

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

Brian C. Collins

The Federal Executive Agencies



BAI
BRUBAKER & ASSOCIATES, INC.

CERTIFICATE OF SERVICE

I hereby certify that on November 7, 2018 a true copy of the foregoing was served via electronic mail on the following Parties of Record:

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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)	Case No. 18-0049-GA-ALT
APPROVAL OF AN ALTERNATIVE)	
RATE PLAN)	
)	
IN THE MATTER OF THE)	
APPLICATION OF VECTREN ENERGY)	
DELIVERY OF OHIO, INC. FOR)	Case No. 18-0298-GA-AIR
APPROVAL OF AN INCREASE IN)	
GAS RATES)	
)	
IN THE MATTER OF THE)	
APPLICATION OF VECTREN ENERGY)	
DELIVERY OF OHIO, INC. FOR)	Case No. 18-0299-GA-ALT
APPROVAL OF AN ALTERNATIVE)	
RATE PLAN.)	

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Direct Testimony of Brian C. Collins

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5 A I am a consultant in the field of public utility regulation and a Principal with the firm of
6 Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A This information is included in Appendix A to my testimony.

9 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

10 A I am appearing on behalf of the Federal Executive Agencies ("FEA"), who have
11 facilities, including Wright-Patterson Air Force Base, in the service territory of Vectren
12 Energy Delivery of Ohio, Inc. ("VEDO" or "Company").

13 **Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?**

14 A My testimony will address the Company's proposed class cost of service study and
15 proposed class revenue allocation.

16 My silence in regard to any particular issue should not be construed as a tacit
17 endorsement of any party's position with respect to that issue.

1 **Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCLUSIONS ON THE**
2 **COMPANY'S PROPOSED CLASS COST OF SERVICE STUDY AND PROPOSED**
3 **CLASS REVENUE ALLOCATION IN THIS CASE.**

4 A The Company's proposed class cost of service study reasonably measures its cost of
5 providing local gas distribution service to its various retail rate classes. As outlined
6 later in this testimony, the Company's assignment of its costs based on its class load
7 profiles reasonably aligns with cost causation and can be used to provide reasonable,
8 accurate price signals to its retail customers. Accurate price signals will provide
9 incentives for customers to make economic consumption decisions, which will help
10 customers manage their bills, and also allow VEDO to provide gas service to retail
11 classes more efficiently as a result of greater utilization of infrastructure investments.

12 I also find that the Company's proposed spread of the revenue deficiency
13 across rate classes reasonably aligns with a movement toward cost of service while
14 mitigating impacts on the Residential class.

15 **CLASS COST OF SERVICE**

16 **Q DID THE COMPANY PERFORM AN EMBEDDED CLASS COST OF SERVICE**
17 **STUDY ("ECOSS") IN ORDER TO ALLOCATE ITS PROPOSED REVENUE**
18 **REQUIREMENT TO ITS RATE CLASSES?**

19 A Yes. The Company performed an ECOSS based on its projected revenue requirement
20 results for its proposed test year, which is the 12-month period ending September 2018.
21 The Company's ECOSS assigns each rate class its proportionate share of VEDO's
22 total cost of service or total revenue requirement. The overall natural gas rate of return
23 calculated by the Company in its ECOSS under current rates was 3.90%.

1 The results of the Company's class cost of service study are sponsored by
2 VEDO witness Russell A. Feingold. At page 1 of Schedule E-3.2-1 sponsored by Mr.
3 Feingold, he summarizes the rate of return by class as follows:

TABLE 1		
<u>Class Rates of Return Under Company's Current Rates</u> (Excluding Cost of Gas)		
<u>Customer Class</u>	<u>ROR</u>	<u>Relative ROR</u>
Residential (310/311/315)	0.53%	0.14
General Service (320/321/325)	9.14%	2.34
Large General Transport (345)	17.17%	4.40
Large Volume Transport (360)	<u>25.06%</u>	<u>6.42</u>
System Average	3.90%	1.00

4 With respect to the table above, a class that has a rate of return above 3.90%
5 is paying more than its respective cost of service under current rates, and a class that
6 has a rate of return below the system average rate of return of 3.90% is not fully
7 compensating VEDO for its respective cost of service under current rates.

8 As shown above, because the Residential class has a relative rate of return of
9 0.14, VEDO is currently not recovering the class's cost of service under current rates
10 from the Residential class. In contrast, all other rate classes are currently providing
11 recovery of not only their respective allocated cost of service, but also a portion of the
12 Residential class's cost of service, under current rates.

Q WHAT AREA OF COST IS TYPICALLY THE LARGEST CONTRIBUTOR TO A GAS DISTRIBUTION UTILITY'S OVERALL COST OF SERVICE?

A The largest contributor to the overall cost of service of a gas distribution utility is typically the cost associated with distribution mains, including the return on, and return of, the utility's capital investment in distribution mains.

Q HOW DID THE COMPANY ALLOCATE THE COSTS OF DISTRIBUTION MAINS TO CLASSES IN ITS ECOS?

A The Company classified 45.5% of its investment in distribution mains as demand related, while 54.5% of its investment in distribution mains has been classified as customer related. The Company's classification of main cost on both a demand and customer basis recognizes that these costs are fixed in nature and do not vary with the volume of gas consumed by its customer classes.

The amount of cost classified as demand related was allocated to each rate class based on the design day demand attributed to each rate class. The amount of cost classified as customer related was allocated to each rate class based on the average number of customers in each rate class.

As explained by VEDO witness Mr. Feingold at pages 21-25 of his direct testimony, the customer classified portion of distribution main cost was determined by VEDO using the minimum-system method based on a 2-inch main. The minimum system is the smallest hypothetical system VEDO would construct to connect its customers to its distribution system. An adjustment was made to the VEDO minimum system to recognize that the 2-inch minimum size distribution main has some level of capacity carrying capability.

1 **Q IS THE COMPANY'S PROPOSAL FOR THE ALLOCATION OF THE COSTS**
2 **ASSOCIATED WITH DISTRIBUTION MAINS TO ITS RATE CLASSES**
3 **REASONABLE?**

4 **A Yes. A gas distribution utility designs and constructs its system of distribution mains to**
5 **meet the design day demand of its system. This ensures that all firm customers on the**
6 **utility's system will be able to receive delivery of gas on the day of greatest expected**
7 **system gas demand, which in the case of VEDO is its design day. The design day for**
8 **VEDO represents demand on its system by its rate classes due to extreme weather.**
9 **The costs of the distribution mains system related to the capacity size of the mains are**
10 **properly classified as demand related and allocated to customers based on their**
11 **contribution to system design day demand.**

12 The utility also designs and constructs its system to ensure that all customers
13 are connected to the system of distribution mains in order to provide customers the
14 opportunity to take delivery of gas. The costs of the distribution main system not related
15 to the capacity of the system but rather to the length of mains necessary to connect
16 customers to the system are properly classified as customer related and allocated to
17 customers based on the number of customers on the system.

18 Classifying distribution main costs partially as demand related and allocating
19 those costs on a design day demand basis, while classifying distribution main costs
20 partially as customer related using the minimum system concept and allocating those
21 costs on a customer basis reflects how the utility incurs the costs of designing and
22 constructing its system of distribution mains and a result, best reflects class cost
23 causation on the utility's system.

1 **Q AS DESCRIBED ABOVE, VEDO HAS USED DESIGN DAY DEMAND TO BOTH**
2 **DESIGN THE CAPACITY OF ITS DISTRIBUTION SYSTEM AND TO ALLOCATE**
3 **THE DEMAND-RELATED PORTION OF ITS MAIN COSTS TO CLASSES. DO GAS**
4 **UTILITIES USE SYSTEM AVERAGE DEMAND WHEN DESIGNING THE CAPACITY**
5 **OF THEIR DISTRIBUTION SYSTEMS?**

6 **A No, they do not.**

7 **Q IF A GAS UTILITY'S SYSTEM OF DISTRIBUTION MAINS WAS DESIGNED TO**
8 **MEET SYSTEM AVERAGE DEMAND, WOULD IT BE ABLE TO ACCOMMODATE**
9 **THE COINCIDENT DESIGN DAY DEMANDS OF ITS CUSTOMER CLASSES?**

10 **A No, it would not. As described by Mr. Feingold at page 17 of his testimony, a gas**
11 **system sized and installed to accommodate average gas demands would be unable to**
12 **accommodate the design day demand upon which the system is built. I agree with his**
13 **assessment.**

14 A system designed to meet the firm demands of its customers on the design
15 day ensures that VEDO can meet the firm demands of its customer classes not only
16 on the design day but throughout the year as well. As a result, design day demand
17 best reflects cost causation and is appropriate for allocating distribution main costs that
18 are classified as demand related.

19 **Q HOW DID THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO**
20 **RESPOND TO THE COMPANY'S PROPOSED COST OF SERVICE STUDY IN ITS**
21 **REPORT?**

22 **A The Staff finds VEDO's proposed ECOSS to be reasonable. Specifically, at page 29**
23 **of Staff's report, Staff states the following with respect to the Company's ECOSS:**

Staff has analyzed the COSS utilized by the Applicant in this filing and finds it to be a reasonable indicator of costs and cost responsibility between classes.

CLASS REVENUE ALLOCATION

Q HAVE YOU REVIEWED THE COMPANY'S TESTIMONY WITH RESPECT TO CLASS REVENUE ALLOCATION?

A Yes. The Company presented its proposed class revenue allocation in Schedule E-3.2-1, page 2 sponsored by VEDO witness Russell Feingold. The Company's proposed class revenue allocation is shown below:

TABLE 2				
<u>Company Proposed Class Revenue Allocation</u>				
(Excluding Cost of Gas)				
<u>Customer Class</u>	<u>\$ Increase</u>	<u>%</u>	<u>Relative</u>	<u>% of Total</u>
	<u>(\$ '000)</u>	<u>Increase</u>	<u>Increase</u>	<u>Increase</u>
Residential (310/311/315)	26,759	23.96%	1.14	78.65%
General Service (320/321/325)	5,125	17.58%	0.84	15.06%
Large General Transport (345)	1,069	15.08%	0.72	3.14%
Large Volume Transport (360)	<u>1,068</u>	<u>7.49%</u>	<u>0.36</u>	<u>3.14%</u>
System Average	34,021	20.99%	1.00	100.0%

Q DOES THE COMPANY BASE ITS PROPOSED CLASS REVENUE ALLOCATION ON ITS ECOS?

A Yes. The Company uses the results of its ECOS as a guide in allocating its revenue requirement to its rate classes. The class rates of return that result from the Company's proposed class revenue allocation are shown in the table below:

TABLE 3		
Company Proposed Class Revenue Allocation <u>Class Rates of Return Under Company's Proposed Rates</u> (Excluding Cost of Gas)		
<u>Customer Class</u>	<u>ROR</u>	<u>Relative ROR</u>
Residential (310/311/315)	5.32%	0.67
General Service (320/321/325)	12.25%	1.54
Large General Transport (345)	18.82%	2.36
Large Volume Transport (360)	<u>23.84%</u>	<u>2.99</u>
System Average	7.97%	1.00

1 **Q IS THE COMPANY'S PROPOSED CLASS REVENUE ALLOCATION**
2 **REASONABLE?**

3 A Yes. Even though the transportation classes are deserving of a rate decrease as
4 indicated by the Company's ECOSS, the Company's proposed class revenue
5 allocation provides the opportunity for rate mitigation to be applied to the Residential
6 class while moving all classes closer to cost of service on a relative rate of return basis.
7 Mitigation of the Residential class increase recognizes the principle of gradualism.

8 **Q HOW DID THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO**
9 **RESPOND TO THE COMPANY'S PROPOSED CLASS REVENUE ALLOCATION IN**
10 **ITS REPORT?**

11 A In its report at page 29, Staff recommends approval of the Company's recommended
12 revenue class allocation based upon adjustments in the response to Staff Data
13 Request #95. Staff's proposed class revenue allocation is shown below:

TABLE 4				
<u>Staff Proposed Class Revenue Allocation</u> (Excluding Cost of Gas)				
<u>Customer Class</u>	<u>\$ Increase</u> <u>(\$ '000)</u>	<u>%</u> <u>Increase</u>	<u>Relative</u> <u>Increase</u>	<u>% of Total</u> <u>Increase</u>
Residential (310/311/315)	11,107	11.28%	1.13	77.50%
General Service (320/321/325)	2,185	9.01%	0.91	15.24%
Large General Transport (345)	411	6.46%	0.65	2.87%
Large Volume Transport (360)	<u>628</u>	<u>4.20%</u>	<u>0.42</u>	<u>4.38%</u>
System Average	14,331	9.95%	1.00	100.00%

1 **Q DO YOU OBJECT TO THE STAFF'S PROPOSED CLASS REVENUE**
2 **ALLOCATION?**

3 **A I do not. The Staff's proposal also makes a reasonable movement toward cost of**
4 **service for all rate classes.**

5 **Q DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A Yes.**

Qualifications of Brian C. Collins

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5 A I am a consultant in the field of public utility regulation and a Principal with the firm of
6 Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7 **Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8 A I graduated from Southern Illinois University Carbondale with a Bachelor of Science
9 degree in Electrical Engineering. I also graduated from the University of Illinois at
10 Springfield with a Master of Business Administration degree. Prior to joining BAI, I was
11 employed by the Illinois Commerce Commission and City Water Light & Power
12 ("CWLP") in Springfield, Illinois.

13 My responsibilities at the Illinois Commerce Commission included the review of
14 the prudence of utilities' fuel costs in fuel adjustment reconciliation cases before the
15 Commission as well as the review of utilities' requests for certificates of public
16 convenience and necessity for new electric transmission lines. My responsibilities at
17 CWLP included generation and transmission system planning. While at CWLP, I
18 completed several thermal and voltage studies in support of CWLP's operating and
19 planning decisions. I also performed duties for CWLP's Operations Department,
20 including calculating CWLP's monthly cost of production. I also determined CWLP's
21 allocation of wholesale purchased power costs to retail and wholesale customers for
22 use in the monthly fuel adjustment.

1 In June 2001, I joined BAI as a Consultant. Since that time, I have participated
2 in the analysis of various utility rate and other matters in several states and before the
3 Federal Energy Regulatory Commission ("FERC"). I have filed or presented testimony
4 before the Arkansas Public Service Commission, the Delaware Public Service
5 Commission, the Florida Public Service Commission, the Idaho Public Utilities
6 Commission, the Illinois Commerce Commission, the Indiana Utility Regulatory
7 Commission, the Kentucky Public Service Commission, the Minnesota Public Utilities
8 Commission, the Missouri Public Service Commission, the North Dakota Public Service
9 Commission, the Public Utilities Commission of Ohio, the Oregon Public Utility
10 Commission, the Rhode Island Public Utilities Commission, the Virginia State
11 Corporation Commission, the Public Service Commission of Wisconsin, the
12 Washington Utilities and Transportation Commission, and the Wyoming Public Service
13 Commission. I have also assisted in the analysis of transmission line routes proposed
14 in certificate of convenience and necessity proceedings before the Public Utility
15 Commission of Texas.

16 In 2009, I completed the University of Wisconsin – Madison High Voltage Direct
17 Current ("HVDC") Transmission Course for Planners that was sponsored by the
18 Midwest Independent Transmission System Operator, Inc. ("MISO").

19 BAI was formed in April 1995. BAI and its predecessor firm has participated in
20 more than 700 regulatory proceeding in forty states and Canada.

21 BAI provides consulting services in the economic, technical, accounting, and
22 financial aspects of public utility rates and in the acquisition of utility and energy
23 services through RFPs and negotiations, in both regulated and unregulated markets.
24 Our clients include large industrial and institutional customers, some utilities and, on

1 occasion, state regulatory agencies. We also prepare special studies and reports,
2 forecasts, surveys and siting studies, and present seminars on utility-related issues.

3 In general, we are engaged in energy and regulatory consulting, economic
4 analysis and contract negotiation. In addition to our main office in St. Louis, the firm
5 also has branch offices in Phoenix, Arizona and Corpus Christi, Texas.

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Case No(s). 18-0049-GA-ALT, 18-0298-GA-AIR, 18-0299-GA-ALT

Summary: Testimony Direct Testimony of Brian C. Collins was inadvertently attached as a source document to Michael P. Gorman's Direct Testimony and Exhibits electronically filed by Mrs. Ebony M Payton on behalf of Federal Executive Agencies