BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of	)	
Vectren Energy Delivery of Ohio, Inc. for	)	Case No. 13-1571-GA-ALT
Approval of an Alternative Form of	)	
Regulation.	)	

COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC") file these Comments to recommend ways that Ohio consumers should be protected with regard to Utility proposals for collecting hundreds of millions of dollars from Ohio customers to pay for pipeline replacement.

On July 2, 2013, Vectren Energy Delivery of Ohio, Inc. ("Vectren," or "Utility") filed its Notice of Intent to File an Application ("Original PFN") in this proceeding. In that filing, Vectren asked the Public Utilities Commission of Ohio ("PUCO" or "Commission") to extend and expand the scope of the Distribution Replacement Rider ("DRR") initially approved in Case No. 07-1081-GA-ALT as an alternative regulation plan pursuant to R.C. 4929.05.[1]

On August 22, 2013, Vectren filed its Application ("Application"). In that filing, Vectren asked the Commission to approve the extension of the DRR for another 5 years

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[1] Original PFN at 1 (July 2, 2013).

(recovery from customers for investments incurred during 2013 through 2017).[2] Vectren also proposes to significantly expand the scope of the DRR to include:

- continued replacement/retirement of bare steel and cast iron ("BS/CI") mains and bare steel service lines, while accelerating the pace of replacement such that all targeted pipe has been replaced by the end of 2023 (as compared to the current pace of replacement which targets completion by the end of 2028);
- replacement and retirement of ineffectively coated steel infrastructure;
- replacement and retirement of obsolete pipe and appurtenances and vintage plastic pipe when done in conjunction with a BS/CI replacement project;
- non-reimbursable portion of any projects that require the replacement, retirement, or relocation of existing infrastructure as a result of a public works project when a majority of the infrastructure replaced is BS/CI; and
- the cost of continued assumption of responsibility by Vectren for all service lines (including assumption of ownership of customer-owned service lines upon replacement) with clarification of the recoverable amount of such costs going forward

OCC intervened on September 13, 2013.

On September 26, 2013, the Attorney Examiner established a procedural schedule that provided for the filing of Comments on October 30, 2013, and Reply Comments on November 13, 2013. OCC files its Comments in accordance with the Attorney Examiner's Entry.

II. COMMENTS

OCC's Comments are arranged around the following arguments: 1) The Utility has not supported its request to extend and expand the DRR program with evidence that the DRR program is responding to or is addressing an imminent and verifiable safety threat, and therefore, a five-year extension of this program is not warranted; 2) in the

[2] Application at 3 (August 22, 2013).

event the Commission determines an extension of the DRR is appropriate (despite the lack of evidence that the DRR is responding to or is addressing an imminent and verifiable safety threat), then any PUCO decision regarding extending the DRR should be made in conjunction with OCC's proposed program modifications.

A. The Infrastructure Replacement Program Report, Prepared By the Utility, Fails To Support a Five-Year Extension of the DRR.

The PUCO should not extend the DRR for an additional five-year period. The Utility has failed to provide evidence that supports the requested extension. The stated purpose of the Vectren DRR Program is centered on system safety and reliability. The Utility stated in its Application: "[t]he purpose of the program continues to be to improve the safety and reliability of service due to the propensity of increased instances of leakage on bare-steel and cast-iron assets when compared to assets composed of other materials such as plastic and coated steel."[3] Vectren's statement is not supported by any data or evidence that quantifies the benefits of the program, or in the alternative, the risks associated with eliminating or slowing the Utility's annual investments into the DRR. The DRR ultimately is a cost recovery mechanism, and does not guarantee safety or reliability, and is not the exclusive cost recovery mechanism available to the Utility.

Not only does Vectren fail to demonstrate the benefits of the DRR program, but the Utility also fails to demonstrate that that there would be any imminent harm to customer safety if the program is ended. In a recent ruling, the Ohio Supreme Court determined that there needed to be imminent and verifiable harm before the utility could take action. In *In re Complaint of Cameron Creek Apartments*, 2013 –Ohio – 3705 (April 10, 2013), the Court stated:

[3] Application at 1 (August 22, 2013).

> Thus, as to the question of retrofitting, the commission found that Columbia could not threaten to disconnect service and force Cameron Creek to conform to current NFG Code requirements **based merely on a potential safety hazard.**[4]

The Cameron Creek case is illuminating, because Vectren has identified no imminent or verifiable harm to customer safety if the DRR program is not extended or expanded.

Rather the Utility stated in the testimony of James Francis: "[Vectren] **expects** to continue to experience improved service reliability and safety through the reduction of leakage and the replacement or retirement of the mains and service lines that contribute most to system leaks."(Emphasis added.) [5] "Specifically, replacement projects have allowed [Vectren] to eliminate 435 active leaks, as well as an estimated 105 new leaks annually that would have reasonably been expected to occur had the targeted mains and service lines not been retired."[6] However, there is no discussion in Mr. Francis' testimony of the seriousness of the leaks or the prioritization that would have been employed to repair such leaks, or to what extent an imminent safety issue existed in Vectren's distribution system due to the presence of these leaks. Furthermore, cost recovery from customers for these same replacement projects could be accomplished under traditional ratemaking.

In the *Cameron Creek Apartment Case*, Columbia Gas of Ohio, Inc. ("Columbia") was unable to terminate service to an apartment complex for failure of the owners to retrofit each apartment to conform to the model code adopted by Columbia's tariff.[7] The

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[4] *In re Complaint of Cameron Creek Apartments*, 2013 –Ohio – 3705 at Para 16 (April 10, 2013) Emphasis added).

[5] Testimony of James Francis at 8 (August 22, 2013).

[6] Testimony of James Francis at 9 (August 22, 2013).

[7] *In re Complaint of Cameron Creek Apartments*, 2013 – Ohio – 3705 at Para. 28 (April 10, 2013).

Supreme Court of Ohio decided that Columbia had failed to provide evidence of an imminent and verifiable safety threat. Similarly, in this case, Vectren has failed to provide evidence of an imminent or verifiable safety threat that warrants approving the 5-year extension. In fact when asked if the Vectren distribution system is safe and reliable today, the Utility stated: "Yes".[8] Because the Utility maintains that its current distribution system is safe and reliable, it cannot by definition present imminent and verifiable harm. Therefore, in order to meet its burden of proof, it is incumbent upon Vectren to demonstrate that an imminent and verifiable safety threat exists and the DRR Program is the most just and reasonable means to address that threat in order for the Commission to authorize the Utility to get accelerated cost recovery of the proposed $187 million in spending over the next five years.[9]

Furthermore, in the *Cameron Creek Apartment Case,* the Supreme Court of Ohio decided that strict adherence to the National Fuel Gas ("NFG") Code is not required and that other methods may be employed to ensure that dwellings achieve the "same level of safety espoused by the NFG Code."[10] The Court stated:

> The commission found that compliance with the NFG Code is a safe harbor for customers, but that compliance cannot be compelled if it is "economically or practically unreasonable." Moreover, the order is clear that Columbia may not force extensive retrofitting of dwellings based solely on a violation of the NFG Code. Columbia can require retrofits that are necessary to ensure a reasonable margin of safety, but only if the customer cannot show compliance with the NFG Code *or* a specifically engineered solution that complies with the local building code and is supported by a professional engineering verification of adequacy.[11]

[8] Vectren Response to OCC Interrogatory No. 76 (attached hereto as Attachment 1).

[9] Testimony of James Francis at Exhibit No. JMF-9 (August 22, 2013).

[10] *In re Complaint of Cameron Creek Apartments,* 2013 –Ohio – 3705 at Para. 45 (April 10, 2013).

[11] Id.

Historically, the Utility has had responsibility for undertaking its capital projects and replacing facilities as necessary in order to provide safe and reliable service for its customers and to recover from customers only prudently incurred costs through the rate case process.[12] In response to OCC discovery the Utility stated:

> Vectren's provision of service and its monitoring and maintenance of its natural gas distribution system are subject to various laws and regulations promulgated by state and federal governments, and its practices regarding safety and reliability are subject to state and federal supervision and regulation. To the best of its knowledge, Vectren is providing service in compliance with these laws and regulations, **and it continues to seek funding of proactive investment in its system to ensure the continued provision of safe and reliable service.**[13]

However, the mechanism that the Utility chooses to collect costs from its customers is not determinative of whether the distribution system is safer or more reliable. There are alternative methods for collecting infrastructure replacement costs from Vectren's customers, but the safety and reliability of the Utility's distribution system is based upon Vectren's "monitoring and maintenance of its distribution system"[14] and is not dependent on any one collection method.

The DRR is a very generous rate mechanism that provides timely cost recovery for the utility. However, traditional ratemaking[15] is an alternative available to the Utility, and provides an adequate mechanism for cost recovery to address pipeline replacement expenditures.

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[12] R.C. 4909.18 and R.C. 4909.19.

[13] Vectren Response to OCC Interrogatory No. 77 (attached hereto as Attachment 1). (Emphasis added).

[14] Id.

[15] R.C. 4909.18.

Vectren has also noted there are operational benefits that the DRR has provided.[16] However, those benefits seem to come at a high price for customers. Vectren estimates that its investment in the DRR over the next 5 years will be approximately $187 million.[17] The O&M Savings that are anticipated due to the safety and operational improvements are roughly $1.1 million.[18] Thus, there is a significant disparity between the program costs and the quantifiable O&M Savings that are derived from the DRR investment – especially when compared to the first accelerated infrastructure replacement program for Duke Energy of Ohio which produced $8.5 million in savings over the first five years.[19] Assuming *arguendo* that the $187 million DRR investment provides benefits; however, comparing the O&M savings under a cost/benefit analysis does not justify that level of spending.

Finally, Vectren alleged that the DRR Program provides a benefit in addressing federal pipeline safety regulations. James Francis stated:

> Moreover, since approval of the Replacement Program, federal pipeline safety regulations have continued to evolve. In 2009, pursuant to the Pipeline Inspection, Protection Enforcement and Safety Act of 2006, the DOT's Pipeline and Hazardous Materials and Safety Administration ("PHMSA") issued its Distribution Integrity Management Rules ("DIMP Rules"). The DIMP Rules require each LDC to implement a risk modeling program that (*1*) evaluates data related to the nature of its facilities and the potential risks thereto and (*2*) ranks and prioritizes those risks and the mitigating actions that can be undertaken to address them. **Through its Distribution Integrity Management Program ("DIMP"), [Vectren] has identified that the Replacement Program is the most appropriate risk mitigation activity to**

[16] Testimony of James Francis at 9-10 (August 22, 2013).

[17] Testimony of James Francis at Exhibit No. JMF-9 (August 22, 2013).

[18] Testimony of James Francis at Exhibit No. JMF-10 (August 22, 2013).

[19] *In re Duke Rate Case*, Case No. 07-589-GA-AIR, et al., Direct Testimony of Sandra Meyer at 22 (August 1, 2007).

address and remediate the most significant threats associated with the BS/CI assets.[20]

Mr. Francis stated that the DRR is the most appropriate risk mitigation activity, but that general statement is not supported by evidence of what other risk mitigation options were considered and rejected, and the costs of such alternatives. Furthermore, the scope of the proposed DRR Program involves significant expansion of the program to include the replacement of assets other than just the cast iron and bare steel pipelines that are the focus of the federal regulations.

Because Vectren has failed to provide evidence of an imminent or verifiable safety threat, and the DRR is not the exclusive cost recovery mechanism available to the Utility; the DRR Program should not be authorized for a 5-year extension and expansion.

B. Should the Commission Decide To Extend the DRR, Then The Commission Should Approve the DRR With Certain Modifications To The Existing Program.

1. The Proposed O&M Cost Savings Calculation Should Be Modified.

In its Application, Vectren is proposing that costs collected from customers through the DRR continue to be offset by Operations and Maintenance ("O&M") savings.[21] However, the Utility proposes a new methodology in which it would: 1) Carry forward as an ongoing annual credit the actual O&M savings in 2012 of $274,919; and 2) Apply a credit of $4,500 per mile of Bare Steel and Cast Iron main retired beginning in

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[20] Testimony of James Francis at 11 (August 22, 2013). (Emphasis added).

[21] Application at 5.

2013.[22] The existing methodology compares the O&M Expenses in any given program year to a 2007 baseline of actual O&M Expenses set in Vectren's last base rate case.[23]

The Utility further describes its proposed methodology for determining O&M savings in the Testimony of James Francis where he estimates that Vectren will achieve $225,000 in annual incremental savings associated with the Replacement Program in 2013, growing to an estimated $1,125,000 of savings in 2017 (over 5 years).[24] According to Mr. Francis, this would equal approximately $4,500 of annual cost savings per mile of BS/CI retired. Vectren would also forward the 2012 O&M savings amount of $274,919 as a part of the total O&M Savings.[25] According to the calculation of the O&M savings in witness Francis' testimony, the total estimated amount of BS/CI O&M savings would be $1,399,919 (($225,000 x 5 years = $1,125,000) + $274,919 = $1,399,919).[26]

OCC disagrees with Vectren's proposed methodology. As a more balanced alternative for calculating O&M Savings, OCC proposes using the actual O&M Savings amounts from the four previous DRR filings. Reliance on actual data produces a cost savings per mile of $11,032 instead of the $4,500 per mile that the Utility has proposed. See OCC Exhibit No. 1. Also, instead of using 50 miles of BS/CI main replaced that Vectren used, in part, to develop the $225,000 estimated annual savings amount, OCC recommends that 53.6 miles be used as the target amount of BS/CI main replaced per year. In testimony attached to its Application, the Utility indicated that it had 590 miles

[22] Id. at 5.

[23] *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase Rates and Charges for Gas Service and Related Matters,* Case No. 07-1080-GA-AIR et al. Stipulation and Recommendation at 10 (September 8, 2008).

[24] Direct Testimony of James M. Francis. Case No. 13-1571-GA-ALT. Page 23, lines 6-9 (August 22, 2013).

[25] Id at 23 lines 17-19.

[26] Id at 23 lines 22-25.

of BS/CI main left to replace.[27] Dividing this amount by the 11 years left in the Replacement Program would result in an average BS/CI main replacement rate of 53.6 miles per year.[28]

OCC determined the total O&M Savings from 2013 to 2017 by multiplying the 53.6 miles times the $11,000 cost savings per mile to arrive at a total cost savings per year of $589,600. This number compares to the $225,000 cost savings per year set forth on page 23 of James Francis' testimony. OCC then multiplied the cost savings per year of $589,600 times the five-year DRR collection period proposed by Vectren[29] to arrive at the total cost savings of $2,948,000 over the five-year period. This number compares to the $1,125,000 total cost savings set forth in James Francis' testimony.[30] Finally, adding on the $274,919 credit for year 2012[31] brings the total cost savings passed back to customers to $3,222,919, over the five-year DRR collection period. Although not stated in the Application or testimony, the total cost savings estimate proposed by Vectren, would be $1,399,919 over the five-year period ($1,125,000 + $274,919).[32] OCC's recommended calculation, as shown on OCC Exhibit No. 2, would generate an additional $1,823,000 in savings passed back to customers over the five-year DRR collection period, and would more fairly balance the cost of the program with actual benefits for customers.

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[27] Direct Testimony of James M. Francis at 5, line5. (443 miles of Bare Steel main plus 147 miles of Cast Iron main remaining in the system).

[28] Application at 3. Vectren is proposing to replace all targeted pipe by the end of 2023.

[29] Application at 4. The five-year collection period from September 1, 2014 to August 31, 2019 would collect DRR costs for Program Years 2013 through 2017.

[30] Direct Testimony of James M. Francis at 23.

[31] Id.

[32] Id.

Finally, OCC also recommends that a guaranteed minimum level of O&M Savings be established for each Program Year. In previous infrastructure replacement rider cases filed by Duke Energy of Ohio Inc., Dominion East Ohio and Columbia Gas of Ohio, Inc., the Commission has approved the concept of a guaranteed minimum level of O&M savings.[33] OCC recommends that, if, in any Program Year, the actual O&M Savings (using the existing methodology comparing the O&M Expenses in any given program year to a 2007 baseline of actual O&M Expenses set in Vectren's last base rate case.[34]) would be greater than the amount as proposed in OCC Exhibit No. 2, the larger amount should be deducted from the revenue requirement calculated for that year. For example, for Program Year 2013, if the actual O&M Savings for that year is $900,000 - - that is the amount that should be deducted from the revenue requirement instead of $864,519 as shown on OCC Exhibit No. 2. On the other hand, if, for example, the actual O&M Savings for Program Year 2016 is $500,000 - - the greater amount of $589,600 as proposed by OCC on OCC Exhibit No. 2 should be used to reduce the revenue requirement for that year.

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[33] *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval to Modify and Further Accelerate its Pipeline Infrastructure Replacement Program and to Recover the Associated Costs.* Case No. 11-2401-GA-ALT. Opinion and Order at 6-7. (August 3, 2011). *In the Matter of the Application of Duke Energy Ohio, Inc. for an Adjustment to Rider AMRP Rates.* Case No. 09-1849-GA-RDR. Opinion and Order at 5. (April 28, 2010). *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of an Alternative Form of Regulation.* Case No. 11-5515-GA-ALT. Opinion and Order at 7-8. (November 28, 2012).

[34] *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase Rates and Charges for Gas Service and Related Matters,* Case No. 07-1080-GA-AIR et al. Stipulation and Recommendation at 10 (September 8, 2008).

2. Replacement of Obsolete Pipe and Appurtenances Should Be Excluded from the DRR Program.

Included in Vectren's Application is the proposal to expand the DRR to include collection from customers of the costs for the replacement of obsolete pipe and appurtenances. The Application states:

> [Vectren] also proposes to expand the Replacement Program to include the replacement of obsolete pipe and appurtenances. This category refers to pipelines and system components for which replacement parts and related materials are no longer available. For this reason, leak or damage repair materials must be custom fabricated, resulting in a high cost to repair, inefficient and extended repair times, and increased risk of reoccurrence of leaks or leakage migration. Common obsolete appurtenances include regulators; regulator-station components; non-standard steel pipe, including non-standard sizes and material grades; and pipe processed with nonstandard manufacturing processes.[35]

The Utility has failed to demonstrate that there are safety and reliability issues surrounding these facilities that sufficiently warrant the inclusion of these facilities in the DRR. Instead the Utility should use the option of recovering these costs through traditional ratemaking.[36] Therefore, the DRR should not be expanded to include the collection from customers for the replacement of obsolete pipe and appurtenances.

3. Inclusion of Interspersed Plastic Pipe in the DRR Program Should Be Limited.

Vectren has also proposed to expand the DRR to include collection from customers of all costs associated with pipeline replacements of plastic pipe interspersed within the DRR project. The interspersed sections of plastic pipe should only be recoverable through the DRR as long as any interspersed section of plastic pipe

[35] Application at Alternative Rate Plan Exhibits page 3 (August 22, 2013).

[36] R.C. 4909.18 or R.C. 4929.111.

associated with the replacement in a specific project is more economical to replace than to attempt to tie into the existing sections of pipe. However, Vectren has failed to perform a study or other analysis to determine what constitutes the length of a segment of plastic pipe that is more economical to replace rather than leave it in the ground and tie the new pipe into it.[37] In the Columbia Gas of Ohio, Inc. Infrastructure Replacement Program extension case, a metric was agreed upon that established the economical replacement point.[38] That same metric should be used in this case for the determination of what constitutes economical to replace, unless Vectren can provide support for another metric. The following should be the agreed upon metric that determines whether the replacement cost of interspersed plastic pipe should be included in the DRR and collected from customers:

For 8 inch plastic pipe – less than or equal to 205 feet,

For 6 inch plastic pipe – less than or equal to 250 feet,

For 4 inch plastic pipe – less than or equal to 365 feet, and

For 2 inch plastic pipe – less than or equal to 435 feet.[39]

Therefore, if the Utility is replacing a two inch line, for example, and there is an interspersed section of plastic pipe of 435 feet or less, then the Utility can replace that interspersed section of plastic pipe as part of the DRR Program, and collect those replacement costs from customers. However, if the interspersed section is longer than

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[37] Vectren's response to OCC Interrogatory No. 2 (attached hereto as Attachment 2 pages 2-3 of 11).

[38] *In re Columbia Gas of Ohio, Inc. Infrastructure Replacement Rider Extension Case,* Case No. 11-5515-GA-ALT, Testimony of Eric Belle at Attachment ETB-1 (May 8, 2012).

[39] *In re Columbia Gas of Ohio, Inc. Infrastructure Replacement Rider Extension Case,* Case No. 11-5515-GA-ALT, Testimony of Eric Belle at Attachment ETB-1 (May 8, 2012).

435 feet, then the Utility must tie into the interspersed section or not recover the costs of the plastic pipe as part of the DRR Program.

4. Inclusion of Vintage Plastic Pipe in the DRR Should Be Limited.

Vectren is also proposing to expand the DRR program to include the collection from customers for costs associated with the replacement of vintage plastic pipe that, according to Vectren, is susceptible to "cracking and leaking."[40] However, the inclusion of such vintage plastic pipe should be limited to no more than 1% of the total feet of pipe replaced through the DRR program in any one year.[41] Vectren has not presented any documentation to show that there is any imminent or verifiable threat from this vintage plastic pipeline. Moreover, the DRR was initiated as a cast iron and bare steel program. Therefore, the expansion of the program to include plastic pipe for replacement as part of the DRR program should be on a limited basis.

5. Inclusion of Non-Reimbursed Public Works Projects in the DRR Program should be Limited.

Vectren is also attempting to expand the DRR program to include collection from customers for costs associated with non-reimbursed public works projects. The Utility offered no evidence to indicate that exclusion of such projects from the DRR will result in an imminent or verifiable safety threat to customers. The types of such projects that qualify for cost recovery through the DRR must be defined and limited to projects that are relocations where the Utility is in a public right-of-way, and is required to relocate its facilities at the government's request. In addition, any recovery of costs through the

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[40] Application at 3 (August 22, 2013).

[41] Testimony of James Francis at Exhibit No. JMF-9 (August 22, 2013). (The annual estimate for replacement of vintage plastic pipe is $250,000 per year which is approximately 0.007% of the total annual replacement cost estimates).

DRR associated with governmental relocation projects should be limited to those projects where such relocation includes 25% plastic, or less.[42]

6. If acceleration of the DRR Program is not successful, then the Utility should be held accountable to its Customers.

In its Application, Vectren is proposing to further accelerate the DRR Program so that it will be completed in 15 years rather than 20 years as originally proposed.[43] In its original application, Vectren reported 708 miles of BS/CI infrastructure to be replaced.[44] In order to complete the DRR Program in 20 years, Vectren would on average need to replace approximately 35 miles per year.[45] Therefore, during the first 5 years of the DRR (2008-2012), Vectren should have replaced 177 miles to keep on pace to complete the DRR Program in 20 years.[46] However, through 2013, Vectren projects it has replaced only 154.4 miles or 22.6 miles under the average necessary to complete the DRR Program in 20 years.[47]

Despite the fact that during the first five years of the DRR Program, Vectren has not replaced its pipeline at the pace required to finish in 20 years, in this Application, Vectren intends to increase the pace of replacement to enable completion of the Replacement Program by the end of 2023, or 15 years.[48] Vectren's original application

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[42] See *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of an Alternative Form of Regulation.* Case No. 11-5515-GA-ALT, - Opinion and Order at 7 (November 28, 2012).

[43] Application at Alternative Rate Plan Exhibits at 2 (August 22, 2013).

[44] Testimony of James Francis at 5 (August 22, 2013).

[45] 708 miles ÷ 20 years = 35.4 miles/year.

[46] 35.4 miles per year x 5 years = 177 miles.

[47] Testimony of James Francis at 5 (August 22, 2013).

[48] Testimony of James Francis at 13 (August 22, 2013).

contemplated completion by 2028.[49] If the Commission authorizes the extension of the DRR for an additional five-year period in this case (which it should not), then the PUCO should provide protections for Vectren's consumers in the event the Utility does not maintain an appropriate pace to complete the DRR as scheduled.

Vectren has 590 miles remaining of BS/CI infrastructure to replace over the next 11 years.[50] In order to complete the DRR by 2023, Vectren would need to replace on average 53.6 miles per year.[51] Therefore, by December 31, 2017, Vectren should have replaced an additional 268 miles of BS/CI infrastructure, for a total of 422.4 miles.[52]

To the extent that Vectren has replaced less than 422.4 miles[53] of this pipe by December 31, 2017, the costs of the replacement of such shortfall (i.e., 422.4 miles less the actual miles replaced) may not ever be recovered from customers through the DRR mechanism. The costs of such shortfall should be determined based on the average cost of the pipeline replacements during calendar year 2017.

7. Collection of Costs Related to Analysis of Coated Steel Lines Should be Limited.

In its Application, Vectren proposes to expand the DRR program to allow for the collection from customers of costs for replacing sections of steel pipe found to be ineffectively-coated.[54] Vectren is also proposing to include the costs associated with the

[49] Testimony of James Francis at 13 (August 22, 2013).

[50] Direct Testimony of James M. Francis at 5, line 5 and Exhibit JMF-1. (443 miles of Bare Steel main plus 147 miles of Cast Iron main remaining in the system).

[51] 590 miles ÷ 11 years = 53.6 miles/year.

[52] 53.6 miles x 5 years = 268 miles.

[53] 154.4 miles (replaced between 2008 and 2012) + 268 miles (to be replaced between 2013 and 2017) = 422.4 miles.

[54] Application. Pages 2-3 of Alternative Rate Plan Exhibits (August 22, 2013).

analysis that identifies such projects.[55] In response to an OCC Interrogatory, the Utility states that it has more than 2,000 miles of pre-1971 coated steel pipe. However, the Utility has not yet determined the number of miles of steel lines that are ineffectively coated.[56] Thus, Vectren's proposal to include steel pipe that might be ineffectively coated is premature and does not meet the imminent and verifiable standard from the *Cameron Creek Apartment Case*. Vectren estimates it will spend approximately $100,000 to $250,000 annually for personnel to perform this analysis.[57] This cost is not a safety-related cost but rather an ongoing cost of being in the business of distributing natural gas to customers. This cost should not be part of the DRR program.

Based on Vectren's estimate, over the next five years of the Replacement Program (2013-2017), the cost for analyzing coated steel pipe could range from $500,000 to $1,250,000.[58] In the Application, Application Exhibits and Testimony filed in this case, it is unclear if the Utility is requesting collection through the DRR of the cost of the analysis of all coated steel pipe or only the cost of the analysis related to sections of coated steel pipe that were found to be ineffectively coated. The Commission Order in the Dominion East Ohio case to modify its Pipeline Infrastructure Replacement Program approved "the cost of testing any segment found to be effectively coated shall not be included under the [Pipeline Infrastructure Replacement] charge."[59]

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[55] Id. at 3.

[56] Vectren response to OCC Interrogatory No. 17 (attached hereto as Attachment 2 page 4 of 11).

[57] Vectren response to OCC Interrogatory No. 25 (attached hereto as Attachment 2 page 5 of 11.).

[58] Id. ($100,000 x 5 (years of the DRR) = $500,000. $250,000 x 5 (years of the DRR) = $1,250,000.

[59] *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval to Modify and Further Accelerate its Pipeline Infrastructure Replacement Program and to Recover the Associated Costs.* Case No. 11-2401-GA-ALT. Opinion and Order at 4 (August 3, 2011).

The Commission Order in the Columbia Gas of Ohio, Inc. Alternative Form of Regulation case stated that "the cost of testing any segment found to be effectively coated shall not be included in Rider [Infrastructure Replacement Rider]."[60] Hence, the OCC recommends that the Utility only be allowed to collect through the DRR the cost of the analysis that identifies sections of coated steel pipe that are ineffectively coated. Over the extended five-year period of the Vectren Replacement Program, this action could prevent customers from being charged between $500,000 and $1,250,000 through the DRR if no ineffectively coated steel pipe is discovered.

8. Vectren Has Over-stated the Rate Caps.

In its Application, Vectren proposes the monthly DRR charges for Residential and Group 1 General Service customers be subject to certain rate caps.[61] In its Application, Vectren provided no detailed explanation as to how the proposed caps in its Application were derived other than "they are directly related to the projected annual DRR revenue requirement and the proposed allocation of costs to be incurred under the expanded Replacement Program.[62] These capped amounts are higher than the caps that Vectren provided in responses to OCC discovery.

The capped amounts provided through discovery were a part of a complex calculation of the revenue requirement for each program year through 2017.[63] A comparison of the as-filed and as-calculated caps are shown below:

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[60] *In the Matter of the Application of Columbia Gas of Ohio, Inc., for Approval of an Alternative Form of Regulation.* Case No. 11-5515-GA-ALT. Opinion and Order at 6 (November 28, 2012).

[61] Application at 4.

[62] Direct Testimony of Scott E. Albertson. Case No. 13-1571-GA-ALT. Page 7, lines 6-8 (August 22, 2013).

[63] Vectren Response to OCC Request to Produce No. 1, Tab SMK-1 in each Excel file provided (attached hereto as Attachment 2 pages 6-11 of 11).

Rider Recovery Period	Cap as filed	Cap as calculated
September 1, 2014 – August 31, 2015	$4.05	$3.96
September 1, 2015 – August 31, 2016	$5.45	$5.36
September 1, 2016 – August 31, 2017	$6.70	$6.68
September 1, 2017 – August 31, 2018	$8.00	$7.94
September 1, 2018 – August 31, 2019	$9.25	$9.15

Over the five-year extended DRR collection period, the difference in revenue collected from Residential and Group 1 General Service customers would be approximately $1,317,000 more using the rate caps in the Application. (See OCC Exhibit No. 3 attached). OCC recommends that if the PUCO elects to extend and expand the DRR program, then the rate caps Vectren used in the detailed revenue requirement calculation (provided to OCC in discovery) be set for the 5- year DRR extension period. There is more support for the Utility's calculation and thus more validity in those rate caps rather than the unsupported rate caps proposed in Vectren's Application. Finally, any future reconciliation adjustments proposed by Vectren should not cause the change in Vectren's residential customers in any year to be more than the rate caps that OCC recommends in Column A of OCC Exhibit No. 3 attached hereto.

9. A Distribution Rate Case Filing Should Be Required For Any Subsequent DRR Program Extensions.

In the event the Commission authorizes the extension of the DRR for an additional five-year period in this case, then any subsequent extension request filed by Vectren should be contingent upon the Utility filing such an extension request in conjunction with an application to review the Vectren's distribution rates pursuant to R.C. 4909.18 and 4909.19.

10. Vectren Should Provide a Fuel Fund to Assist Customers at Risk for Disconnection.

In the event the Commission authorizes the extension of the DRR for an additional five-year period in this case, then OCC proposes that Vectren commit to fund, through shareholder contributions, a fuel fund for bill payment assistance for low-income and other residential customers at risk for disconnection in the amount of $250,000 provided annually as long as the base rates adopted in Case No. 07-1080-GA-AIR, et al. remain in effect. A recent news article reported that: "one in six [Ohioans] lives in poverty."[64] Furthermore, the situation is getting worse in that "Ohio's poverty rate increased by 3.2 percentage points, from 13.1 percent in 2007 to 16.3 percent in 2012."[65] A fuel fund would help Vectren's customers at risk for service disconnection, maintain natural gas service during the winter heating season.

III CONCLUSION

Based upon OCC's Comments above, the PUCO should decide that Vectren has not supported its request to extend and adjust the DRR program with evidence that the DRR program is responding to or is addressing an imminent and verifiable safety threat, and the DRR is not the exclusive cost recovery mechanism available to the Utility; therefore, Vectren has failed to meet its burden of proof that would support a five-year extension of this program. However, in the event the PUCO determines an extension of the DRR is appropriate (despite the lack of evidence that the DRR is responding to or is addressing an imminent and verifiable

[64] *http://digital.olivesoftware.com/Olive/ODE/DaytonDailyNews/PrintComponentView.htm* (October 29, 2013) (Last reviewed October 30, 2013) (Attached hereto as Attachment 3).

[65] Id.

safety threat), then any decision regarding extending the DRR should be made in conjunction with the OCC's proposed program modifications outlined above.

Respectfully submitted,

BRUCE J. WESTON
OHIO CONSUMERS' COUNSEL

*/s/ Larry S. Sauer*_____________________
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Comments were served upon the persons listed below, electronically, this 30th day of October 2013.

*/s/ Larry S. Sauer*______________
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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Form of Regulation.	))))	Case No. 13-1571-GA-ALT

VECTREN ENERGY DELIVERY OF OHIO, INC.'S RESPONSES AND OBJECTIONS TO THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S THIRD SET OF INTERROGATORIES AND REQUEST FOR PRODUCTION OF DOCUMENTS

In accordance with Ohio Adm. Code 4901-1-19(A) and 4901-1-20(C), Vectren Energy Delivery of Ohio, Inc. (VEDO or Company) hereby provides its responses to the Office of the Ohio Consumers' Counsel's (OCC) Third Set of Interrogatories and Requests for Production of Documents, served on October 7, 2013.

I. GENERAL OBJECTIONS

VEDO's responses to OCC's Third Set of Interrogatories and Requests for Production of Documents are subject to the following general objections:

1. VEDO objects to the Instructions for Answering to the extent such instructions purport to impose discovery obligations that are inconsistent with the Commission's rules for discovery.

2. VEDO objects to each interrogatory and request for production to the extent such discovery requests seek the disclosure of information subject to attorney-client privilege or that constitutes attorney work product.

3. VEDO objects to each interrogatory and request for production that purports to require a detailed, narrative response, including but not limited to those interrogatories that purport to require VEDO to "explain in detail." Under applicable Commission rules and the

Ohio Rules of Civil Procedure, "[a]n interrogatory seeks an admission or seeks information of major significance in the trial or in the preparation for trial. It does not contemplate an array of details or outlines of evidence, a function reserved by the rules for deposition." *Penn Central Transp. Co. v. Armco Steel Corp.*, 27 Ohio Misc. 76, 77 (Montgomery Cty. 1971).

II. RESPONSES TO INTERROGATORIES

Inter. No. 76: Is the Company's natural gas distribution system (that is the subject of the Utility's Application in this case) safe and reliable today?

RESPONSE: VEDO objects to this interrogatory to the extent that it calls for VEDO to offer a legal conclusion. Subject to and without waiving this objection, VEDO responds as follows: Yes.

Inter. No. 77: If the response to OCC Interrogatory No. 76 is affirmative, please explain the basis for that conclusion.

RESPONSE: VEDO objects that "basis" is vague and undefined. VEDO further objects that this interrogatory is overbroad and unduly burdensome to answer. Subject to and without waiving these objections and the objection to Inter. No. 76, VEDO responds as follows: VEDO's provision of service and its monitoring and maintenance of its natural gas distribution system are subject to various laws and regulations promulgated by state and federal governments, and its practices regarding safety and reliability are subject to state and federal supervision and regulation. To the best of its knowledge, VEDO is providing service in compliance with these laws and regulations, and it continues to seek the funding of proactive investment in its system to ensure the continued provision of safe and reliable service. But whether VEDO complies with any particular legal or regulatory requirement is a question of law entrusted to the body authorized to interpret and apply the pertinent authority.

Inter. No. 78: If the response to OCC Interrogatory No. 76 is negative, please explain why the distribution system is not safe and reliable today.

RESPONSE: Not applicable.

Inter. No. 79: If the utility's distribution system (that is the basis of the Utility's Application in this case) is not safe and reliable today, please identify the specific reasons that the Company determined that the distribution system is not safe and reliable and indicate when the Utility became aware that they the distribution system is not safe and reliable?

RESPONSE: Not applicable.

Inter. No. 80: Is the Company aware of any imminent safety threat(s) involving its natural gas distribution system today?

RESPONSE: VEDO objects that "aware," "imminent safety threat(s)," and "involving" are vague and undefined. VEDO further objects that answering this interrogatory would require VEDO to interview every current employee and contractor and thus is overbroad and unduly burdensome to answer. Subject to and without waiving these objections, VEDO responds as follows: VEDO is not aware of any particular situation on its system that constitutes or is expected to result in a pipeline safety incident. Nevertheless, natural gas leaks present substantial safety hazards, and VEDO is routinely required to respond to leaks on its natural gas system. VEDO continuously monitors and analyzes the performance of its distribution system

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Alternative Form of Regulation.	))))	Case No. 13-1571-GA-ALT

VECTREN ENERGY DELIVERY OF OHIO, INC.'S
RESPONSES AND OBJECTIONS TO
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
FIRST SET OF INTERROGATORIES AND
REQUEST FOR PRODUCTION OF DOCUMENTS

In accordance with Ohio Adm. Code 4901-1-19(A) and 4901-1-20(C), Vectren Energy Delivery of Ohio, Inc. ("VEDO" or "Company") hereby provides its responses to the Office of the Ohio Consumers' Counsel's ("OCC") First Set of Interrogatories and Requests for Production of Documents, served on September 13, 2013.

I. GENERAL OBJECTIONS

VEDO's responses to the OCC's First Set of Interrogatories and Requests for Production of Documents are subject to the following general objections:

1. VEDO objects to the Instructions for Answering to the extent such instructions purport to impose discovery obligations that are inconsistent with the Commission's rules for discovery.

2. VEDO objects to each interrogatory and request for production to the extent such discovery requests seek the disclosure of information subject to attorney-client privilege or that constitutes attorney work product.

3. VEDO objects to each interrogatory and request for production that purports to require a detailed, narrative response, including but not limited to those interrogatories that purport to require VEDO to "explain in detail." Under applicable Commission rules and the

Ohio Rules of Civil Procedure, "[a]n interrogatory seeks an admission or seeks information of major significance in the trial or in the preparation for trial. It does not contemplate an array of details or outlines of evidence, a function reserved by the rules for deposition." *Penn Central Transp. Co. v. Armco Steel Corp.*, 27 Ohio Misc. 76, 77 (Montgomery Cty. 1971).

II. RESPONSES TO INTERROGATORIES

Inter. No. 1: Referring to the testimony of James Francis at page 7, what objective criteria will the Company use to determine when it "[makes] economic sense" to replace interspersed sections of plastic pipe contained within the bounds of BS/CI system pipe replacement projects, rather than to attempt to tie into the existing sections of pipe?

RESPONSE: VEDO objects that "objective criteria" is vague and undefined and that this interrogatory is overbroad and unduly burdensome to answer. Subject to and without waiving these objections, VEDO answers as follows: The Company considers the cost difference between (*a*) replacing the section of plastic pipe as compared to (*b*) the cost to maintain and tie into the existing section of plastic pipe when determining which course makes economic sense.

Inter. No. 2: Referring to the testimony of James Francis at page 7, regarding the discussion of plastic pipe, what is the breakeven point, by length and diameter of main, for determining when it is more cost effective to replace sections of plastic rather than to tie into the existing sections of pipe?

RESPONSE: VEDO objects that "cost effective" is vague and undefined. VEDO further objects that this interrogatory assumes without foundation that the appropriate analysis is describable in terms of either breakeven points or length and diameter of mains. VEDO further objects that page 7 of Mr. Francis's testimony does not discuss the relative costs or benefits of replacing versus "tying in" pipe. Subject to and without waiving these objections, VEDO answers as follows: There are too many factors that can impact the cost, and thus the breakeven point, of any particular replacement to develop a standard breakeven point by length and diameter of main. Replacement decisions must be made on a case-by-case basis. Numerous factors, such as location of the main, surface type, backfill requirements, material size, system pressure, foreign encroachments or obstacles, depth, length from new main location, all impact the cost, and therefore the breakeven point, of any particular replacement project.

Inter. No. 3: Referring to the testimony of James Francis at page 15, explain in detail the basis for Vectren's concern that field-applied coatings used primarily on steel pipe prior to 1971, have or will become ineffective over time."

RESPONSE: VEDO objects that this interrogatory is overbroad and unduly burdensome to answer. Subject to and without waiving this objection, VEDO answers as follows: The basis for the concern is that VEDO has observed areas of its coated, protected system that have experienced corrosion caused by ineffective coating, typically older, field-applied coal-tar coating, which was used prior to 1971. These coating issues result in regular added maintenance to the cathodic protection system and leak repairs. VEDO's experience with field-applied coatings is not unique in the industry. In Case No. 11-2401, Dominion East Ohio received approval to include ineffectively coated pipe in their pipeline replacement program.

Inter. No. 4: Referring to Schedule JMF-10:

a. Explain in detail the basis for the Projected Annual O&M Savings; and

Inter. No. 17: How many miles of coated steel pipe on Vectren's Ohio transmission and distribution system does the Company consider to be ineffectively coated?

RESPONSE: VEDO has more than 2,000 miles of pre-1971 coated-steel pipe. VEDO's analysis to determine the amount of ineffectively coated steel lines is ongoing and the specific amount of ineffectively-coated steel has not yet been determined.

Inter. No. 18: Referring to Alternative Rate Plan Exhibits at 3, are the obsolete pipe and appurtenances leaking and have they been identified as leaking?

RESPONSE: VEDO objects that this interrogatory's use of the definite article assumes a set group of assets without specifying the characteristics of that group. Subject to and without waiving this objection, VEDO answers as follows: In some cases, Vectren has experienced leakage on or caused by these assets. See page 17, lines 5–10 of Mr. Francis's testimony.

Inter. No. 19: Referring to James Francis Testimony at page 17, how many remaining regulator stations does Vectren have in its Ohio transmission and distribution systems that were constructed with steel installed in World War II?

RESPONSE: VEDO objects that "regulator station" is vague and undefined. VEDO further objects that this interrogatory contains apparent syntactical errors that require VEDO to speculate regarding its meaning. VEDO further objects that this interrogatory mischaracterizes the testimony as including entire regulator stations within the category of "Obsolete Appurtenances." Subject to and without waiving these objections, VEDO answers as follows: VEDO has identified 262 regulator stations with obsolete equipment. Of these, approximately 148 have regulators from the World War II era or pre-1950.

the date of manufacture. Given these facts, VEDO does not believe that a claim for recovery from the manufacturer would be meritorious or cost-effective to pursue.

Inter. No. 24: What percentage of dollars paid to contractors selected to do the replacement of mains, services and risers related to the DRR program, have been paid to Vectren affiliates?

RESPONSE: VEDO objects that "related to" is vague and undefined. Subject to and without waiving this objection, VEDO answers as follows: Since the inception of the DRR, 48 percent of the investment in contractors to perform construction work on DRR projects has been performed by an affiliate.

Inter. No. 25: Referring to Exhibit No. JMF-7, VEDO Ineffectively Coated Steel Replacement Budget, for each year, what is the budgeted amount for the analysis that identifies such projects (see Page 3 of "Alternative Rate Plan Exhibits")?

RESPONSE: VEDO objects that this interrogatory assumes without foundation that there is a budget item specifically associated with the identified activity. Subject to and without waiving this objection, VEDO answers as follows: VEDO has a staff of corrosion and DIMP personnel, whose responsibilities include analyzing the coated steel system and identifying replacement projects. The exact amount of time these personnel spend on this analysis will vary from year to year depending on the performance of the assets. VEDO will also employ contractors to perform analysis of its coated steel system. VEDO estimates that it will spend approximately $100,000 to $250,000 annually for these personnel to perform this activity.

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DERIVATION OF CHARGES

Line	Rate Schedule	(A) Mains Allocated DRR Revenue Requirement (b)	(B) Service Lines Allocated DRR Revenue Requirement (b)	(C) Total DRR Revenue Requirement (A) + (B)		(D) Customer Count (c)	(E) Proposed DRR per Customer Per Month (C)/(D)/12	(F) Annual Volumes (c) (Ccf)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	$2,186,346	$7,299,088	$9,485,433		285,461	$2.77		
2	320/321/325	$831,782	$1,215,057	$2,046,840					
3	Group 1			$508,738	(d)	15,305	$2.77		
4	Group 2 & 3			$1,538,101	(d)			65,764,569	$0.02339
5	341	$162	$193	$355		2	$14.80		
6	345	$218,358	$37,628	$255,986				45,613,165	$0.00561
7	360	$319,571	$16,656	$336,227				92,910,461	$0.00362
8	Total (a)	$3,556,218	$8,568,623	$12,124,841					

(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
DERIVATION OF CHARGES

Line	Rate Schedule	(A) Mains Allocated DRR Revenue Requirement (b)	(B) Service Lines Allocated DRR Revenue Requirement (b)	(C) Total DRR Revenue Requirement (A) + (B)		(D) Customer Count (c)	(E) Proposed DRR per Customer Per Month (C)/(D)/12	(F) Annual Volumes (c) (Ccf)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	$3,124,153	$10,522,203	$13,646,356		287,022	$3.96		
2	320/321/325	$1,188,566	$1,751,600	$2,940,165					
3	Group 1			$727,294	(d)	15,305	$3.96		
4	Group 2 & 3			$2,212,872	(d)			65,764,569	$0.03365
5	341	$231	$279	$510		2	$21.26		
6	345	$312,020	$54,244	$366,264				45,613,165	$0.00803
7	360	$456,647	$24,011	$480,658				92,910,461	$0.00517
8	Total (a)	$5,081,616	$12,352,337	$17,433,953					

(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 4

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DERIVATION OF CHARGES

Line	Rate Schedule	(A) Mains Allocated DRR Revenue Requirement (b)	(B) Service Lines Allocated DRR Revenue Requirement (b)	(C) Total DRR Revenue Requirement (A) + (B)		(D) Customer Count (c)	(E) Proposed DRR per Customer Per Month (C)/(D)/12	(F) Annual Volumes (c) (Ccf)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	$4,169,306	$14,344,129	$18,513,436		287,865	$5.36		
2	320/321/325	$1,586,188	$2,387,824	$3,974,012					
3	Group 1			$984,418	(d)	15,305	$5.36		
4	Group 2 & 3			$2,989,594	(d)			65,764,569	$0.04546
5	341	$309	$380	$689		2	$28.70		
6	345	$416,402	$73,947	$490,349				45,613,165	$0.01075
7	360	$609,413	$32,733	$642,146				92,910,461	$0.00691
8	Total (a)	$6,781,618	$16,839,014	$23,620,632					

(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 4

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DERIVATION OF CHARGES

Line	Rate Schedule	(A) Mains Allocated DRR Revenue Requirement (b)	(B) Service Lines Allocated DRR Revenue Requirement (b)	(C) Total DRR Revenue Requirement (A) + (B)	(D) Customer Count (c)	(E) Proposed DRR per Customer Per Month (C)/(D)/12	(F) Annual Volumes (c) (Ccf)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	$5,131,320	$18,015,524	$23,146,845	288,834	$6.68		
2	320/321/325	$1,952,180	$2,998,990	$4,951,171				
3	Group 1			$1,226,849 (d)	15,305	$6.68		
4	Group 2 & 3			$3,724,322 (d)			65,764,569	$0.05663
5	341	$380	$478	$857	2	$35.72		
6	345	$512,482	$92,874	$605,356			45,613,165	$0.01327
7	360	$750,027	$41,111	$791,138			92,910,461	$0.00852
8	Total (a)	$8,346,390	$21,148,977	$29,495,367				

(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 4

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DERIVATION OF CHARGES

Line	Rate Schedule	(A) Mains Allocated DRR Revenue Requirement (b)	(B) Service Lines Allocated DRR Revenue Requirement (b)	(C) Total DRR Revenue Requirement (A) + (B)		(D) Customer Count (c)	(E) Proposed DRR per Customer Per Month (C)/(D)/12	(F) Annual Volumes (c) (Ccf)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	$6,096,096	$21,590,817	$27,686,913		290,505	$7.94		
2	320/321/325	$2,319,224	$3,594,159	$5,913,382					
3	Group 1			$1,458,260	(d)	15,305	$7.94		
4	Group 2 & 3			$4,455,122	(d)			65,764,569	$0.06774
5	341	$451	$572	$1,023		2	$42.65		
6	345	$608,837	$111,305	$720,143				45,613,165	$0.01579
7	360	$891,045	$49,270	$940,315				92,910,461	$0.01012
8	Total (a)	$9,915,654	$25,346,123	$35,261,777					

(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 4

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DERIVATION OF CHARGES

Line	Rate Schedule	(A) Mains Allocated DRR Revenue Requirement (b)	(B) Service Lines Allocated DRR Revenue Requirement (b)	(C) Total DRR Revenue Requirement (A) + (B)	(D) Customer Count (c)	(E) Proposed DRR per Customer Per Month (C)/(D)/12	(F) Annual Volumes (c) (Ccf)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	$7,083,170	$25,072,900	$32,156,070	292,777	$9.15		
2	320/321/325	$2,694,750	$4,173,811	$6,868,561				
3	Group 1			$1,680,489 (d)	15,305	$9.15		
4	Group 2 & 3			$5,188,072 (d)			65,764,569	$0.07889
5	341	$524	$665	$1,189	2	$49.53		
6	345	$707,420	$129,256	$836,676			45,613,165	$0.01834
7	360	$1,035,322	$57,216	$1,092,538			92,910,461	$0.01176
8	Total (a)	$11,521,186	$29,433,847	$40,955,033				

(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 4

Publication: Dayton Daily News; Date: Oct 28, 2013; Section: Main; Page: A1

CLOSER LOOK ECONOMY

Ohio income drops; 1 in 6 lives in poverty

By Ken McCall | Staff Writer

From 2007 to 2012 — a span that covered the start of the Great Recession and a supposed economic recovery — the median income for Ohio's 4.6 million households fell by almost $4,800, after adjustment for inflation.

That 9.2 percent drop was the 10th-worst slide among the 50 states and the District of Columbia during the challenging six-year period, according to estimates from the U.S. Census Bureau's American Community Survey.

Ohio's poverty rate, meanwhile, increased by 3.2 percentage points, from 13.1 percent in 2007 to 16.3 percent in 2012. That increase was in the top third of states.

During that period, Ohio's poverty population grew by more than 360,000, reaching 1.8 million. About one in six Ohioans was living in poverty in 2012. The poverty level in 2012 was $23,050 for a family of four, $11,170 for an individual. The most obvious message in the data is that Ohio — like much of the nation — has not fully recovered from the recession, said economist Ned Hill, dean of the College of Urban Affairs at Cleveland State University.

"This was a nasty, deep, brutal recession," Hill said.

Hill said the data indicate that the economy needs more stimulus.

"If there's a lack of business confidence, investment doesn't take place and people don't get hired," Hill said. "People say what happens in Washington doesn't affect us in Ohio, except that is just not true."

Area counties suffer

Locally, some of the numbers are worse than the state.

In Montgomery County, the poverty rate increased by 3.9 percentage points from 14.8 percent in 2007 to 18.7 percent in 2012. That's more than 2 percentage points higher than the state rate.

Almost 97,000 Montgomery County residents were living in poverty that year — about two out of every 11 people.

Clark, Greene and Montgomery counties all saw double-digit percent decreases in median household income during the six-year period.

Clark County had the largest drop, and the third-largest among the 38 Ohio counties large enough to be covered by the survey. The one-year survey estimates only cover areas with populations of at least 65,000. Clark County's median household income dropped by more than $8,000, or 17.1 percent, to hit just over $39,000.

Greene County saw a drop of almost $7,900, or 13 percent, to hit an estimated $52,544 in 2012.

Montgomery County had a drop of more than $6,100, or 12.6 percent, in its median household income, which fell from $48,658 in 2007, after adjustment for inflation, to $42 524 in 2012.

The effects have been felt by local service agencies that serve the poor.

Goodwill Easter Seal Miami Valley, for example, has seen its income grow by more than 60 percent, said spokesman Steve Goubeaux. That growth reflects the need in the county, he said, because many of its programs grow when more people are in trouble.

One example — the nonprofit organization's Work Experience Program — is funded by Montgomery County Job & Family Services to meet work requirements and teach job skills for families receiving cash welfare assistance. In an ominous sign, that program has served 900 people so far in 2013

— a 25 percent increase over this time last year, said Steve Kopecky, Goodwill's director of program operations.

Shelters busy

The effects of the recession have also been felt at the local St. Vincent de Paul homeless shelters.

In 2007, the St. Vincent's shelter on Apple Street was averaging 221 men, women and children a night, said Executive Director David Bohardt. In 2012, that average was 361 — 63 percent higher. This year looks to be about the same as last year, he said.

The organization opened another shelter for men only on Gettysburg Avenue in 2009, and made the Apple Street shelter for women and children only, which encouraged more women to come in, he said. But it was also during the worst of the economic collapse.

Many people, Bohardt said, don't understand homelessness.

"Most of our shelter guests are people who got knocked off their horses on the way to living the American dream," he said. "They didn't see it coming. They got blindsided by Delphi. They got blindsided by the Moraine Assembly Plant. They got blindsided by all the employers who have either left the region or who have significantly cut back.

"I mean, these are people with skills and experience."

They don't necessarily have the skills, however, to get employment in today's economy, he said.

"It would be impossible to overstate how important solving the employment challenge is," Bohardt said. "Employment would not make homelessness go away, but it would make a tremendous dent in the problem."

But it's also about the ability to find a job that pays a living wage, he said, because about a quarter of all those in St. Vincent de Paul's homeless shelters are working.

"I think we had over 80 children in shelter last night — most of them very young children," Bohardt said.

"If mom has one or two children, doesn't have good job skills and is out working in a fast food environment or a minimum wage environment, she's probably working her tail off 40 to 50 hours a week.

"But she's still in a shelter because there isn't any way for her to feed and support and take care of her children — and house them at the same time."

Ohio's poverty rate from 2007 to 2012 grew by more than 360,000 and reached 1.8 million. In Montgomery County, shown above, the poverty rate increased by 3.9 percentage points. JIM ***WITMER / STAFF***

POVERTY RATE UP IN MOST STATES FROM 2007-12

State	Poverty rate 2007	Poverty rate 2012	Change in poverty rate
OHIO AND NEIGHBORS			
Michigan	14.0%	17.4%	3.4%
Indiana	12.3%	15.6%	3.3%
Ohio	13.1%	16.3%	3.2%
Penn.	11.6%	13.7%	2.1%
Kentucky	17.3%	19.4%	2.1%

Source: U.S. Census Bureau, Dayton Daily News analysis

MEDIAN HOUSEHOLD INCOME DOWN IN MOST STATES FROM 2007-12

State rank in % change	States/ district	Median household income 2007 (adjusted to 2012 $)	Median household income 2012	Change in median household income	% change in median household income
TOP 5 STATES IN MEDIAN HOUSEHOLD INCOME PERCENT CHANGE					
1	District of Columbia	$60,150	$66,583	$6,433	10.7%
2	North Dakota	$48,452	$53,585	$5,133	10.6%
3	South Dakota	$48,087	$48,362	$275	0.6%
4	West Virginia	$41,040	$40,196	-$844	-2.1%
5	Iowa	$52,371	$50,957	-$1,414	-2.7%
OHIO AND NEIGHBORS					
15	Pennsylvania	$53,793	$51,230	-$2,563	-4.8%
24	Kentucky	$44,591	$41,724	-$2,867	-6.4%
41	Ohio	$51,601	$46,829	-$4,772	-9.2%
44	Indiana	$52,543	$46,974	-$5,569	-10.6%
46	Michigan	$53,099	$46,859	-$6,240	-11.8%
BOTTOM 5 STATES IN MEDIAN HOUSEHOLD INCOME PERCENT CHANGE					
47	California	$66,386	$58,328	-$8,058	-12.1%
48	Georgia	$54,413	$47,209	-$7,204	-13.2%
49	Arizona	$55,247	$47,826	-$7,421	-13.4%
50	Florida	$52,938	$45,040	-$7,898	-14.9%
51	Nevada	$60,975	$49,760	-$11,215	-18.4%

Source: U.S. Census Bureau and Dayton Daily News analysis

POVERTY RATE UP IN MOST STATES FROM 2007-12

State	Poverty rate 2007	Poverty rate 2012	Change in poverty rate
5 STATES WITH THE LARGEST INCREASES IN POVERTY			
Nevada	10.7%	16.4%	5.7%
Florida	12.1%	17.1%	5.0%
Georgia	14.3%	19.2%	4.9%
California	12.4%	17.0%	4.6%
Arizona	14.2%	18.7%	4.5%
OHIO AND NEIGHBORS			
Michigan	14.0%	17.4%	3.4%
Indiana	12.3%	15.6%	3.3%
Ohio	13.1%	16.3%	3.2%
Pennsylvania	11.6%	13.7%	2.1%
Kentucky	17.3%	19.4%	2.1%
5 STATES WITH SMALLEST INCREASES IN POVERTY			
Oklahoma	15.9%	17.2%	1.3%
Alaska	8.9%	10.1%	1.2%
West Virginia	16.9%	17.8%	0.9%
South Dakota	13.1%	13.4%	0.3%
North Dakota	12.1%	11.2%	-0.9%

Source: U.S. Census Bureau and Dayton Daily News analysis

Vectren Energy Delivery of Ohio
Case No. 13-1571-GA-ALT
Actual Annual O&M Savings Per Mile

OCC Exhibit No. 1

	(A)	(B)	(C)	(D) (A) / (B)
Program Year	Actual Savings in DRR Cases Mains (a)	Actual BS/CI Miles Replaced (b)	Cumulative BS/CI Miles Replaced	Actual Annual O&M Savings per Mile
2009	$ 347,765	24.47	24.47	$ 14,211.89
2010	$ 286,033	16.91	41.38	$ 16,915.02
2011	$ 350,190	34.7	76.08	$ 10,091.93
2012	$ 257,022	36.41	112.49	$ 7,059.10
	$ 1,241,010	112.49		$ 11,032.18

(a) Exhibit No. JMB-S2, Line 21 from the Supplemental Direct Testimony of Janice M. Barrett filed July 23, 2010 in Case No. 10-595-GA-RDR.
Exhibit No. JMB-2, Line 21, in the Application filed April 29, 2011 in Case No. 11-2776-GA-RDR.
Exhibit No. JMB-2, Line 21, in the Application filed April 30, 2012 in Case No. 12-1423-GA-RDR.
Exhibit No. JCS-2, Line 24, in the Application filed May 1, 2013 in Case No. 13-1121-GA-RDR.

(b) From Exhibit JMF-1, Case No. 13-1571-GA-ALT filed on August 22, 2013

Vectren Energy Delivery of Ohio
Case No. 13-1571-GA-ALT
Total Five-Year O&M Savings Calculation

OCC Exhibit No. 2

	Vectren Proposed:			OCC Proposed:		
Inputs:						
Annual Miles Replaced		50	(a)		53.6	(d)
2013-2017 Credit Per Mile		$ 4,500	(b)		$ 11,000	(e)
2012 Credit		$ 274,919	(c)		$ 274,919	(c)

Program Year	Vectren Annual	Vectren Cumulative	OCC Annual	OCC Cumulative
2013	$ 499,919	$ 499,919	$ 864,519	$ 864,519
2014	$ 225,000	$ 724,919	$ 589,600	$ 1,454,119
2015	$ 225,000	$ 949,919	$ 589,600	$ 2,043,719
2016	$ 225,000	$ 1,174,919	$ 589,600	$ 2,633,319
2017	$ 225,000	$ 1,399,919	$ 589,600	$ 3,222,919
Five-Year Total	$ 1,399,919		$ 3,222,919	

Additional O&M Savings Proposed by OCC $ 1,823,000

(a) Direct Testimony of James Francis, Page 23, Lines 6 -9
($225,000 / $4,500 credit = 50 miles a year)
(b) Direct Testimony of James Francis, Page 23, Line 8
(c) Direct Testimony of James Francis, Page 23
(d) Direct Testimony of James Francis, Page 5, Line 5
(443 miles of Bare Steel plus 147 miles of Cast Iron remaining in the system = 590 divided by 11 years left in the Program)
(e) From OCC Exhibit No. 1

Vectren Energy Delivery of Ohio
Case No. 13-1571-GA-ALT
Estimated DRR Rate Cap Revenue
For Residential and Group 1 Customers

OCC Exhibit No. 3

Rider Recovery Period	(A) Monthly Cap (a)	(B) As-filed Monthly Cap (b)	(C) Number of Customers (c)	(D) (A x 12)x C Total Estimated Revenue	(E) (B x 12)x C Total Estimated Revenue	(F) E - D Difference in Total Estimated Revenue	(G) Cumulative Difference
September 1, 2014 - August 31, 2015	$ 3.96	$ 4.05	302,327	$ 14,366,579	$ 14,693,092	$ 326,513	$ 326,513
September 1, 2015 - August 31, 2016	$ 5.36	$ 5.45	303,170	$ 19,499,894	$ 19,827,318	$ 327,424	$ 653,937
September 1, 2016 - August 31, 2017	$ 6.68	$ 6.70	304,139	$ 24,379,782	$ 24,452,776	$ 72,993	$ 726,930
September 1, 2017 - August 31, 2018	$ 7.94	$ 8.00	305,810	$ 29,137,577	$ 29,357,760	$ 220,183	$ 947,113
September 1, 2018 - August 31, 2019	$ 9.15	$ 9.25	308,082	$ 33,827,404	$ 34,197,102	$ 369,698	$ 1,316,812
Total Revenue Collected from 2014 - 2019 (5 years)				$ 121,211,236	$ 122,528,048	$ 1,316,812	

(a) Response to OCC RTP No. 1, Exhibit No. SMK-1, Column E
(b) Application Page 4
(c) Response to OCC RTP No. 1, Exhibit No. SMK-1, Column D, Line 1 plus Line 3