
1	<u>Return on Investment:</u>		
2	<u>Plant In-Service at December 31, 2012</u>		
3	Additions - Services Replacements (Bare Steel/Cast Iron)	\$ 24,438,108	Exhibit JCS-3a, Column O, Line 2
4	Additions - Meter Installation (Bare Steel/Cast Iron)	5,992,399	Exhibit JCS-3a, Column O, Line 3
5	Additions - Services Replacements (Service Line Responsibility)	4,465,988	Exhibit JCS-3a, Column O, Line 4
6	Additions - Natural Gas Risers	17,262,601	Exhibit JCS-3a, Column O Line 5
7	Original Cost - Retired Services	(165,110)	Exhibit JCS-3b, Column Q, Line 2
8	Original Cost - Retired Meter Installation	(16,798)	Exhibit JCS-3b, Column Q, Line 3
9	Total Plant In-Service	\$ 51,977,188	Sum of Lines 3 - 8
10	<u>Less: Accumulated Depreciation at December 31, 2012</u>		
11	Depreciation Expense - Services	\$ (2,342,775)	Exhibit JCS-3c, Column O, Line 2
12	Depreciation Expense - Meter Installation	(135,271)	Exhibit JCS-3c, Column O, Line 3
13	Depreciation Expense - Natural Gas Risers	(2,202,189)	Exhibit JCS-3c, Column O, Line 4
14	Cost of Removal - Services	1,711,096	Exhibit JCS-3d, Column O, Line 2
15	Original Cost - Retired Services	165,110	-Line 7
16	Original Cost - Retired Meter Installation	16,798	-Line 8
17	Total Accumulated Depreciation	\$ (2,787,231)	Sum of Lines 11 - 16
18	Net Deferred Post In-Service Carrying Costs (PISCC) ⁽³⁾	\$ 3,133,410	Exhibit JCS-3e, Column O, Line 10
19	Deferred Depreciation Regulatory Asset Balance - Services	\$ 1,470,201	Exhibit JCS-3h, Page 1, Column B, Line 3
20	Deferred Depreciation Regulatory Asset Balance - Meter Installation	\$ 62,692	Exhibit JCS-3h, Page 2, Column B, Line 3
21	Net Deferred Tax Balance - PISCC	\$ (1,096,694)	-Line 18 x 35%
22	Deferred Taxes on Depreciation	\$ (12,298,399)	Exhibit No. JCS-3g, Line 31
23	Deferred Taxes on Deferred Depreciation Regulatory Asset - Services	\$ (514,570)	-Line 19 x 35%
24	Deferred Taxes on Deferred Depreciation Regulatory Asset - Meter Installation	\$ (21,942)	-Line 20 x 35%
25	Net Rate Base	\$ 39,924,655	Sum of Lines 9 and 17-24
26	Pre-Tax Rate of Return	11.67%	Case No. 07-1080-GA-AIR
27	Annualized Return on Rate Base -Service Lines	\$ 4,659,207	Line 25 x Line 26
28	<u>Operations and Maintenance Expenses</u>		
29	Annualized Property Tax Expense	\$ 1,117,821	Exhibit No. JCS-3f, Line 24
30	Annualized Depreciation Expense - Services	2,419,683	(Line 3+ Lines 5-7) x 5.26% ⁽¹⁾
31	Annualized Depreciation Expense - Meter Installation	108,756	(Line 4 + Line 8) x 1.82% ⁽¹⁾
32	Annualized PISCC Amortization Expense	55,544	Exhibit No. JCS-3e, Column D, Line 33
33	Annualized Deferred Depreciation Amortization Expense - Services	25,803	Exhibit JCS-3h, Page 1, Column C, Line 25
34	Annualized Deferred Depreciation Amortization Expense - Meter Installation	1,143	Exhibit JCS-3h, Page 2, Column C, Line 21
35	Incremental O&M - Service Line Responsibility	49,029	(2)
36	Annualized Maintenance Adjustment	(17,897)	(4)
37	Total Incremental Operating Expenses - Service Lines	\$ 3,759,882	Sum of Lines 29-36
38	Variance ⁽⁴⁾	\$ 153,605	Exhibit No. JCS-4, Column D, Line 16
39	Total Revenue Requirement - Service Lines	\$ 8,572,694	Line 27 + Line 37 + Line 38

(To Exhibit No. JCS-1 and Exhibit No. SMK-1, page 1 of 5)

(1) FERC Account 680 (Line 30) and FERC Account 682 (Line 31) depreciation rates approved in Case No. 04-0571-GA-AIR.

(2) Support provided by VEDO Witness James Francis, Exhibit No. JMF-4, Column C, Line 16.

(3) PISCC is accrued at an annual rate of 7.02% from the in service date until investments are reflected in the DRR rate as approved in Case No. 07-1080-GA-AIR.

(4) Support provided by VEDO Witness James Francis, Exhibit No. JMF-4, Column C, Line 17.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Plant Additions
Twelve Months Ended December 31, 2012

A	B		C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Reference	Balance at 12/31/2011	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	Balance at 12/31/2012	
1	Cumulative Balance															
2	Services		\$ 15,892,321	\$ 15,971,262	\$ 16,086,394	\$ 16,584,796	\$ 17,152,596	\$ 18,308,038	\$ 19,541,697	\$ 19,669,616	\$ 21,064,901	\$ 21,702,521	\$ 23,232,452	\$ 23,872,894	\$ 24,438,108	To JCS-3, Line 3
3	Meter Installation		\$ 3,381,357	\$ 3,386,968	\$ 3,432,001	\$ 3,594,200	\$ 3,773,541	\$ 4,167,464	\$ 4,574,503	\$ 4,615,633	\$ 5,070,020	\$ 5,243,008	\$ 5,688,789	\$ 5,834,571	\$ 5,992,399	To JCS-3, Line 4
4	Service Line Responsibility		\$ 3,627,480	\$ 3,686,539	\$ 3,757,280	\$ 3,819,584	\$ 3,907,199	\$ 3,988,973	\$ 4,052,575	\$ 4,143,435	\$ 4,226,507	\$ 4,294,652	\$ 4,355,658	\$ 4,421,207	\$ 4,465,988	To JCS-3, Line 5
5	Risers		\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	\$ 17,262,601	To JCS-3, Line 6
6	Total Service Line Additions	Sum of Lines 2-5	\$ 40,163,759	\$ 40,307,370	\$ 40,538,276	\$ 41,261,181	\$ 42,095,937	\$ 43,727,076	\$ 45,431,376	\$ 45,691,285	\$ 47,624,029	\$ 48,502,782	\$ 50,539,500	\$ 51,391,273	\$ 52,159,096	
7	Current Year Activity			1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	12/31/2012	Activity for Twelve Months Ended 12/31/2012
8	Services		\$	78,941	\$ 115,132	\$ 498,402	\$ 567,800	\$ 1,155,442	\$ 1,233,659	\$ 127,919	\$ 1,395,285	\$ 637,620	\$ 1,529,931	\$ 640,442	\$ 565,214	\$ 8,545,787
9	Meter Installation		\$	5,611	\$ 45,033	\$ 162,199	\$ 179,341	\$ 393,923	\$ 407,039	\$ 41,130	\$ 454,387	\$ 172,988	\$ 445,781	\$ 145,782	\$ 157,828	\$ 2,611,042
10	Service Line Responsibility		\$	59,059	\$ 70,741	\$ 62,304	\$ 87,615	\$ 81,774	\$ 63,602	\$ 90,860	\$ 83,072	\$ 68,145	\$ 61,006	\$ 65,549	\$ 44,781	\$ 838,508
11	Risers		\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Total Service Line Additions	Sum of Lines 8-11	\$	143,611	\$ 230,906	\$ 722,905	\$ 834,756	\$ 1,631,139	\$ 1,704,300	\$ 259,909	\$ 1,932,744	\$ 878,753	\$ 2,036,718	\$ 851,773	\$ 767,823	\$ 11,995,337

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Retirements
Twelve Months Ended December 31, 2012

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
Line No.	Description	Retirements at 12/31/2011	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	12/31/2012		Total Retirements for Work Orders Placed in Service by 12/31/2012
1	<u>Cumulative Balance</u>															
2	Services	\$ (119,068)	\$ (119,428)	\$ (119,428)	\$ (134,226)	\$ (137,718)	\$ (144,035)	\$ (153,363)	\$ (154,341)	\$ (162,305)	\$ (163,669)	\$ (174,760)	\$ (174,760)	\$ (161,251)	\$	(165,110) To JCS-3, Line 7
3	Meter Installations	\$ (11,537)	\$ (11,591)	\$ (11,591)	\$ (11,958)	\$ (12,332)	\$ (13,034)	\$ (14,049)	\$ (14,205)	\$ (15,130)	\$ (15,241)	\$ (16,471)	\$ (16,604)	\$ (16,418)	\$	(16,798) To JCS-3, Line 8
4	<u>Current Year Activity</u>		<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	<u>2013⁽¹⁾</u>	Retirements for Work Orders Placed In Service in 2012
5	Services	\$	(360)	\$ -	\$ (14,798)	\$ (3,492)	\$ (6,317)	\$ (9,328)	\$ (978)	\$ (7,964)	\$ (1,364)	\$ (11,091)	\$ -	\$ 13,509	\$ (3,859)	\$ (46,042)
6	Meter Installations	\$	(54)	\$ -	\$ (367)	\$ (374)	\$ (702)	\$ (1,015)	\$ (156)	\$ (925)	\$ (111)	\$ (1,230)	\$ (133)	\$ 186	\$ (380)	\$ (5,261)

Notes:

(1) Represents retirements recorded in early 2013 for work orders closed in 2012.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Depreciation
Twelve Months Ended December 31, 2012

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Accumulated Depreciation at 12/31/2011	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	12/31/2012	
1	<u>Cumulative Balance</u>														
2	Services ⁽¹⁾	\$ (1,106,444)	\$ (1,192,308)	\$ (1,278,882)	\$ (1,367,092)	\$ (1,457,968)	\$ (1,552,992)	\$ (1,653,570)	\$ (1,757,471)	\$ (1,865,091)	\$ (1,977,499)	\$ (2,094,940)	\$ (2,217,415)	\$ (2,342,775)	To JCS-3, Line 11
3	Meter Installation	\$ (53,268)	\$ (58,401)	\$ (63,572)	\$ (68,900)	\$ (74,487)	\$ (80,509)	\$ (87,138)	\$ (94,107)	\$ (101,452)	\$ (109,273)	\$ (117,563)	\$ (126,302)	\$ (135,271)	To JCS-3, Line 12
4	Natural Gas Risers	\$ (1,294,173)	\$ (1,369,841)	\$ (1,445,509)	\$ (1,521,177)	\$ (1,596,845)	\$ (1,672,513)	\$ (1,748,181)	\$ (1,823,849)	\$ (1,899,517)	\$ (1,975,185)	\$ (2,050,853)	\$ (2,126,521)	\$ (2,202,189)	To JCS-3, Line 13
5	<u>Current Year Activity</u>		<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	2012 Depreciation Expense
6	BS/CI Service Lines	\$ (69,834)	\$ (70,260)	\$ (71,604)	\$ (73,941)	\$ (77,718)	\$ (82,954)	\$ (85,938)	\$ (89,276)	\$ (93,732)	\$ (98,482)	\$ (103,239)	\$ (105,882)	\$ (1,022,860)	
7	Incremental Service Line Responsibility	(16,030)	(16,314)	(16,606)	(16,935)	(17,306)	(17,624)	(17,963)	(18,344)	(18,676)	(18,959)	(19,236)	(19,478)	(213,471)	
8	Services ⁽¹⁾	Line 6 + Line 7	\$ (85,864)	\$ (86,574)	\$ (88,210)	\$ (90,876)	\$ (95,024)	\$ (100,578)	\$ (103,901)	\$ (107,620)	\$ (112,408)	\$ (117,441)	\$ (122,475)	\$ (125,360)	\$ (1,236,331)
9	Meter Installation	\$ (5,133)	\$ (5,171)	\$ (5,328)	\$ (5,587)	\$ (6,022)	\$ (6,629)	\$ (6,969)	\$ (7,345)	\$ (7,821)	\$ (8,290)	\$ (8,739)	\$ (8,969)	\$ (82,003)	
10	Natural Gas Risers	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (75,668)	\$ (908,016)

Notes:

(1) This line includes depreciation activity for utility plant additions for BS/CI service replacements and service line responsibility.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Cost of Removal
Twelve Months Ended December 31, 2012

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Cost of Removal at 12/31/2011	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	Balance at 12/31/2012	
1	<u>Cumulative Balance</u>														
2	Services	\$ 1,266,839	\$ 1,285,468	\$ 1,294,543	\$ 1,341,152	\$ 1,353,507	\$ 1,379,296	\$ 1,428,556	\$ 1,446,642	\$ 1,484,830	\$ 1,553,366	\$ 1,565,929	\$ 1,596,110	\$ 1,711,096	To JCS-3, Line 14
3	<u>Current Year Activity</u>		<u>1/31/2012</u>	<u>2/29/2012</u>	<u>3/31/2012</u>	<u>4/30/2012</u>	<u>5/31/2012</u>	<u>6/30/2012</u>	<u>7/31/2012</u>	<u>8/31/2012</u>	<u>9/30/2012</u>	<u>10/31/2012</u>	<u>11/30/2012</u>	<u>12/31/2012</u>	Activity for Twelve Months Ended 12/31/2012
4	Services		\$ 18,629	\$ 9,075	\$ 46,609	\$ 12,355	\$ 25,789	\$ 49,260	\$ 18,086	\$ 38,188	\$ 68,536	\$ 12,563	\$ 30,181	\$ 114,986	\$ 444,257

**Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Post In Service Carrying Costs (PISCC)
Twelve Months Ended December 31, 2012**

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	PISCC at 12/31/2011	1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	Balance at 12/31/2012	
1	Cumulative Balance														
2	Service Lines-PISCC	\$ 709,544	\$ 758,982	\$ 808,889	\$ 860,904	\$ 917,025	\$ 978,470	\$ 1,046,209	\$ 1,117,038	\$ 1,194,858	\$ 1,227,586	\$ 1,269,728	\$ 1,315,124	\$ 1,363,624	
3	Meter Installation-PISCC (3)	112,217	124,906	137,704	151,160	165,957	182,559	201,286	221,019	243,000	253,510	266,752	280,709	295,550	
4	Service Line Responsibility-PISCC	197,566	206,555	215,923	225,681	235,877	246,569	257,686	269,255	281,332	285,036	289,117	293,569	298,343	
5	Risers-PISCC	948,533	980,539	1,012,545	1,044,551	1,076,557	1,108,563	1,140,569	1,172,575	1,204,581	1,204,581	1,204,581	1,204,581	1,204,581	
6	Gross Deferred PISCC - Services	\$ 1,967,860	\$ 2,070,982	\$ 2,175,061	\$ 2,282,296	\$ 2,395,416	\$ 2,516,161	\$ 2,645,750	\$ 2,779,887	\$ 2,923,771	\$ 2,970,713	\$ 3,030,178	\$ 3,093,983	\$ 3,162,098	
7	Service Lines-PISCC Amortization	\$ (6,100)	\$ (7,376)	\$ (8,652)	\$ (9,928)	\$ (11,204)	\$ (12,480)	\$ (13,756)	\$ (15,032)	\$ (16,308)	\$ (19,014)	\$ (21,720)	\$ (24,426)	\$ (27,132)	
8	Meter Installation-PISCC Amortization	(292)	(365)	(438)	(511)	(584)	(657)	(730)	(803)	(876)	(1,046)	(1,216)	(1,386)	(1,556)	
9	Accumulated PISCC Amortization - Services	\$ (6,392)	\$ (7,741)	\$ (9,090)	\$ (10,439)	\$ (11,788)	\$ (13,137)	\$ (14,486)	\$ (15,835)	\$ (17,184)	\$ (20,060)	\$ (22,936)	\$ (25,812)	\$ (28,688)	
10	Net Deferred PISCC - Services	\$ 1,961,468	\$ 2,063,241	\$ 2,165,971	\$ 2,271,857	\$ 2,383,628	\$ 2,503,024	\$ 2,631,264	\$ 2,764,052	\$ 2,906,587	\$ 2,950,653	\$ 3,007,242	\$ 3,068,171	\$ 3,133,410	To JCS-3, Line 18
11	Current Year Activity		1/31/2012	2/29/2012	3/31/2012	4/30/2012	5/31/2012	6/30/2012	7/31/2012	8/31/2012	9/30/2012	10/31/2012	11/30/2012	12/31/2012	Activity for Twelve Months Ended 12/31/2012
12	2011 Service Lines - Deferred PISCC	\$ 49,106	\$ 49,106	\$ 49,106	\$ 49,106	\$ 49,106	\$ 49,106	\$ 49,106	\$ 49,106	\$ 49,106	\$ -	\$ -	\$ -	\$ -	392,848
13	2012 Service Lines - Deferred PISCC	332	801	2,909	7,015	12,339	18,633	21,723	28,714	32,728	32,728	42,142	45,396	48,500	261,232
14	Total 2012 Services Deferred PISCC	\$ 49,438	\$ 49,907	\$ 52,015	\$ 56,121	\$ 61,445	\$ 67,739	\$ 70,829	\$ 77,820	\$ 81,834	\$ 81,834	\$ 84,284	\$ 87,792	\$ 90,000	654,080
15	2011 Meter Installation - Deferred PISCC	\$ 12,633	\$ 12,633	\$ 12,633	\$ 12,633	\$ 12,633	\$ 12,633	\$ 12,633	\$ 12,633	\$ 12,633	\$ -	\$ -	\$ -	\$ -	101,064
16	2012 Meter Installation - Deferred PISCC	56	165	823	2,164	3,969	6,094	7,100	9,348	10,510	10,510	13,242	13,957	14,841	82,269
17	Total 2012 Meter Installation Deferred PISCC	\$ 12,689	\$ 12,798	\$ 13,456	\$ 14,797	\$ 16,602	\$ 18,727	\$ 19,733	\$ 21,981	\$ 23,143	\$ 23,143	\$ 26,484	\$ 27,914	\$ 29,682	183,333
18	2011 Service Line Responsibility - Deferred PISCC	\$ 8,816	\$ 8,816	\$ 8,816	\$ 8,816	\$ 8,816	\$ 8,816	\$ 8,816	\$ 8,816	\$ 8,816	\$ -	\$ -	\$ -	\$ -	70,528
19	2012 Service Line Responsibility - Deferred PISCC	173	552	942	1,380	1,876	2,301	2,753	3,261	3,704	3,704	4,081	4,452	4,774	30,249
20	Total 2012 Service Line Responsibility Deferred PISCC	\$ 8,989	\$ 9,368	\$ 9,758	\$ 10,196	\$ 10,692	\$ 11,117	\$ 11,569	\$ 12,077	\$ 12,520	\$ 12,520	\$ 13,765	\$ 14,527	\$ 15,548	100,777
21	2011 Risers - Deferred PISCC	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ -	\$ -	\$ -	\$ -	256,048
22	2012 Risers - Deferred PISCC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Total 2012 Risers Deferred PISCC	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ 32,006	\$ -	\$ -	\$ -	\$ -	256,048
24	Services-PISCC Amortization	\$ (1,276)	\$ (1,276)	\$ (1,276)	\$ (1,276)	\$ (1,276)	\$ (1,276)	\$ (1,276)	\$ (1,276)	\$ (1,276)	\$ (2,706)	\$ (2,706)	\$ (2,706)	\$ (2,706)	(21,032)
25	Meter Installation-PISCC Amortization	(73)	(73)	(73)	(73)	(73)	(73)	(73)	(73)	(73)	(170)	(170)	(170)	(170)	(1,264)
26	Annualized PISCC Amortization														
27	Net Deferred Service Lines PISCC at 12/31/2012	\$ 2,866,548	Column O, Line 2 + Line 4 + Line 5												
28	Amortization % ⁽¹⁾	1.75%													
29	Annualized Service Lines PISCC Amortization	\$ 50,165													
30	Net Deferred Meter Installation PISCC at 12/31/2012	\$ 295,550	Column O, Line 3												
31	Amortization % ⁽²⁾	1.82%													
32	Annualized Meter Installation PISCC Amortization	\$ 5,379													
33	Total Annualized Services PISCC Amortization	\$ 55,544	Line 29 + Line 32												
			To JCS-3, Line 32												

Notes:

- (1) FERC Account 680 depreciation rate's average service life or 57 years, as approved in Case No. 04-0571-GA-AIR.
(2) FERC Account 682 depreciation rate's average service life or 55 years, as approved in Case No. 04-0571-GA-AIR.

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
ANNUALIZED PROPERTY TAX EXPENSE - SERVICE LINES

Line	Description	Amount					Reference
		In Service Year					
		2009	2010	2011	2012	Total	
1	Service and Meter Installation Replacements - Book Value	\$ 5,188,699	\$ 5,651,622	\$ 12,060,837	\$ 11,995,337	\$ 34,896,495	Exhibit No. JCS-3, Lines 3 - 5
2	Less: Capitalized Interest / AFUDC	(8,636)	(16,322)	(34,638)	(2,272)	(61,869)	
3	Net Cost of Taxable Property	\$ 5,180,063	\$ 5,635,300	\$ 12,026,199	\$ 11,993,065	\$ 34,834,626	Line 1 + Line 2
4	% Good ⁽¹⁾	88.3%	91.7%	95.0%	98.3%		
5	Tax Value	\$ 4,573,996	\$ 5,167,570	\$ 11,424,889	\$ 11,789,182	\$ 32,955,637	Line 3 x Line 4
6	x Valuation Percentage (25%) ⁽³⁾	25.0%	25.0%	25.0%	25.0%	25.0%	
7	Taxable Value / Assessment	\$ 1,143,499	\$ 1,291,893	\$ 2,856,222	\$ 2,947,296	\$ 8,238,909	Line 5 x Line 6
8	VEDO's Average 2012 Personal Property Tax Rate					9.174%	
9	Annual Property Tax Expense - Service Line Replacements					\$ 755,838	Line 7 x Line 8
10	Services and Meter Installation Retired - Property Tax Basis	\$ (24,360)	\$ (51,345)	\$ (54,900)	\$ (51,303)	\$ (181,908)	Exhibit No. JCS-3, Lines 7-8
11	% Good ⁽³⁾	23.1%	23.1%	23.1%	23.1%	23.1%	
12	Tax Value	\$ (5,627)	\$ (11,861)	\$ (12,682)	\$ (11,851)	\$ (42,021)	Line 10 x Line 11
13	x Valuation Percentage (25%) ⁽³⁾	25.0%	25.0%	25.0%	25.0%	25.0%	
14	Taxable Value / Assessment	\$ (1,407)	\$ (2,965)	\$ (3,171)	\$ (2,963)	\$ (10,505)	Line 12 x Line 13
15	VEDO's Average 2012 Personal Property Tax Rate					9.174%	
16	Annual Property Tax Reduction - Service Line Retirements					\$ (964)	Line 14 x Line 15
17	Risers Replacements - Book Value	\$ 5,451,132	\$ 6,340,363	\$ 5,471,106	\$ -	\$ 17,262,601	Exhibit No. JCS-3, Line 6
18	% Good ⁽¹⁾	88.3%	91.7%	95.0%	98.3%		
19	Tax Value	\$ 4,813,350	\$ 5,814,113	\$ 5,197,551	\$ -	\$ 15,825,014	Line 17 x Line 18
20	x Valuation Percentage (25%) ⁽³⁾	25.0%	25.0%	25.0%	25.0%	25.0%	
21	Taxable Value / Assessment	\$ 1,203,338	\$ 1,453,528	\$ 1,299,388	\$ -	\$ 3,956,254	Line 19 x Line 20
22	VEDO's Average 2012 Personal Property Tax Rate					9.174%	
23	Annual Property Tax Expense - Natural Gas Risers					\$ 362,947	Line 21 x Line 22
24	Annualized Property Tax Expense - Service Lines					\$ 1,117,821	Line 9+ Line 16 + Line 23
						(To Exhibit No. JCS-3, Line 29)	

Notes:

- (1) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule C, Distribution Plant.
- (2) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule G.
- (3) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule C(2), Distribution Plant.

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
DEFERRED TAXES ON LIBERALIZED DEPRECIATION - SERVICE LINES

Line	Description	In Service Year				Total	2012 Reference ⁽¹⁾
		2009 ⁽²⁾	2010 ⁽²⁾	2011	2012		
1	Plant in Service at December 31, 2012:						
	<u>Assets Eligible for 50% Bonus Depreciation</u>						
2	Service Additions - Bare Steel/Cast Iron Replacements	\$ 3,441,221	\$ 3,640,145	\$ 825,438	\$ 8,505,786	\$ 16,412,590	Exhibit No. JCS-3a, Column P, Line 8 - Line 7
3	Meter Installation Additions - Bare Steel/Cast Iron Replacements	746,228	360,431	370,471	\$ 2,595,066	4,072,196	Exhibit No. JCS-3a, Column P, Line 9 - Line 8
4	Service Additions - Service Line Ownership	1,001,250	962,436	-	\$ 838,508	2,802,194	Exhibit No. JCS-3a, Column P, Line 10
5	Additions of Natural Gas Risers	5,451,132	5,554,215	-	-	11,005,347	Exhibit No. JCS-3a, Column P, Line 11
6	Total Plant In Service - Eligible for 50% Bonus Depreciation	\$ 10,639,831	\$ 10,517,227	\$ 1,195,909	\$ 11,939,360	\$ 34,292,327	Sum of Lines 2 - 5
	<u>Assets Eligible for 100% Bonus Depreciation</u>						
7	Service Additions - Bare Steel/Cast Iron Replacements	\$ -	\$ 416,686	\$ 7,568,831	\$ 40,001	\$ 8,025,518	[3]
8	Meter Installation Additions - Bare Steel/Cast Iron Replacements	-	115,133	1,789,094	\$ 15,976	1,920,203	[3]
9	Service Additions - Service Line Ownership	-	156,792	1,507,002	-	1,663,794	
10	Additions of Natural Gas Risers	-	786,148	5,471,106	-	6,257,254	
11	Total Plant In Service - Eligible for 100% Bonus Depreciation	\$ -	\$ 1,474,759	\$ 16,336,033	\$ 55,977	\$ 17,866,769	Sum of Lines 7 - 10
12	Total Plant in Service at December 31, 2012	<u>\$ 10,639,831</u>	<u>\$ 11,991,986</u>	<u>\$ 17,531,942</u>	<u>\$ 11,995,337</u>	<u>\$ 52,159,096</u>	Exhibit No. JCS-3, Lines 3-6
13	Book to Tax Basis Adjustment - Capitalized Interest	\$ (1,209)	\$ (2,285)	\$ (4,849)	\$ (318)	\$ (8,662)	
14	Book to Tax Basis Adjustment - Bonus Depreciation	<u>(5,319,311)</u>	<u>(6,732,230)</u>	<u>(16,929,138)</u>	<u>(6,025,339)</u>	<u>(35,006,018)</u>	-(Line 6* 50%) - Line 11 - Line 13
15	Total Income Tax MACRS Depreciation Base	\$ 5,319,311	\$ 5,257,471	\$ 597,955	\$ 5,969,680	\$ 17,144,416	Sum of Lines 12 - 14
16	<u>Tax Depreciation:</u>						
17	MACRS - 15 Year Rate	30.750%	23.050%	14.500%	5.000%		
18	MACRS - 20 Year Rate	23.823%	17.646%	10.969%	3.750%		
19	MACRS - 15 Year	\$ 1,520,956	\$ 1,170,307	\$ -	\$ -	\$ 2,691,263	[4]
20	MACRS - 20 Year	88,887	31,801	65,590	223,863	410,140	[4]
21	Bonus Depreciation	5,319,311	6,732,230	16,929,138	6,025,339	35,006,018	-Line 14
22	Cost of Removal Incurred	319,526	303,510	643,803	444,257	1,711,096	Exhibit No. JCS-3, Line 14
23	Total Tax Depreciation	\$ 7,248,680	\$ 8,237,848	\$ 17,638,531	\$ 6,693,459	\$ 39,818,517	Sum of Lines 19 - 22
24	<u>Book Depreciation:</u>						
25	Services					\$ 2,342,775	-Exhibit No. JCS-3, Line 11
26	Meter Installation					135,271	-Exhibit No. JCS-3, Line 12
27	Natural Gas Risers					2,202,189	-Exhibit No. JCS-3, Line 13
28	Total Book Depreciation					\$ 4,680,235	Sum of Lines 25 - 27
29	Tax Depreciation in Excess of Book Depreciation					\$ (35,138,282)	Line 28 - Line 23
30	Federal Deferred Taxes at 35%					35%	
31	Deferred Tax Balance at December 31, 2012 - Service Lines					<u>\$ (12,298,399)</u>	Line 29 * Line 30
						(To Exhibit No. JCS-3, Line 22)	

Notes:

(1) Reference column is applicable to column 2011 under In Service Year section to the left.

(2) Agrees to Exhibit JMB-3g in Case No. 12-1423-GA-RDR, with the exception of the Cost of Removal Incurred amount (Line 22). See Note 4 for tax depreciation formula.

[3] Represents 2011 spend on work orders placed in service in 2012, eligible for 100% bonus depreciation.

(4) Per Internal Revenue Code ("IRC") Sec 168(e)(3)(E)(viii), gas utility distribution facilities placed in service before January 1, 2011 have a MACRS life of 15 years. For utility distribution facilities placed in service after January 1, 2011, MACRS life is 20 years per IRC Rev. Proc. 87-56. Please note that meter installation is not considered a facility; therefore, 20 MACRS has applied to meter installation balances in 2009 - 2012. Below is the formula for tax depreciation by year.

Formula:	2009	2010	2011	2012
Line 19 = (Line 6-Line 3+Line 13) * 50% * Line 17	X	X		
Line 20 = Line 3 * 50% * Line 18	X	X		
Line 20 = Line 6 * 50% * Line 18			X	X

Vectren Energy Delivery of Ohio, Inc.
Distribution Replacement Rider (DRR)
Services, Service Line Responsibility, Risers - Deferred Depreciation Regulatory Asset Balance
For the Period Ended December 31, 2012

A

(2012 Filing Exhibit No. JMB-3h, Page 1)

B

C

Line		Description	Deferred Depreciation at 12/31/2011	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Total Balance at Dec-12	
		Cumulative Balance														
1		Services - Deferred Depreciation	\$	729,103	\$ 746,225	\$ 761,703	\$ 798,673	\$ 878,425	\$ 972,032	\$ 1,068,457	\$ 1,125,822	\$ 1,223,609	\$ 1,304,818	\$ 1,367,008	\$ 1,400,591	\$ 1,474,465
2		Services - Deferred Depreciation Amortization		-	-	-	-	-	-	-	-	-	(1,066)	(2,132)	(3,198)	(4,264)
3		Services - Deferred Depreciation	\$	729,103	\$ 746,225	\$ 761,703	\$ 798,673	\$ 878,425	\$ 972,032	\$ 1,068,457	\$ 1,125,822	\$ 1,223,609	\$ 1,303,752	\$ 1,364,876	\$ 1,397,393	\$ 1,470,201
																To JCS-3, Line 19
Line		Description		Activity for Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total Balance by Calendar Year
4		Services In-Service Activity	2012 Filing Exhibit No. JMB-3a	\$ 1,816	\$ -	\$ 85,253	\$ 525,362	\$ 686,347	\$ 647,991	\$ 725,593	\$ 1,019,199	\$ 1,214,933	\$ 892,384	\$ 603,295	\$ 1,992,097	
5		Service Line Responsibility In-Service Activity	2012 Filing Exhibit No. JMB-3a	116,865	83,475	181,419	105,735	149,142	101,283	125,769	173,628	131,334	111,300	139,125	87,927	
6		Risers In-Service Activity	2012 Filing Exhibit No. JMB-3a	171,719	113,964	139,344	950,517	679,966	970,782	636,089	768,661	676,311	276,088	82,891	4,774	
7		Less: Retirements - Services	2012 Filing Exhibit No. JMB-3b	-	-	-	-	-	(16,735)	(1,306)	-	(14,903)	-	-	(16,841)	
8		Net Services Additions	Line 4 + Line 5 + Line 6 + Line 7	\$ 290,400	\$ 197,439	\$ 406,016	\$ 1,581,614	\$ 1,515,455	\$ 1,703,321	\$ 1,486,145	\$ 1,961,488	\$ 2,007,675	\$ 1,279,772	\$ 825,311	\$ 2,067,957	
9		Monthly Depreciation Rate	(1)	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	
10		# of Months from 1/1/2012 to Effective Date of DRR Rates, 9/1/2012		8	8	8	8	8	8	8	8	8	8	8	8	
11		Depreciation Expense Recognized - 1/1/2012 to 9/1/2012	Line 8 x Line 9 x Line 10	\$ 10,183	\$ 6,924	\$ 14,238	\$ 55,462	\$ 53,142	\$ 59,730	\$ 52,114	\$ 68,783	\$ 70,402	\$ 44,877	\$ 28,941	\$ 72,516	\$ 537,312
Line		Description		Activity for Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Total Balance by Calendar Year
12		Services In-Service Activity	Exhibit No. JCS-3a	\$ 78,941	\$ 115,132	\$ 498,402	\$ 567,800	\$ 1,155,442	\$ 1,233,659	\$ 127,919	\$ 1,395,285	\$ 637,620	\$ 1,529,931	\$ 640,442	\$ 565,214	
13		Service Line Responsibility In-Service Activity	Exhibit No. JCS-3a	59,059	70,741	62,304	87,615	81,774	63,602	90,860	83,072	68,145	61,006	65,549	44,781	
14		Risers In-Service Activity	Exhibit No. JCS-3a	-	-	-	-	-	-	-	-	-	-	-	-	
15		Less: Retirements - Services	Exhibit No. JCS-3b	(360)	-	(14,798)	(3,492)	(6,317)	(9,328)	(978)	(7,964)	(1,364)	(11,091)	-	9,650	
16		Net Services Additions	Line 12 + Line 13 + Line 14 + Line 15	\$ 137,640	\$ 185,873	\$ 545,908	\$ 651,923	\$ 1,230,899	\$ 1,287,933	\$ 217,801	\$ 1,470,393	\$ 704,401	\$ 1,579,846	\$ 705,991	\$ 619,645	
17		Monthly Depreciation Rate	(1)	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	
18		# of Months from In-Service Date to Effective Date of DRR Rates		19.5	18.5	17.5	16.5	15.5	14.5	13.5	12.5	11.5	10.5	9.5	8.5	
19		Depreciation Expense Recognized - In-Service to 9/1/2013	Line 16 x Line 17 x Line 18	\$ 11,765	\$ 15,073	\$ 41,876	\$ 47,150	\$ 83,629	\$ 81,859	\$ 12,888	\$ 80,565	\$ 35,508	\$ 72,712	\$ 29,399	\$ 23,087	\$ 535,511
20		Deferred Depreciation Expense - Calendar Year 2012		\$ 6,938	\$ 8,555	\$ 22,733	\$ 24,290	\$ 40,466	\$ 36,695	\$ 5,251	\$ 29,004	\$ 10,807	\$ 17,312	\$ 4,642	\$ 1,358	\$ 208,050
21		Deferred Depreciation Expense - Calendar Year 2013		\$ 4,827	\$ 6,518	\$ 19,143	\$ 22,861	\$ 43,164	\$ 45,164	\$ 7,638	\$ 51,562	\$ 24,701	\$ 55,400	\$ 24,757	\$ 21,729	\$ 327,461
22		Services - Deferred Depreciation Amortization		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,066)	\$ (1,066)	\$ (1,066)	\$ (1,066) \$ (4,264)
23		Net Services Deferred Depreciation at 12/31/2012	Line 1, Column B													\$ 1,474,465
24		Average Service Life - Services	(3)													1.75%
25		Annual Amortization Expense	Line 23 x Line 24													\$ 25,803
																To JCS-3, Line 33

(1) FERC Account 680 depreciation rate approved in Case No. 04-0571-GA-AIR.

(2) 2009 retirements are supported by the 2010 PUCO data request no. 17.

(3) FERC Account 680 depreciation rate's average service life or 57 years, as approved in Case No. 04-0571-GA-AIR.

Vectren Energy Delivery of Ohio, Inc.
Distribution Replacement Rider (DRR)
Meter Installation - Deferred Depreciation Regulatory Asset Balance
For the Period Ended December 31, 2012

A

B

C

(2012 Filing Exhibit No. JMB-3h, Page 2)

Line	Description	Deferred Depreciation at 12/31/2011	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Total Balance at Dec-12		
		Cumulative Balance														
1	Meter Installation - Deferred Depreciation	\$	16,232	\$ 16,331	\$ 17,048	\$ 19,568	\$ 22,820	\$ 28,950	\$ 34,891	\$ 37,643	\$ 43,492	\$ 47,234	\$ 51,510	\$ 53,594	\$ 62,792	
2	Meter Installation - Deferred Depreciation Amortization		-	-	-	-	-	-	-	-	(25)	(50)	(75)	(100)		
3	Meter Installation - Deferred Depreciation	\$	16,232	\$ 16,331	\$ 17,048	\$ 19,568	\$ 22,820	\$ 28,950	\$ 34,891	\$ 37,643	\$ 43,492	\$ 47,209	\$ 51,460	\$ 53,519	\$ 62,692	To JCS-3, Line 20

Line	Description	Activity for Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Total Balance by Calendar Year	
4	Meter Installation In-Service Activity	\$ 188	\$ -	\$ 15,485	\$ 77,910	\$ 136,512	\$ 160,705	\$ 198,697	\$ 226,998	\$ 234,128	\$ 213,448	\$ 144,511	\$ 750,983		
5	Less: Retirements - Services	(2)	-	-	-	-	(917)	(56)	-	(1,362)	-	-	(2,778)		
6	Net Meter Installation Additions	\$ 186	\$ -	\$ 15,485	\$ 77,910	\$ 136,512	\$ 159,788	\$ 198,641	\$ 226,998	\$ 232,766	\$ 213,448	\$ 144,511	\$ 748,205		
	Line 4 + Line 5														
7	Monthly Depreciation Rate	(1)	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%		
8	# of Months from 1/1/2012 to Effective Date of DRR Rates, 9/1/2012	8	8	8	8	8	8	8	8	8	8	8	8		
9	Depreciation Expense Recognized - 1/1/2012 to 9/1/2012	Line 6 x Line 7 x Line 8	\$ 2	\$ -	\$ 188	\$ 945	\$ 1,656	\$ 1,939	\$ 2,410	\$ 2,754	\$ 2,824	\$ 2,590	\$ 1,753	\$ 9,078	\$ 26,141

Line	Description	Activity for Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Total Balance by Calendar Year	
10	Meter Installation In-Service Activity	\$ 5,611	\$ 45,033	\$ 162,199	\$ 179,341	\$ 393,923	\$ 407,039	\$ 41,130	\$ 454,387	\$ 172,988	\$ 445,781	\$ 145,782	\$ 157,828		
11	Less: Retirements - Services	(54)	-	(367)	(374)	(702)	(1,015)	(156)	(925)	(111)	(1,230)	(133)	(194)		
12	Net Meter Installation Additions	\$ 5,557	\$ 45,033	\$ 161,832	\$ 178,967	\$ 393,221	\$ 406,024	\$ 40,974	\$ 453,462	\$ 172,877	\$ 444,551	\$ 145,649	\$ 157,634		
	Line 10 + Line 11														
13	Monthly Depreciation Rate	(1)	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%		
14	# of Months from In-Service Date to Effective Date of DRR Rates, 9/1/2012	19.5	18.5	17.5	16.5	15.5	14.5	13.5	12.5	11.5	10.5	9.5	8.5		
15	Depreciation Expense Recognized - In-Service to 9/1/2012	Line 12 x Line 13 x Line 14	\$ 164	\$ 1,264	\$ 4,295	\$ 4,479	\$ 9,244	\$ 8,929	\$ 839	\$ 8,597	\$ 3,015	\$ 7,079	\$ 2,099	\$ 2,032	\$ 52,036
16	Calendar Year 2012	\$ 97	\$ 717	\$ 2,332	\$ 2,307	\$ 4,473	\$ 4,003	\$ 342	\$ 3,095	\$ 918	\$ 1,686	\$ 331	\$ 120	\$ 20,419	
17	Calendar Year 2013	\$ 67	\$ 546	\$ 1,964	\$ 2,171	\$ 4,771	\$ 4,926	\$ 497	\$ 5,502	\$ 2,098	\$ 5,394	\$ 1,767	\$ 1,913	\$ 31,617	

18	Meter Installations - Deferred Depreciation Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(25)	(25)	(25)	(25)	(100)
----	--	------	------	------	------	------	------	------	------	------	------	------	------	------	-------

19	Net Meter Installation Deferred Depreciation at 12/31/2012	Line 6 + Line 13	\$	62,792
20	Average Service Life - Services	(4)	1.82%	
21	Annual Amortization Expense	Line 15 x Line 16	\$	1,143
				To JCS-3, Line 34

(1) FERC Account 682 depreciation rate approved in Case No. 04-0571-GA-AIR.
(2) 2009 retirements are supported by the 2010 PUCO data request no. 17.
(3) 2009 in-service balances are supported by file titled "2009 DRR Accumulated Depreciation at 12 31 2009_Revised 080310.xls".
(4) FERC Account 682 depreciation rate's average service life or 55 years, as approved in Case No. 04-0571-GA-AIR.

**VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
DRR REVENUE REQUIREMENT VARIANCE**

Line	Description		Total	Reference
1	Revenue requirement for January 2012 - August 2012 per Case No. 11-2776-GA-RDR, Exhibit SEA-S1, Page 5 of 5, Line 14	\$ 3,688,823		
2	Less: DRR Recoveries January 2012 - August 2012	(3,731,888)		-(Sum of Lines 19-26)
3	DRR (Over)/Under Recovery for Eight Months Ended August 31, 2012		\$ (43,065)	Line 1 + Line 2
4	Revenue requirement for September 2012 - December 2012 per Case No. 12-1423-GA-RDR, Exhibit SEA-S1, Page 5 of 5, Line 5	\$ 2,901,519		
5	Less: DRR Recoveries September 2012 - December 2012	(2,654,797)		-(Sum of Lines 27-30)
6	DRR (Over)/Under Recovery for Four Months Ended December 31, 2012		\$ 246,722	Line 4 + Line 5
7	DRR (Over)/Under Recovery for Twelve Months Ended December 31, 2012		\$ 203,657	Line 3 + Line 6
8	<u>(Over)/Under Recovery - Mains and Services Allocation</u>			
	Description	Revenue Requirement	%	DRR Variance Allocation
	2011	A ⁽¹⁾	B	C = Line 3 * B
9	Mains	\$ 1,505,621	27.0%	\$ (11,628)
10	Services	4,035,204	73.0%	(31,437)
11	Total	\$ 5,540,825	100.0%	\$ (43,065) Line 3
	2012	D ⁽²⁾	E	F = Line 6 * E
12	Mains	\$ 2,181,366	25.0%	\$ 61,681
13	Services	6,522,591	75.0%	185,042
14	Total	\$ 8,703,957	100.0%	\$ 246,723 Line 6
15	Total Main (Over) Recovery Variance		\$ 50,053	Line 9 + Line 12 To JCS-2, Line 26
16	Total Services (Over) Recovery Variance		\$ 153,605	Line 10 + Line 13 To JCS-3, Line 38
17	<u>DRR Recoveries by Month:</u>			
18		Recovery - \$	Reference	
19	January 2012	\$ 552,273	Exhibit No. JCS-4a, Column H, Line 1	
20	February 2012	548,285	Exhibit No. JCS-4a, Column H, Line 2	
21	March 2012	489,127	Exhibit No. JCS-4a, Column H, Line 3	
22	April 2012	436,843	Exhibit No. JCS-4a, Column H, Line 4	
23	May 2012	439,097	Exhibit No. JCS-4a, Column H, Line 5	
24	June 2012	423,440	Exhibit No. JCS-4a, Column H, Line 6	
25	July 2012	420,954	Exhibit No. JCS-4a, Column H, Line 7	
26	August 2012	421,869	Exhibit No. JCS-4a, Column H, Line 8	
27	September 2012	428,213	Exhibit No. JCS-4a, Column H, Line 9	
28	October 2012	600,446	Exhibit No. JCS-4a, Column H, Line 10	
29	November 2012	830,489	Exhibit No. JCS-4a, Column H, Line 11	
30	December 2012	795,649	Exhibit No. JCS-4a, Column H, Line 12	
31	Total DRR Recoveries	\$ 6,386,685		

Notes:

(1) Revenue Requirement per Case No. 11-2776-GA-RDR (Exhibit SEA-S1, Page 1 of 5).

(2) Revenue Requirement per Case No. 12-1423-GA-RDR (Exhibit SEA-S1, Page 1 of 5).

**VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
DRR RECOVERIES BY TARIFF**

	A	B	C	D	E	F	G	H
		DRR Recoveries						
Line	Month	310/311/315	320/321/325 - Grp 1	341	320/321/325 - Grp 2	345	360	Total
1	Jan-12	\$ 355,879	\$ 19,257	\$ 13	\$ 130,761	\$ 16,115	\$ 30,247	\$ 552,273
2	Feb-12	372,490	20,268	13	114,858	13,924	26,731	548,285
3	Mar-12	366,451	19,674	13	70,922	9,507	22,559	489,127
4	Apr-12	366,052	19,814	13	18,490	8,572	23,902	436,843
5	May-12	364,341	19,502	13	26,390	7,055	21,796	439,097
6	Jun-12	361,727	19,253	3	14,575	6,527	21,356	423,440
7	Jul-12	361,324	19,411	7	15,166	6,345	18,702	420,954
8	Aug-12	359,147	19,177	7	16,576	6,634	20,327	421,869
9	Sep-12	361,255	19,526	7	19,905	7,392	20,130	428,213
10	Oct-12	483,433	25,588	20	45,576	13,584	32,245	600,446
11	Nov-12	630,815	34,084	23	113,674	17,275	34,619	830,489
12	Dec-12	582,717	31,226	21	132,135	17,558	31,992	795,649
13	Total	\$ 4,965,630	\$ 266,780	\$ 152	\$ 719,029	\$ 130,488	\$ 304,605	\$ 6,386,683

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc.)	Case No. 13-1121-GA-RDR
for Authority to Adjust Its Distribution)	
Replacement Rider Charges.)	

DIRECT TESTIMONY

OF

SHAWN M. KELLY

DIRECTOR, REGULATORY AFFAIRS

ON BEHALF OF

VECTREN ENERGY DELIVERY OF OHIO, INC.

1 **Direct Testimony of**
2 **Shawn M. Kelly**

3 **I. INTRODUCTION**

4 **Q1. Please state your name and business address.**

5 A. My name is Shawn M. Kelly, and my address is One Vectren Square, Evansville, IN.

6 **Q2. What position do you hold with Applicant Vectren Energy Delivery of Ohio, Inc.**
7 **(“VEDO” or “the Company”)?**

8 A. I am Director, Regulatory Affairs for Vectren Utility Holdings, Inc. (“VUHI”), the
9 immediate parent company of VEDO. I hold the same position with two other utility
10 subsidiaries of VUHI -- Southern Indiana Gas and Electric Company d/b/a/ Vectren
11 Energy Delivery of Indiana (“Vectren South”) and Indiana Gas Company, Inc. d/b/a/
12 Vectren Energy Delivery of Indiana (“Vectren North”).

13 **Q3. Please describe your educational background.**

14 A. I graduated from Benedictine College in Atchison, Kansas with a Bachelor of Arts degree
15 with a major in Economics in 2000. I also graduated from Florida State University with a
16 Master’s degree in Public Administration and Policy in 2003.

17 **Q4. Please describe your professional experience.**

18 A. From 2002 to 2003, I was a Regulatory Analyst for the Florida Public Service
19 Commission. From 2003 to 2009, I was employed as a Utility Analyst for the Indiana
20 Utility Regulatory Commission. From 2009 to 2012, I was a Senior Analyst – Regulatory
21 Policy for Northern Indiana Public Service Company. I accepted my current position as
22 Director, Regulatory Affairs for VUHI in September 2012.

1 **Q5. What are your present duties and responsibilities as Director, Regulatory Affairs?**

2 A. I have responsibility for regulatory and rate matters of the regulated utilities within
3 VUHI, including proceedings before the Indiana and Ohio utility regulatory
4 commissions.

5 **Q6. Have you previously testified before the Public Utilities Commission of Ohio**
6 **(“PUCO”)?**

7 A. No.

8 **Q7. What is the purpose of your testimony in this proceeding (“2013 DRR filing”)?**

9 A. My testimony in this proceeding supports the proposed Distribution Replacement Rider
10 (“DRR”) charges, as well as the proposed tariff sheet, and associated bill impacts.

11 **Q8. What exhibits are attached to your testimony?**

12 A. The following exhibits which have been prepared by me or under my supervision are
13 attached to my testimony:

- 14 • Exhibit No. SMK-1, DRR – Derivation of Charges;
- 15 • Exhibit No. SMK-2, DRR – Tariff Sheet; and
- 16 • Exhibit No. SMK-3, DRR – Annual Residential Customer Bill Impact.

17 **II. BACKGROUND**

18 **Q9. What is the DRR?**

19 A. The Commission approved a Stipulation and Recommendation in VEDO’s last general
20 rate case, Case No. 07-1080-GA-AIR (“Approved Stipulation”). The DRR was part of
21 the Approved Stipulation, and recovers the following:

- 22 • a return on and of investments made by the Company under an accelerated bare steel
23 and cast iron pipeline replacement program (“Replacement Program”), inclusive of
24 capitalized interest (or post-in-service carrying costs (“PISCC”)) associated with the
25 Replacement Program,

- 1 • the actual deferred costs resulting from compliance with the Commission-ordered
- 2 riser investigation in Case No. 05-463-GA-COI,
- 3 • the costs associated with the replacement of prone-to-fail risers over a five year
- 4 period (“Riser Program”), and
- 5 • the incremental costs of assuming responsibility for service lines.

6 Savings of certain Operation and Maintenance (“O&M”) expenses are also included as a
7 credit in the derivation of the DRR revenue requirement.

8 **Q10. Did the Approved Stipulation establish a term for the DRR?**

9 A. Yes. The Approved Stipulation, at pages 8 and 9, provided as follows: “The DRR shall
10 be in effect for the lesser of five (5) years from the effective date of rates approved in this
11 proceeding or until new rates become effective as a result of the filing of the Company of
12 an application for an increase in rates pursuant to Section 4909.18, Revised Code, or the
13 Company’s filing of a proposal to establish base rates pursuant to an alternative method
14 of regulation pursuant to Section 4929.05, Revised Code.” The rates approved in Case
15 No. 07-1080-GA-AIR became effective on February 22, 2009. Therefore, the DRR will
16 continue to recover DRR costs through February 21, 2014.

17 **Q11. Does the Company intend to seek an extension of the DRR?**

18 A. Yes. The Company intends to make an appropriate filing later this year to request
19 extension of the DRR mechanism beyond February 21, 2014. This is further addressed in
20 the testimony of VEDO witness James M. Francis.

21 **Q12. Are you familiar with the Stipulation and Recommendation approved by the**
22 **Commission in Case No. 10-595-GA-RDR (“the 2010 DRR Stipulation”), the**
23 **Stipulation and Recommendation approved by the Commission in Case No. 11-**
24 **2776-GA-RDR (“the 2011 DRR Stipulation”) and the Stipulation and**
25 **Recommendation approved by the Commission in Case No. 12-1423-GA-RDR (“the**
26 **2012 DRR Stipulation”)?**

27 A. Yes, I am.

Q13. Please describe the 2010 DRR Stipulation.

A. The 2010 DRR Stipulation indicated that VEDO should work with Staff prior to filing its next DRR application (“the 2011 DRR Filing”) in order to include more detailed schedules as described in Staff’s comments filed in Case No. 10-595-GA-RDR and that VEDO should make two changes to the DRR revenue requirement filed in the 2010 DRR Filing which resulted in revised DRR rates.

Q14. Please describe the 2011 DRR Stipulation.

A. The 2011 DRR Stipulation indicated that VEDO should make two changes to the DRR revenue requirement filed in the 2011 DRR Filing which resulted in revised DRR rates. Those changes included adjusting the revenue requirement by \$4,832 to eliminate the compounding of PISCC and by \$18,468 to reflect the most current interpretations and guidance available for the tax treatment of depreciation.

Q15. Please describe the 2012 DRR Stipulation.

A. The 2012 DRR Stipulation recognized that the 2012 DRR filing failed to recognize the deferral and amortization of depreciation expenses incurred by VEDO. The costs associated with the deferral and amortization of and return on deferred depreciation expenses are recoverable in the DRR, pursuant to the order in Case No. 07-1080-GA-AIR. Beginning with the DRR application filed in 2013 and in future DRR applications, the 2012 DRR Stipulation requires VEDO to provide schedules showing the computation of the deferred depreciation such that: expenses are calculated on plant additions net of retirements; deferral of depreciation expenses shall be permitted on eligible plant additions net of retirements from the in-service date to the time the additions are included for recovery in the DRR; and recovery of deferred depreciation expenses shall be

1 amortized over a time period consistent with the life of the underlying asset based upon
2 Commission-authorized depreciation rates.

3 **Q16. Do you believe that VEDO has complied with the terms of the 2010, 2011, and 2012**
4 **DRR Stipulations in this case?**

5 A. Yes. Among other things, VEDO's schedules filed in this case reflect the modifications
6 required by the 2010 DRR Stipulation. VEDO's 2013 DRR Filing is also consistent with
7 the modifications related to the classification of meter move-out costs and permitting
8 costs (as per the 2010 DRR Stipulation), the elimination of the compounding of PISCC
9 and tax treatment of depreciation (as per the 2011 DRR Stipulation), and the computation
10 of deferral and amortization of depreciation expenses (as per the 2012 DRR Stipulation).

11 **Q17. How do VEDO's customers benefit from the DRR?**

12 A. As more fully described in VEDO witness James M. Francis' testimony, VEDO
13 customers have realized and will continue to realize significant benefits as a direct result
14 of the Replacement and Riser Programs and the DRR mechanism. Because the Company
15 is provided an opportunity to more quickly recover its investments under the programs,
16 VEDO's customers will more quickly realize enhanced service reliability levels than
17 would be realized under a more traditional regulatory paradigm. Over time, customers
18 will also benefit from a reduction of O&M costs related to distribution mains. Moreover,
19 the elimination of active leaks achieved by replacement of bare steel and cast iron
20 pipelines in a given year results in a reduced level of O&M expenses, reflected first in the
21 DRR and eventually in future base rates. Finally, customers are no longer required to
22 directly bear the out-of-pocket cost of service line repair or replacement since the
23 Company has assumed that responsibility.

1 **III. PROPOSED DRR**

2 **Q18. Please describe the DRR proposed herein.**

3 A. VEDO has proposed a DRR based upon Replacement Program costs for all projects
4 placed in service as of December 31, 2012. The DRR revenue requirement proposed by
5 VEDO witness J. Cas Swiz, which also includes the other cost components described
6 previously, is used to derive the DRR charges which are presented in the attached Exhibit
7 No. SMK-1.

8 **Q19. Please describe Exhibit No. SMK-1.**

9 A. Exhibit No. SMK-1 contains the filing schedules to support the derivation of the
10 Company's proposed DRR.

11 Exhibit No. SMK-1, page 1, shows the derivation of the DRR revenue
12 requirement and charges by rate schedule. The rate schedule allocation factors from page
13 2 (described below) are multiplied by the total revenue requirement (from Exhibit No.
14 JCS-1) to determine the allocated revenue requirement by rate schedule. For residential
15 (Rates 310, 311, and 315), small general service (Group 1 customers served under Rates
16 320, 321, and 325; hereinafter referred to as "Group 1 Customers"), and Rate 341
17 customers, the allocated revenue requirement for each rate schedule is then divided by the
18 number of customers in each rate schedule, and then divided by 12, to determine the
19 monthly DRR charge applicable to customers in those rate schedules. For larger
20 customers (Group 2 and Group 3 customers under Rates 320, 321, and 325, hereinafter
21 referred to as "Group 2 and Group 3 Customers") and all customers receiving service
22 under Rates 345 and 360, the allocated revenue requirement for each rate schedule is
23 divided by the projected annual throughput for each rate schedule to determine the DRR
24 charge per Ccf applicable to those rate schedules.

1 Exhibit No. SMK-1, page 2, lists the rate schedule distribution mains and service
2 lines allocation factors from Case No. 07-1080-GA-AIR. These allocation factors are
3 used to allocate the mains and service lines revenue requirements to the various rate
4 schedules.

5 Exhibit No. SMK-1, page 3, shows how the general service customer revenue
6 requirement allocation is determined. Due to the similarity in facilities required to serve
7 Group 1 Customers and those required to serve residential customers, and consistent with
8 the Commission's order in Case No. 07-1080-GA-AIR, VEDO presents a DRR charge to
9 Group 1 Customers equal to the DRR charge applicable to residential customers. The
10 residential DRR charge is multiplied by the number of Group 1 Customers, with that
11 result multiplied by 12 to determine the annual DRR revenue requirement to be recovered
12 from Group 1 Customers. The Group 1 Customer revenue requirement is then subtracted
13 from the total revenue requirement allocated to Rates 320, 321, and 325. The resulting
14 amount is then divided by the projected annual throughput for Group 2 and Group 3
15 Customers to determine the DRR charge per Ccf applicable to those customers.

16 Exhibit No. SMK-1, page 4, shows the impact of the proposed DRR on each rate
17 schedule.

18 Exhibit No. SMK-1, page 5, identifies the recoveries applicable to the periods
19 September 2013 through December 2013 and January 2014 through August 2014. These
20 are the twelve months during which the proposed DRR is projected to be in effect. The
21 purpose of this schedule is to provide the basis for determining the revenue requirement
22 recovery variance applicable to the period of September through December 2013, since in
23 the next annual DRR filing VEDO will reconcile actual costs and actual recoveries

1 through December 2013¹. The variance determined on Exhibit No. JCS-4, page 1, is
2 allocated to mains and services based upon the approved revenue requirement in VEDO's
3 2012 DRR Filing. The allocated variances are added to the annual revenue requirements
4 for mains and services, shown on Exhibit No. JCS-2 and Exhibit No. JCS-3 respectively,
5 for investments made in 2012. Likewise, in the 2014 DRR filing the variance applicable
6 to the period of January through August 2014 will be based upon the recoveries for that
7 period as identified on page 5. The testimony of Scott E. Albertson in Case No. 07-1080-
8 GA-AIR supported this methodology.

9 **Q20. Please describe Exhibit No. SMK-2.**

10 A. Exhibit No. SMK-2 illustrates the proposed DRR tariff sheet containing the proposed
11 DRR charges. Tariff Sheet No. 45, Seventh Revised Page 2 of 2 will replace the
12 currently effective Sixth Revised Page 2 of 2.

13 **Q21. Please describe Exhibit No. SMK-3.**

14 A. The annual impact of the proposed DRR on a residential customer is shown on Exhibit
15 No. SMK-3.

16 **Q22. In your opinion, has the Company met all requirements set forth in the Approved**
17 **Stipulation in Case No. 07-1080-GA-AIR?**

18 A. Yes, the Company has filed an application for approval of the successor DRR charge,
19 served it electronically on the Parties to the Approved Stipulation, and included all
20 supporting information for the costs incurred in calendar year 2012. VEDO witness
21 James M. Francis summarizes the Company's construction plans for 2013, including the
22 expected investment, the expected location of the infrastructure replacement work, and
23 the expected miles of pipe to be replaced.

¹ Recoveries applicable to January through August 2013 were included in the determination of the final DRR revenue requirement in the 2012 DRR Filing.

1 **Q23. Has the Company complied with the cap on DRR charges established by the**
2 **Approved Stipulation?**

3 A. Yes. The Approved Stipulation provides that the monthly DRR charge applicable to
4 Residential and Group 1 Customers in the first annual DRR application (the 2010 DRR
5 Filing) was not to exceed \$1.00 per customer. The cap for successor DRR charges
6 applicable to Residential and Group 1 Customers was then to increase in increments of
7 \$1.00 per year, beginning with the DRR charge proposed by the Company in the 2011
8 DRR Filing. Since the currently effective DRR charge for Residential and Group 1
9 Customers is less than \$3.00 per customer per month, and the corresponding DRR charge
10 proposed herein is less than \$4.00 per customer per month, the Company has complied
11 with the Approved Stipulation's cap provisions.

12 **Q24. Has VEDO had the opportunity to recover all costs associated with the Commission-**
13 **ordered riser investigation?**

14 A. Yes. VEDO implemented initial DRR charges on March 1, 2009 which were designed to
15 recover deferred expenses through July 2008 associated with the Commission-ordered
16 riser investigation. In compliance with the Approved Stipulation, all DRR charges were
17 removed from the tariff (i.e. reset to zero) effective March 1, 2010, and the remaining
18 variance was included in the determination of the DRR revenue requirement in its 2010
19 DRR Filing sponsored by witness Janice M. Barrett. VEDO implemented the DRR
20 charges from the 2011 DRR Filing on September 1, 2011. Variances from January 2011
21 through December 2011 were included in the determination of the DRR revenue
22 requirement in the 2012 DRR Filing. Variances from January 2012 through December
23 2012 have been included in the determination of the DRR revenue requirement in this
24 proceeding.

1 **Q25. Does this conclude your direct testimony?**

2 A. Yes.

**VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DERIVATION OF CHARGES**

<u>Line</u>	<u>Rate Schedule</u>	(A) Mains Allocated DRR Revenue <u>Requirement (b)</u>	(B) Service Lines Allocated DRR Revenue <u>Requirement (b)</u>	(C) Total DRR Revenue <u>Requirement</u> (A) + (B)	(D) Customer Count (c)	(E) Proposed DRR per Customer <u>Per Month</u> (C)/(D)/12	(F) Annual <u>Volumes (c)</u> (Ccf)	(G) Proposed <u>DRR per Ccf</u> (C)/(F)
1	310/311/315	\$2,188,946	\$7,302,555	\$9,491,501	285,461	\$2.77		
2	320/321/325	\$832,771	\$1,215,635	\$2,048,406				
3	Group 1			\$506,976 (d)	15,252	\$2.77		
4	Group 2 & 3			\$1,541,429 (d)			65,764,569	\$0.02344
5	341	\$162	\$194	\$356	2	\$14.82		
6	345	\$218,617	\$37,646	\$256,263			45,613,165	\$0.00562
7	360	\$319,951	\$16,664	\$336,615			92,910,461	\$0.00362
8	Total (a)	<u>\$3,560,447</u>	<u>\$8,572,694</u>	<u>\$12,133,141</u>				

(a) Mains and Service Revenue Requirement shown on Exhibit No. JCS-1, Lines 1 and 2 respectively.

(b) Reflects revenue requirement multiplied by allocation factors shown on Exhibit No. SMK-1, Page 2

(c) 2013 Budget - Customer Count and Volumes

(d) From Exhibit No. SMK-1, Page 3

**VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
RATE SCHEDULE ALLOCATION FACTORS**

<u>Line</u>	<u>Rate Schedule</u>	<u>Description</u>	<u>Mains Allocation Factors (a) (%)</u>	<u>Service Line Allocation Factors (b) (%)</u>
1	310/311/315	Residential DSS/SCO/Transportation	61.480%	85.184%
2	320/321/325	General DSS/SCO/Transportation	23.390%	14.180%
3	341	Dual Fuel	0.005%	0.002%
4	345	Large General Transportation	6.140%	0.439%
5	360	Large Volume Transportation	8.986%	0.194%
6		Total	<u>100.000%</u>	<u>100.000%</u>

(a) Mains Allocation Factor as presented in Case No. 07-1080-GA-AIR

(b) Service Lines Allocation Factor as presented in Case No. 07-1080-GA-AIR

**VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
ALLOCATION OF REVENUE REQUIREMENT - RATES 320, 321 AND 325**

<u>Line</u>	<u>Description</u>	<u>Amount</u>		<u>Reference</u>
1	Proposed DRR - Rate 310/311/315	\$2.77	Per Month	Exhibit No. SMK-1, Page 1
2	Proposed DRR - Rate 320/321/325 - Group 1	\$2.77	Per Month	Line [1]
3	Customer Count - Group 1	<u>15,252</u>		Exhibit No. SMK-1, Page 1
4	Revenue Requirement - Group 1 (1)	\$506,976		Line [2] x Line [3] x 12
5	Revenue Requirement - Total 320/321/325	<u>\$2,048,406</u>		Exhibit No. SMK-1, Page 1
6	Revenue Requirement - Group 2 & 3 (1)	<u><u>\$1,541,429</u></u>		Line [5] - Line [4]

Notes:
(1) to Exhibit No. SMK-1, Page 1

**VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
RATE SCHEDULE BILL IMPACTS**

		(A)	(B)	(C)	(D)	(E)	
<u>Line</u>	<u>Rate Schedule</u>	<u>Present Revenue (a)</u>	<u>Previous DRR Revenue Requirement</u>	<u>Current DRR Revenue Requirement (c)</u>	<u>Incremental DRR Revenue Requirement (C)-(B)</u>	<u>% Increase (D)/(A)</u>	
1	310/311	\$54,929,357	\$3,979,265	\$5,475,947	\$1,496,682	2.72%	(d)
2	315	\$35,792,783	\$2,918,026	\$4,015,554	\$1,097,528	3.07%	(b) (d)
3	320/321	\$10,450,034	\$785,598	\$1,125,650	\$340,052	3.25%	(d)
4	325	\$10,358,264	\$649,537	\$922,756	\$273,219	2.64%	(b) (d)
5	341	\$82,254	\$247	\$356	\$109	0.13%	
6	345	\$5,495,499	\$162,583	\$256,263	\$93,681	1.70%	(b)
7	360	<u>\$7,656,557</u>	<u>\$208,702</u>	<u>\$336,615</u>	<u>\$127,913</u>	1.67%	(b)
8	Total	\$124,764,748	\$8,703,957	\$12,133,141	\$3,429,184	2.75%	

(a) Twelve months ending December 31, 2012

Excludes revenues from former Rate 330 customers; Rate 330 was terminated effective April 14, 2010.

(b) Does not include gas costs

(c) From Exhibit No. SMK-1, Page 1

(d) Current revenues calculated as unit rate times Number of customers

**VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DETERMINATION OF APPROVED RECOVERIES
BY CALENDAR MONTH**

	(A)	(B)	(C)
Line	Month	Allocation Factor (1)	Approved Recoveries (2)
			594638
1	September-13	7.48%	\$907,437
2	October-13	7.85%	\$952,248
3	November-13	8.45%	\$1,025,797
4	December-13	9.44%	\$1,145,531
5	Subtotal (To Fifth Annual DRR Filing)		\$4,031,013
6	January-14	10.01%	\$1,214,976
7	February-14	9.43%	\$1,144,341
8	March-14	9.02%	\$1,094,164
9	April-14	8.04%	\$975,127
10	May-14	7.73%	\$938,363
11	June-14	7.56%	\$916,807
12	July-14	7.51%	\$910,774
13	August-14	7.48%	\$907,577
14	Subtotal (To Sixth Annual DRR Filing)		\$8,102,128

(1) Based on monthly volumes / customer count (as applicable) as a percentage of annual, in 2013 Budget.

(2) Allocation Factor in Column B times total revenue requirement.

VECTREN ENERGY DELIVERY OF OHIO, INC.
Tariff for Gas Service
P.U.C.O. No. 3

Sheet No. 45
Seventh Revised Page 2 of 2
Cancels Sixth Revised Page 2 of 2

DISTRIBUTION REPLACEMENT RIDER

DISTRIBUTION REPLACEMENT RIDER CHARGE

The charges for the respective Rate Schedules are:

<u>Rate Schedule</u>	<u>\$ Per Month</u>	<u>\$ Per Ccf</u>
310, 311 and 315	\$2.77	
320, 321 and 325 (Group 1)	\$2.77	
320, 321 and 325 (Group 2 and 3)		\$0.02344
341	\$14.82	
345		\$0.00562
360		\$0.00362

Filed pursuant to the Finding and Order dated _____ in Case No. 13-1121-GA-RDR of the Public
Utilities Commission of Ohio.

Issued: _____

Issued by: Scott E. Albertson, Vice President

Effective: _____

**VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
ANNUAL RESIDENTIAL CUSTOMER BILL IMPACT**

<u>Line</u>			<u>Reference</u>
1	Proposed DRR Charge Per Customer Per Month Exhibit SMK-1, Page 1, Column (E), Line 1	\$2.77	Exhibit No. SMK-1, Page 1
2	Current DRR Charge Per Customer Per Month	<u>\$2.01</u>	2012 DRR Filing
3	Incremental DRR Charge Per Month	\$0.76	Line [1] - Line [2]
4	Months	<u>12</u>	
5	Annual Incremental Bill Impact	<u>\$9.12</u>	Line [3] x Line [4]
6	Total Annual DRR Bill Impact	<u>\$33.24</u>	Line [1] x Line [4]

This foregoing document was electronically filed with the Public Utilities

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5/1/2013 4:01:28 PM

in

Case No(s). 13-1121-GA-RDR

Summary: Application for Authority to Adjust Its Distribution Replacement Rider Charges electronically filed by Mr. Andrew J Campbell on behalf of Vectren Energy Delivery of Ohio