

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**SUPPLEMENTAL DIRECT TESTIMONY OF SCOTT E. ALBERTSON  
ON BEHALF OF  
VECTREN ENERGY DELIVERY OF OHIO, INC.**

1 **Supplemental Direct Testimony of**  
2 **Scott E. Albertson**

3 **I. INTRODUCTION**

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

5 A. My name is Scott E. Albertson, and my address is One Vectren Square, Evansville, IN.

6 **Q2. Are you the same Scott E. Albertson who previously filed Direct Testimony in this**  
7 **proceeding?**

8 A. Yes.

9 **Q3. What is the purpose of your supplemental testimony?**

10 A. My supplemental testimony addresses the Stipulation and Recommendation filed in this  
11 proceeding on January 17, 2014, to approve the extension and expansion of the  
12 Distribution Replacement Rider (DRR) of Vectren Energy Delivery of Ohio, Inc.  
13 (VEDO). The Stipulation represents a fair and reasonable compromise in this  
14 proceeding, and I recommend that the Commission approve it.

15 **II. THE STIPULATION**

16 **Q4. Please summarize the Stipulation.**

17 A. The Stipulation is a comprehensive settlement of all issues in Case No. 13-1571-GA-  
18 ALT. In the Stipulation, VEDO and the Staff of the Public Utilities Commission  
19 recommend that the Commission approve VEDO's Application filed on August 22, 2013,  
20 subject to certain modifications.

21 **Q5. Please explain the modifications made to VEDO's application.**

22 A. The modifications reflect either acceptance, or modification and acceptance, of comments  
23 filed by Staff and the Office of the Ohio Consumers' Counsel (OCC) or proposals made  
24 in settlement negotiations. The following modifications were made:

- Paragraph 2 clarifies when VEDO may recover the costs of testing, replacing, and retiring ineffectively-coated-steel pipelines.
- Paragraph 3 clarifies when VEDO may recover the costs of replacing and retiring obsolete pipe and appurtenances.
- Paragraph 4 clarifies when and limits the extent to which VEDO may recover the cost of replacing and retiring vintage plastic pipe.
- Paragraph 5 sets forth a metric proposed by OCC to assist in determining when VEDO may recover the costs of replacing and retiring segments of interspersed plastic pipe.
- Paragraph 6 clarifies when and limits the extent to which VEDO may recover the costs associated with public-works projects.
- Paragraph 7 sets forth a procedure through which VEDO may seek to identify and recover its actual incremental service-line costs and investment in subsequent annual DRR filings, while preserving the existing methodology if necessary.
- Paragraph 8 provides several modifications to VEDO's proposal for crediting operations and maintenance (O&M) savings:
  - The Stipulation increases the baseline credit from \$274,919 to \$294,116.
  - The Stipulation increases the per-mile credit from \$4,500 to \$5,882.
  - The Stipulation also requires that the greater of the amount of actual O&M savings (as determined by a comparison to the baseline amount established in Case No. 07-1080 GA-AIR) and the amount of O&M savings credits as determined by the formula above be applied to the DRR.
- Paragraph 9 modifies VEDO's rate-cap proposal by making the caps applicable to and inclusive of any reconciliation adjustments.
- Paragraph 10 incorporates OCC's proposal that any further extension of the DRR must occur as part of an application for an increase in distribution rates under R.C. 4909.18 and 4909.19.
- Paragraph 10 also recommends that if VEDO requests further extension of the DRR, it shall be appropriate at that time to consider whether and to what extent VEDO should be subject to a requirement to complete the replacement program by December 31, 2023.

I would also clarify that I am merely summarizing the pertinent paragraphs for the convenience of the Commission. The Stipulation contains the binding and applicable

terms and conditions, and if there is any conflict between the Stipulation and my testimony, the former controls.

**Q6. Is the Stipulation a product of serious bargaining among knowledgeable parties?**

A. Yes. The Stipulation is the result of a serious and open review process, in which all parties were represented by able, experienced counsel and had access to technical experts. The Stipulation reflects numerous discussions and circulations of both term sheets and draft documents. The Stipulation represents a comprehensive, reasonable resolution of the issues in this case by parties with diverse interests.

**Q7. Does the Stipulation benefit ratepayers and is it in the public interest?**

A. Yes. The DRR provides cost recovery for VEDO's accelerated replacement of bare-steel and cast-iron infrastructure, among other things, and the replacement program provides customers with numerous benefits in terms of safety and reliability. The Stipulation also clarifies the scope of the program and includes provisions which address the impact of the DRR Charges, such as the imposition of rate caps and the applicability of those caps to any reconciliation adjustments. Moreover, the Stipulation guarantees that ratepayers will receive the benefit of either actual O&M savings or a per-mile O&M savings credit, whichever is greater.

**Q8. Does the Stipulation violate any important regulatory principle or practice?**

A. No. The Signatory Parties do not believe that the Stipulation violates any important regulatory principle or practice.

**Q9. What is your recommendation to the Commission?**

A. I recommend that the Commission approve the Stipulation. The Stipulation represents a fair, balanced, and reasonable compromise of diverse interests and provides a fair result for customers, thereby meeting the Commission's criteria for adopting settlements.

83     **Q10. Does this conclude your Supplemental Direct Testimony?**

84     A.     Yes.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Supplemental Direct Testimony of Scott E. Albertson was served by electronic mail to the following persons on this 17th day of January, 2014:

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/s/ Andrew J. Campbell  
One of the Attorneys of Vectren Energy  
Delivery of Ohio, Inc.

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**Case No(s). 13-1571-GA-ALT**

Summary: Testimony Supplemental Direct Testimony of Scott E. Albertson electronically filed by Mr. Andrew J Campbell on behalf of Vectren Energy Delivery of Ohio