VEDO EXHIBIT NO. 1.1

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 Rate Plan	)))	Case No. 18-0049-GA-ALT
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval of an Increase in Gas Rates	)))	Case No. 18-0298-GA-AIR
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan	)))	Case No. 18-0299-GA-ALT

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

_____	Management policies, practices, and organization
_____	Operating income
__X__	Rate base
_____	Allocations
_____	Rate of return
_____	Rates and tariffs
_____	Other

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Supplemental 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. Are you the same Colleen Ryan who filed Direct Testimony on behalf of Vectren Energy Delivery of Ohio, Inc. (VEDO) in this proceeding on April 13, 2018?

A. Yes.

Q3. What is the purpose of your supplemental direct testimony?

A. This testimony is intended to support the Company's objections to the recommendations made by the Staff of the Public Utilities Commission of Ohio (Staff) in its Report of Investigation (Staff Report). In particular, I am supporting the Company's objections to the Staff Report's recommendations to exclude a large part of the value of a parcel of real estate purchased to enable the Company to install a transmission main along a route approved by the Ohio Power Siting Board.

II. STAFF'S RATE BASE RECOMMENDATIONS

Q4. Describe the recommendation that VEDO is objecting to.

A. The Staff Report provided as follows:

> As part of its audit and during field inspections, Staff learned the Applicant purchased a 48.2 acre parcel to obtain a 4.5 acre easement as part of a project to reroute [a] transmission main around the Dayton airport. Staff determined the remaining 43.7 acres is not currently used and useful in providing utility service and therefore excluded $1,230,635 related to the purchase.

(Staff Report at 10.)

Q5. Why did VEDO purchase this parcel?

A. As the Staff Report acknowledges, VEDO purchased the parcel to enable it to reroute a transmission main.

Q6. Why was it necessary to reroute the transmission main?

A. The transmission main had already been installed and was in service when VEDO purchased the system from DP&L. The main traveled beneath the main runway at the Dayton International Airport, as well as a number of taxiways. The main was also designed in such a way that current in-line inspection methods could not be used, causing us to rely on pressure testing. My understanding is that this design, and the location in a high consequence area, made compliance inspections and other activities difficult and dangerous for those performing them and potentially created risks for those using the airport: activities and inspections had to be conducted between aircraft movements on the ground, including taxiing, take-offs and landings. VEDO was also concerned about the consequences should an emergency ever occur involving either the line itself or the area of the taxiways and runway.

Q7. Has the transmission main been rerouted?

A. Yes.

Q8. How was the new route determined?

A. Given the size of the main, VEDO sought the approval of the Ohio Power Siting Board. It filed an application in Case No. 13-1651-GA-BTX. As noted in the Board's March 17, 2014 Order, VEDO evaluated nine potential routes, and proposed a primary route and an alternative route.

Q9. Did the Power Siting Board approve the project and route?

A. Yes. The Board held a hearing, considered Staff's report and a Stipulation, and ultimately approved the relocation. The Board held that the "record establishes the need for the pipeline project," *id*. at 23, and issued "a certificate of environmental compatibility and public need . . . for construction, operation, and maintenance of the pipeline project, on the preferred route," *id*. at 24.

Q10. Did VEDO install the main on the approved route?

A. Yes.

Q11. As of December 31, 2017, the date certain in this case, was the transmission main being used to provide service?

A. Yes. The transmission main was being used to provide service on the date certain.

Q12. Did the approved route pass through the 48.2-acre parcel questioned by Staff?

A. Yes.

Q13. Is it correct that the transmission line does not occupy the entire 48.2-acre parcel?

A. Yes.

Q14. Why did VEDO purchase a parcel of that size?

A. This parcel was the smallest available parcel that would permit VEDO to construct the transmission main along the approved route.

Q15. From whom did VEDO purchase the parcel?

A. A private landowner.

Q16. Did you participate in the negotiations for the purchase of this parcel?

A. Yes.

Q17. Why didn't VEDO purchase only a part of this parcel, or an easement on the parcel?

A. The owner was not willing to sell either a portion of the parcel or an easement. In fact, over the course of roughly a year, the landowner would not even respond to VEDO's offers to purchase.

Q18. Did VEDO consider using eminent domain powers to take the portion of the parcel required?

A. Yes, VEDO did consider this option, and as I will discuss, the threat of eminent domain ultimately drove the landowner to the bargaining table. But the exercise of eminent domain itself entails significant costs, particularly against an unwilling property owner. It also involves uncertainty—there is no guarantee a court will side with VEDO or will not impose conditions that add additional costs and delays. Finally, on top of the costs and uncertainty, the time required (for litigation, decision, and potentially further appeals) would have imposed significant and unacceptable delays on VEDO. Again, the relocation was driven by concerns for safety; it did not make sense to the Company to choose a course that might not save money but would certainly add delays. Integrity testing is also expensive, and it was important to complete the relocation before the next round of testing was required on the existing line. Eminent domain did not appear as a viable option.

Q19. How did VEDO eventually manage to purchase the property?

A. As I explained, the landowner never made any counter-offer to any offer we made to him over the course of almost a year; he did not want the line on his land, and his position was an absolute refusal to sell. Although eminent domain was not an ideal solution, we appeared to have no other choice. VEDO had to have rights on this particular parcel; relocating the line to yet another route would have been the costliest and most time-

consuming solution of all. So VEDO finally began initiating eminent domain proceedings.

Q20. Is that how VEDO acquired the property?

A. No. But the threat of eminent domain seems to have motivated the landowner. VEDO had employed an appraiser to help price the real estate interests at issue, and the landowner finally offered to sell the entire parcel at the appraised price. Although we had no desire to purchase the entire parcel, we did believe that the appraised value was fair. Given how much time had passed, we were also faced with the prospect of incurring several hundred thousand dollars of safety and integrity testing costs on the existing pipeline if relocation was not completed within the next few months. Purchasing the entire parcel was the only reasonable solution left to VEDO.

Q21. The Staff Report states that VEDO "purchased a 48.2 acre parcel to obtain a 4.5 acre easement." Do you believe that this is a fair description of what the Company did?

A. No. VEDO purchased the smallest parcel available that would enable it to relocate this pipeline on the approved route. VEDO needed land rights to relocate the main; it was necessary to obtain those rights from a third party; and VEDO obtained those rights at the best price and under the best terms and conditions available under the circumstances.

Q22. If VEDO could have purchased a lesser parcel or interest in the land, within a reasonable time, would it have done so?

A. Yes.

III. CONCLUSION

Q23. Does this conclude your supplemental direct testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served by electronic mail to the following persons on this 7th day of November, 2018:

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Summary: Exhibit 1.1 - Supplemental Direct Testimony of Colleen M. Ryan electronically filed by Ms. Rebekah J. Glover on behalf of Vectren Energy Delivery of Ohio, Inc.