

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc. for Approval)	Case No. 18-0298-GA-AIR
of an Increase in Gas Rates)	

In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc., for Approval)	Case No. 18-0299-GA-ALT
of an Alternative Rate Plan)	

**DIRECT TESTIMONY OF
COLLEEN M. RYAN
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.**

<u> </u>	Management policies, practices, and organization
<u> </u>	Operating income
<u> </u>	Rate base
<u> </u>	Allocations
<u> </u>	Rate of return
<u> </u>	Rates and tariffs
<u> X </u>	Other (Case Overview)

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**Direct Testimony of
Colleen M. Ryan**

I. BACKGROUND AND QUALIFICATIONS

Q1. Please state your name and business address.

A. My name is Colleen M. Ryan. My business address is 120 West Second Street, Suite 820, Dayton, Ohio, 45402.

Q2. What position do you hold with Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company)?

A. I am the President of VEDO.

Q3. Please describe your educational background.

A. I graduated from the University of New Hampshire with a Bachelor of Science in Medical Technology. I have a Master of Science in Aerospace Science Technology from Embry-Riddle Aviation University and a Master of Strategic Studies from the United States Air Force's Air War College.

Q4. Please describe your professional experience.

A. I have been VEDO's President since May 2011. Prior to joining the Company, I was employed for two and a half years with the Dayton Development Coalition, a regional economic development nonprofit. Prior to that role, I spent 25-plus years as an officer in the United States Air Force (USAF), where my primary Air Force Specialty was as a navigator. My final position in the USAF was as the Installation Commander at Wright Patterson Air Force Base (WPAFB), located in VEDO's territory and the largest single site employer in Ohio.

Q5. What are your present duties and responsibilities as President of VEDO?

A. In my position as President, I am responsible for VEDO's community relations and outreach. I am also part of the team responsible for ensuring our customers receive safe

1 and reliable natural gas services and that those services are provided in accordance with
2 applicable federal and state laws and regulations. I am involved in external efforts
3 relating to governmental and regulatory affairs, customers, interacting with local, county,
4 state and community leaders and regulators on matters relevant to VEDO's operations. I
5 serve as the Company's representative on numerous nonprofit boards for organizations
6 that have major roles in supporting our community, in areas such as economic
7 development, healthcare, and human services. Additionally, I have a role in Vectren
8 Corporation's (Vectren) charitable contributions as a member of our Vectren Foundation
9 board. VEDO is an affiliate of Vectren.

11 II. OVERVIEW

12 Q6. What is the purpose and scope of your testimony in this proceeding?

13 A. My testimony will provide an overview of VEDO's natural gas system and operations. I
14 also provide a brief overview of the rate case and the factors that dictated the timing of
15 our filing. Finally, I will address VEDO's community involvement and charitable
16 contributions.

17 Q7. Please provide an overview of VEDO's natural gas system and operations.

18 A. VEDO is a natural gas distribution company providing energy delivery services through
19 212 miles of transmission and 5430 miles of distribution pipelines to approximately
20 318,000 natural gas customers located in and near Dayton in West Central Ohio. The
21 territory includes all or parts of 17 counties, and is bordered on the west by the
22 Indiana/Ohio border. The territory extends to Auglaize and Logan counties to the north,
23 Fayette County to the east, and Highland County to the south. VEDO's operations are

1 conducted out of six operating centers throughout VEDO's service territory, with
2 approximately 180 personnel.

3 **Q8. What relief is VEDO seeking in this proceeding?**

4 A. VEDO is seeking authority to increase its base rates and charges for the first time in ten
5 years. In the past decade, VEDO has invested more than \$700 million to make significant
6 system improvements that improve safety and modernize our gas distribution system.
7 VEDO's base rate request is accompanied by alternative rate plan proposals as discussed
8 in its pre-filing notice in this case. Those proposals, supported within the testimony of
9 specific VEDO witnesses, include: (1) a proposal to adjust customers' usage each month
10 for billing purposes to reflect the variability in the energy content of the gas they
11 consume (VEDO Witness Scott E. Albertson), (2) a proposed pilot program which would
12 provide an incentive to qualifying builders and owners to provide gas service to multi-
13 family housing facilities (VEDO Witness K. Chase Kelley), (3) an expansion of straight-
14 fixed-variable rate design for VEDO's smallest General Service customers (VEDO
15 Witness Albertson), and (4) extension of the accelerated bare steel and cast iron pipeline
16 replacement program (the Replacement Program) with recovery in the Distribution
17 Replacement Rider (DRR) (VEDO Witnesses Ellis S. Redd, Sarah J. Vyvoda and J. Cas
18 Swiz). In addition, VEDO is also submitting a parallel filing in Case No. 18-0049-GA-
19 ALT, regarding the Capital Expenditure Program rider (VEDO Witness Swiz).

20 **Q9. Please elaborate on the investments VEDO has made the past decade.**

21 A. As I noted, total capital expenditures in the past ten years have exceeded \$700 million
22 related to significant system improvements primarily to modernize the system and
23 address a number of regulatory requirements which also improve the safety of the
24 system. Key investment categories include replacement of bare steel and cast iron

1 pipelines with plastic pipe; distribution system modernization, including moving indoor
2 meters outside; upgrades to larger diameter pipeline to allow in-line inspection of
3 transmission lines; automated meter reading technology; system improvements and
4 replacement of service lines; and new infrastructure for new businesses and residential
5 communities. We have also made significant progress on the Replacement Program,
6 having retired approximately half of the approximate 750 miles of targeted pipe.

7 **Q10. What actions has the Company taken since its last rate case in terms of managing**
8 **operational risks and ensuring compliance with Federal pipeline safety regulations?**

9 A. In Case No. 15-1741-GA-AAM, the Commission approved VEDO's Distribution
10 Accelerated Risk Reduction (DARR) program, which includes six initiatives designed to
11 reduce risk, continue to ensure safe and reliable operations of VEDO's system and ensure
12 compliance with pipeline safety regulations. Since that program's inception we have seen
13 significant reductions in damage rates to VEDO's pipelines, and a significant number of
14 grade 3 (non-hazardous) leaks have been closed. Enhanced risk modeling and threat
15 analysis has confirmed the need for the continued focus on bare steel, cast iron, and other
16 target pipe and infrastructure, but has also enabled VEDO to identify other asset classes
17 for further data mining and investigation, giving the Company a better, more in-depth
18 method to evaluate risk and thereby improve safety and reliability of its system. VEDO
19 Witnesses Vyvoda and Redd will provide further testimony on this program and how
20 VEDO plans to expand risk models to consider additional types of assets in the future.

21 **Q11. What factors convinced VEDO now was the time to file a base rate case?**

22 A. While we have accomplished a great deal in the past decade, further work is necessary to
23 continue our initiatives to modernize our system and to comply with ever-changing
24 pipeline safety rules. I am proud of the significant progress we have made on the

1 Replacement Program, but many miles of targeted pipe still need to be replaced. In 2013,
2 the Replacement Program and associated cost recovery was extended for five years in
3 Case No. 13-1571-GA-ALT. In the Stipulation and Recommendation approved in that
4 case, VEDO and the Commission Staff (collectively, the Signatory Parties) agreed that
5 VEDO would be required to request any further extension of that program and the
6 associated cost recovery mechanism (the DRR) in a rate case. VEDO has requested an
7 extension in this case, and the need for the Program continues. Consistent with our
8 commitments, we are initiating a rate case in conjunction with seeking to continue this
9 very important program.

10 Second, a rate case, or other cost recovery filing, was necessary to continue the
11 Capital Expenditure Program (CEP) approved in Case No. 13-1891-GA-AAM in
12 accordance with Ohio House Bill 95 (HB95). The CEP is an important program that
13 facilitates infrastructure expansion, infrastructure improvement and the replacements and
14 investments necessary to comply with Federal and state regulations. The gas distribution
15 business is very capital intensive, and the favorable accounting treatment provided by the
16 CEP through HB95 facilitates these investments and the benefits that ultimately accrue to
17 customers. In connection with the approval of the CEP, VEDO had agreed to cease CEP
18 deferrals unless it sought recovery of the deferred balance before that balance reached a
19 defined estimated bill impact. The base rates proposed in this case include the total CEP
20 investments and deferred balance as of the end of 2017, and the application was filed
21 before the deferred balance exceeded the defined level. As explained in further detail in
22 the testimony of VEDO Witness Swiz, VEDO is continuing to defer 2018 CEP
23 investments in accordance with the terms supported by HB95 and the Commission's

December 12, 2012 Order in Case No. 12-0530-GA-UNC and its December 4, 2013 Order in Case No. 13-1890-GA-UNC, and the future recovery of these balances is being addressed through VEDO's separate, but parallel filing in Case No. 18-0049-GA-ALT, which VEDO is moving to consolidate with this case. Thus, VEDO's proposal to recover the CEP deferred balance through the end of 2017, as well as its proposal for recovery of future deferrals, should be considered in their totality in this proceeding.

These were all critical factors in the timing of the decision to pursue a base rate case.

Q12. Has VEDO provided notices of the relief it is seeking in this proceeding?

A. Yes. VEDO filed and served upon Staff notice of its intent to request approval of an Alternative Rate Plan on February 21, 2018. On the same day, VEDO served notice of its intent to file both the request to increase rates and to request approval of the Alternative Rate Plan on the mayors and legislative authorities of all municipalities within its service area.

Q13. Can you summarize how the economy and in particular large customer usage have changed since your last rate case?

A. Over the last decade Dayton and the surrounding Metropolitan Statistical Area (MSA) has been transforming the strategic direction of economic growth and vision. Once dominated by automotive manufacturing, the Dayton region was a leading provider of General Motors Original Equipment Manufacturers (OEM) parts and related suppliers. General Motors announced the closing of its Moraine manufacturing plant in 2005 and retained only one facility. Overall, medium to heavy manufacturing jobs declined and now trail major industries of defense, aerospace, technology and education/health services. In fact, Montgomery County, where almost 60 percent of VEDO customers

1 reside, saw a loss of 19 percent of its manufacturing establishments between 2002 and
2 2012 and experienced a population decline of over 27,000 from 2000 to 2017, according
3 to the United States Census Bureau.

4 Today the driving force of Dayton's economic region is WPAFB. WPAFB's
5 direct, indirect and induced job creation in the region accounts for approximately 50,000
6 jobs. Additionally, WPAFB has an economic impact of over \$4.0 billion annually.
7 During the government's last process review of Base Realignment and Closure (BRAC),
8 WPAFB benefited from the defense department's consolidation, leading to more
9 opportunities for private and public partnerships and investments related to defense
10 technologies. The Dayton region is actively working with entrepreneurs to commercialize
11 aerospace, defense and other products which can be taken to market. WPAFB is the
12 foundation for Dayton's technology and engineering innovation. WPAFB is clearly an
13 economic engine for the region, but that also becomes a significant risk for the
14 community and the Company should the base be downsized or closed, so the potential for
15 a future government-directed BRAC must be carefully watched.

16 At its core the Dayton region is still a manufacturing center. The loss of General
17 Motors and associated suppliers caused a major downturn in employment and the overall
18 economy. As of December 2017 the Dayton region unemployment rate is 4.2%. This is
19 compared to a U.S. unemployment rate of 3.9%. However, the Dayton region has
20 regained some momentum with manufacturing expansions including Honda in
21 Marysville, ethanol projects now in place and operating by Valero and The Anderson's
22 and the more recent addition of Chinese automotive glass manufacturer Fuyao. Even
23 with these manufacturing expansions and additions, Dayton is a less diverse

1 manufacturing region than it used to be, placing greater reliance on other industries such
2 as healthcare, research and development, and most especially WPAFB, for future growth.

3 **Q14. Is there a role for VEDO in promoting Dayton's resurgence?**

4 A. Yes. VEDO's economic development and industrial sales team are actively pursuing new
5 manufacturing projects which increase regional employment opportunities while
6 contributing to growth in natural gas throughput and margin. Our team works extensively
7 with potential new businesses in the area to ensure gas service is made available to
8 support demand.

9
10 **III. COMMUNITY INVOLVEMENT**

11 **Q15. Please describe VEDO's charitable contribution philosophy and employee**
12 **engagement.**

13 A. VEDO has a history of corporate social responsibility and we strive to be a catalyst in our
14 communities. Through the Vectren Foundation, our corporate contributions support a
15 range of community needs including education and workforce training, community
16 sustainability, conservation and the environment. We target programs that benefit our
17 communities with long term effects, are sustainable in nature, and encourage employee
18 engagement. Since the Vectren Foundation was formed in 2000, this separate 501(c)(3)
19 foundation has made possible over \$7.4 million in grants to deserving charities in our
20 service territory. Annually, VEDO employees volunteer over 3,000 hours to support local
21 nonprofit organizations and serve on 35 area nonprofit boards. VEDO also participates in
22 two annual workplace giving campaigns, the United Way and Culture Works (a nonprofit
23 supporting the arts in the Miami Valley). Additionally, the Company and VEDO
24 employees donate to Share the Warmth, Inc., which helps weatherize the homes of less

fortunate families throughout our communities. 2018 will be our 18th consecutive year as the title sponsor of the Vectren Dayton Air Show. The Vectren Dayton Air Show is held annually at the Dayton International Airport to promote the Dayton region and its rich aviation heritage. As one of the longest-running air shows in the nation, the Vectren Dayton Air Show is a self-sufficient, nonprofit event that relies on sponsorship and community support to offset costs for producing the event.

IV. INTRODUCTION OF COMPANY WITNESSES

Q16. Please identify the witnesses from whom VEDO will present testimony in this case.

A. VEDO will present testimony from the following witnesses:

<u>Exhibit No.</u>	<u>Witness</u>	<u>Topic</u>
1.0	Colleen M. Ryan	Case Overview
2.0	David M. Bowler	Budget/Forecasting Process and Cost Allocation
3.0	Stephen A. Allamanno	Federal Income and Property Tax Expense
4.0	Patrick C. Edwards	Capital Structure
5.0	Michael J. Vilbert	Cost of Capital
6.0	Ellis S. Redd	Replacement Program, DARR Program and Federal Pipeline Safety Regulations
7.0	Sarah J. Vyvoda	Replacement Program, DARR and Federal Pipeline Safety Regulations
8.0	K. Chase Kelley	Multi-Family Housing Pilot Program
9.0	Rina H. Harris	Energy Efficiency Programs
10.0	John J. Spanos	Depreciation Study
11.0	J. Cas Swiz	Standard Filing Requirements, DRR Continuation and CEP Investment Recovery
12.0	Russell A. Feingold	Cost of Service Study
13.0	Scott E. Albertson	Rate Design and Tariff Proposals

1

2 **V. CONCLUSION**

3 **Q17. Does that conclude your prepared direct testimony?**

4 A. Yes, it does.

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Case No(s). 18-0298-GA-AIR, 18-0299-GA-ALT

Summary: Exhibit 1.0 - Direct Testimony of Colleen M. Ryan electronically filed by Ms. Rebekah J. Glover on behalf of Vectren Energy Delivery of Ohio, Inc.