

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc., for Approval)	Case No. 18-0049-GA-ALT
of an Alternative Rate Plan)	
 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)	

**SUPPLEMENTAL DIRECT TESTIMONY OF
SCOTT E. ALBERTSON
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> X </u>	Rates and tariffs
<u> X </u>	Other (Alternative Rate Plan: Energy Conversion Factor, Straight Fixed Variable for Group 1 General Service Customers, Statutory Compliance)

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

I. BACKGROUND AND QUALIFICATIONS

Q1. Please state your name and business address.

A. Scott E. Albertson, One Vectren Square, Evansville, Indiana 47708.

Q2. Are you the same Scott Albertson who filed Direct Testimony on behalf of Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company) 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). I am also testifying in support of some of the Staff Report recommendations regarding VEDO's proposed tariff.

II. STAFF'S TARIFF RECOMMENDATIONS

Q4. What did Staff recommend with respect to VEDO's proposed tariffs?

A. Staff noted that VEDO "is proposing various textual changes to its tariffs" and that, "[u]nless noted, Staff recommends approval of these changes as proposed by the Applicant." (*Id.* at 23.) Staff then listed a number of individual items it recommended either approving or rejecting.

Q5. Are you testifying in support of any of Staff's recommendations?

A. Yes. VEDO proposed an increase in its "Trip and Labor Charge – Outside of Normal Business Hours" from \$57.00 to \$75.00. According to Staff, "The response to Staff Data Request #61 supports a charge of \$71.77 for this service, and that is Staff's

1 recommendation.” (*Id.* at 24.) VEDO accepts this recommendation. I reviewed the actual
2 costs associated with this activity, and Staff is correct that these costs support a charge of
3 \$71.77.

4 **Q6. Are there are any other Staff recommendations you are supporting?**

5 A. Yes, as the Staff Report indicated, VEDO also withdrew its request to increase the
6 Ordinary and Extensive Investigation Fees. I reviewed the actual costs associated with
7 these activities, and they support continuation of these charges at the current level.

8 **Q7. How does VEDO view Staff’s recommendation regarding the Energy Conversion**
9 **Factor (ECF)?**

10 A. VEDO also supports this recommendation. Staff recommended approving the ECF and
11 “that annual audits be conducted by Staff to verify the accuracy of the adjustments.” (*Id.*
12 at 25.) VEDO accepts this recommendation; as I explained in my direct testimony, the
13 ECF “calculation is very straightforward, but the Company is willing to provide to Staff
14 whatever supporting information it may require to substantiate the ECF in effect at any
15 particular time.” (Albertson Dir. at 17.)

16 **Q8. Does VEDO object to any of Staff’s recommendations regarding VEDO’s proposed**
17 **tariff?**

18 A. Yes, VEDO objects to the following Staff recommendations:

- 19 • That VEDO should provide a free meter test every three years.
- 20 • To reject VEDO’s request to be authorized to verify that an applicant for service is
21 an owner or bona fide lessee at the service location.

22 (Staff Report at 23.)

23 **Q9. What did Staff recommend regarding meter testing?**

24 A. The Staff Report recommended that “VEDO should modify the meter testing section to
25 include a free meter test every three years.” (*Id.*)

Q10. What was the basis for this recommendation?

A. Staff pointed out that “VEDO has had only ten meter test requests over the last two and one half years.” (*Id.*) According to the Staff Report, “With such a small number of requests, there is no financial reason not to provide a free test. Consumers should have the ability to test the accuracy of their meter without being financially discouraged from doing so.” (*Id.*)

Q11. Why does VEDO object to this recommendation?

A. For several reasons. First, VEDO does not believe that the relatively small number of requests indicates the need for a change to the Company’s meter testing protocols. By itself, the small number of requests suggests that customers are generally satisfied with VEDO’s billing and measurement practices, including meter performance. If substantial numbers of customers were dissatisfied with meter performance, VEDO expects that they would be requesting more tests. But as Staff acknowledges, very few requests have been made, and VEDO does not perceive any problem with the current process that suggests a need for the Staff Report’s proposal.

Q12. Is VEDO concerned about the impact of this recommendation on other customers?

A. Yes. Although VEDO understands the concern for customers underlying Staff’s recommendation, it does not consider all the angles of this issue. Whether or not the requesting customer ultimately pays for the testing of a meter that passes a test, meter tests are not free. VEDO must dispatch a service or measurement technician to the premises, remove the existing meter and replace it, send the meter to a centralized testing location, physically test the meter, and report the results back to the customer. All of these steps incur costs and impose operational burdens on VEDO.

1 **Q13. Do VEDO’s current or proposed rates reflect any costs associated with “free” meter**
2 **tests?**

3 A. No. Neither VEDO’s current rates nor its proposed rates reflect costs associated with
4 “free” meter testing, which under Staff’s proposal could reflect the testing of as many as
5 one-third of VEDO’s meters annually (or in excess of 100,000 meters per year).

6 **Q14. What could be the impact of encouraging “free” tests?**

7 A. Each time a customer would take advantage of the free test, the short-term impact would
8 be that VEDO would effectively be required to fund the test. In the long-run, as these
9 costs were included in future test periods, all customers would pay for them. The Staff
10 Report states that “there is no financial reason not to provide a free test,” but the Report
11 does not acknowledge either of these financial impacts.

12 **Q15. Are there are other reasons not to adopt this recommendation?**

13 A. Yes. The Staff Report seems to assume that, if a “small number of requests” occurred
14 when there was *some* risk of paying for the test, then a small number of requests will
15 occur if there is *no* risk—this seems to inform the conclusion that there is “no financial
16 reason not to provide a free test.” VEDO does not agree with this assumption, and it
17 would not account for the need to establish proper incentives.

18 **Q16. How do you think Staff’s recommendation could upset proper incentives?**

19 A. At least two ways are foreseeable. First, if a free test is allowed every three years, in
20 addition to the existing right to a free test if a meter fails, some customers will likely seek
21 a meter test for no other reason than that a free test is available. Indeed, the mere offering
22 of a free, periodic test may suggest to customers that such testing is *needed* (e.g.,
23 “perhaps my meter only has a three year working life”). This is not the case, of course,
24 and VEDO does not see any good reason for encouraging this kind of a test.

1 Even where there is some independent motivation to pursue a test, the current
2 process creates correct incentives. For example, under the current process, if a customer
3 receives a high bill, he or she may suspect their meter, but the risk of paying for a test
4 provides incentive to rule out other possible causes first. Was usage actually higher or
5 was there a rate change? Was the prior month unusually cold? Was my bill properly
6 calculated? And so forth. If there is no risk of paying the costs of testing a good meter,
7 however, the customer has little incentive to determine alternate explanations.

8 **Q17. Does VEDO foresee any other incremental costs associated with providing free**
9 **meter tests as recommended by Staff?**

10 A. Yes. It is reasonable to assume that VEDO will receive at least one call from each
11 customer who wishes to have a free meter test. While Staff recommended a free test be
12 available only once every three years, customers may not remember that limitation, or
13 when they requested their last test; in other words, it is possible that a customer would
14 request a free test more frequently than they would be eligible. Regardless, *any*
15 incremental call volume to VEDO's contact center results in incremental costs, and the
16 mere creation of such a requirement obliges VEDO to establish a system to track and
17 account for such calls.

18 **Q18. VEDO's objections also stated that the recommendation to require free meter**
19 **testing is also inconsistent with Commission precedent. Are you speaking to that**
20 **objection?**

21 A. Yes. I am not an attorney, and I am not testifying to conclusions of law. My
22 understanding, however, is that the Commission rejected a very similar recommendation
23 in a prior rulemaking, Case No. 13-2225-GA-ORD. If this understanding is correct, then I
24 believe it further supports rejecting the Staff Report recommendation.

1 **Q19. What did VEDO propose regarding verification of service applications?**

2 A. VEDO proposed the following tariff addition, with the relevant portion emphasized:

3 Applications for Gas Service must be accepted on behalf of
4 Company by a duly authorized agent before Gas Service can be
5 provided. Company may, prior to initiating Gas Service and at
6 other reasonable times, require Applicant to establish that
7 Applicant is the owner or bona fide lessee of the Premises. . . .

8 (VEDO Sch. E-1, Sheet No. 60, p.1.)

9 **Q20. What did Staff recommend?**

10 A. Staff recommended denying this change. According to Staff, “The added requirement
11 would limit the availability of regulated services to only owners and bona fide lessees.”
12 (*Id.* at 23.) Staff stated that “[t]here are multiple examples of customers who are
13 customers of a public utility but do not own or lease the premise themselves including
14 family members who may or may not live at the premise, but are the financially
15 responsible party for the utility bill.” (*Id.*)

16 **Q21. Why does VEDO object to this recommendation?**

17 A. There are several reasons. First, VEDO believes that the Staff Report misconstrues the
18 effect that this provision would have. Staff states that this requirement “*would limit* the
19 availability of regulated services to only owners and bona fide lessees.” But the provision
20 states that VEDO *may*, not *shall*, require proof of ownership or lessee status. In other
21 words, the provision does not *require* the applicant to actually *be* an owner or lessee, but
22 permits VEDO to *verify* such status if and when appropriate. And VEDO has no intention
23 of applying this provision in such a restrictive manner as to deny legitimate applications
24 for service.

1 **Q22. What is the purpose of this tariff proposal?**

2 A. The primary rationale for this tariff provision is to limit fraudulent applications for
3 service, fraudulent transfers of account balances, avoidance of credit action, and other
4 situations involving “sham” customers.

5 For example, VEDO is attempting to prevent situations in which a person with a
6 short-term interest in a property (*e.g.*, someone seeking to “flip” a house) signs up for gas
7 service but then does not pay. Following the disconnection, the person either has an
8 associate apply for service, or creates a new business entity to apply for service—again,
9 with no intention to pay in full or even at all—in hopes that an additional period of “free”
10 service may be secured. The intention is fraudulent, *i.e.*, to shield the *true* ownership
11 interest from payment obligations. This tariff proposal would permit VEDO to look past
12 these “sham” applicants and hold the “real” owner responsible for the unpaid balances.

13 **Q23. Does VEDO have any interest in prohibiting legitimate applications for service?**

14 A. No. VEDO only intends to require proof of ownership or lessee status if there are
15 reasonable grounds to suspect fraud or other similar harm, and VEDO would only apply
16 this provision if it had a basis to do so. Although I expect such situations would be rare, if
17 an applicant for service was denied on this basis, and wished to challenge VEDO’s
18 decision, it could avail itself of informal and formal complaint procedures. Again, given
19 that VEDO has no interest in denying legitimate applications for service, it seems
20 unlikely that such questions would be generated with any frequency.

21 **Q24. Would this tariff provision benefit VEDO’s customers?**

22 A. Yes. By giving VEDO a tool to limit fraudulent applications for service, this provision
23 would tend to reduce unpaid balances that are ultimately borne by other customers.

1 **Q25. Are there any other reasons for objecting to Staff's recommendation?**

2 A. Yes. The language proposed in VEDO's tariff was taken directly from a Commission-
3 approved tariff, namely, the Rules and Regulations of Dominion Energy Ohio. These
4 tariff provisions were approved in 2008 and have been in effect since then. It is not clear
5 why a tariff provision that was approved for one natural gas company should be denied
6 for another.

7 **III. STAFF'S RATE AND RATE DESIGN RECOMMENDATIONS**

8 **Q26. Does VEDO object to Staff's recommendation in the Staff Report that various rates**
9 **and customer charges be modified or reduced?**

10 A. Yes. In addition to the fact that the modifications and reductions are based on
11 adjustments to which VEDO objects, the Staff Report fails to properly allocate costs
12 based upon an updated cost of service study (COSS). Staff's rates are based on a COSS
13 provided by VEDO that did not reflect and was not updated with the adjustments
14 proposed by Staff within the Staff Report. VEDO is willing to work with Staff to update
15 the COSS and resulting allocations based on the final resolution of objections within this
16 proceeding to ensure consistency in the assignment and allocation of costs to each
17 customer class.

18 **Q27. What were Staff's comments and recommendations regarding straight fixed**
19 **variable (SFV) rate design?**

20 A. Staff cited the Commission's approval of SFV rate design for residential customers in
21 VEDO's last rate case,¹ and recognized that VEDO proposed in this proceeding SFV rate
22 design for Group 1, small general service customers with a meter having a rated capacity

¹ Staff supported in this proceeding a \$30.95 monthly fixed charge (SFV) for residential customers, which is approximately a 12 percent increase over the currently effective fixed charges applicable to residential customers (base rate charge of \$18.37 and a DRR fixed charge of \$9.25). Collectively, a number of VEDO's objections impact not the SFV rate design, but the amount of the fixed charge recommended by Staff.

of 450 cubic feet per hour (Cfh) or less. Staff also acknowledged the Commission’s prior approval of SFV rate design for other gas utilities. The Staff Report recommended that “the proposed SFV concept be fully adopted” (*id.* at 33), subject to a few modifications:

- “that the Applicant remove Group 1 customers with annual consumption equal to or greater than 300 Mcf/3000 Ccf from the SFV group and incorporate these customers into the rate design proposed for larger general service customers.”
- that “[t]he customer charge for this group should follow the same recommendation proposed for larger general service customer as explained in the larger general service customer charges section below”; and
- “the SFV charge should be adjusted to reflect the outcome of the approved residential SFV charge, and should not exceed 130% of the final approved residential SFV charge.”

(*Id.*)

Q28. What is VEDO’s position regarding the recommendation to “remove Group 1 customers with annual consumption equal to or greater than 300 Mcf/3000 Ccf from the SFV group”?

A. VEDO does not object to this recommendation in principle. VEDO filed an objection, however, to ensure it could discuss some practical questions and issues with Staff, such as those related to the transfer of existing customers and assignment of new ones, as well as whether a 3,000 Ccf threshold is the proper one.

Q29. What is VEDO’s position regarding the recommendation that the “customer charge for this group should follow the same recommendation proposed for larger general service customers”?

A. Once again, VEDO does not object to this recommendation in principle. But it objected because it believes it is necessary to have further discussions with Staff regarding which customers Staff is referring to, what treatment it has in mind, how exactly such treatment would apply, and similar matters.

1 **Q30. What is VEDO's position regarding the recommendation that "the SFV charge**
2 **should be adjusted to reflect the outcome of the approved residential SFV charge,**
3 **and should not exceed 130% of the final approved residential SFV charge"?**

4 A. As before, VEDO does not necessarily object to this recommendation, but it believes that
5 further analysis and discussion is needed before fixing such a limit on the SFV charge to
6 Group 1 customers. It may be that the 130 percent limit remains appropriate, but this
7 could be affected by changes to other rates and charges. VEDO objected to allow for
8 further review of this recommendation as the facts develop.

9 **IV. CONCLUSION**

10 **Q31. Does this conclude your supplemental direct testimony?**

11 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:

Werner.margard@ohioattorneygeneral.gov
William.michael@occ.ohio.gov
Bryce.mckenney@occ.ohio.gov
amy.botschner.obrien@occ.ohio.gov
cmooney@ohiopartners.org
mfleisher@elpc.org
talexander@calfee.com
slesser@calfee.com
mkeaney@calfee.com
joliker@igsenergy.com
mnugent@igsenergy.com
glpetrucci@vorys.com
mjsettineri@vorys.com
Thomas.jernigan.3@us.af.mil
Andrew.unsicker@us.af.mil

/s/ Andrew J. Campbell

Andrew J. Campbell

One of the Attorneys for Vectren Energy Delivery
of Ohio, Inc.

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Summary: Exhibit 13.1 - Supplemental Direct Testimony of Scott E. Albertson electronically filed by Ms. Rebekah J. Glover on behalf of Vectren Energy Delivery of Ohio, Inc.