

**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	)	

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**SECOND SUPPLEMENTAL DIRECT TESTIMONY OF  
J. CAS SWIZ  
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION  
ON BEHALF OF  
VECTREN ENERGY DELIVERY OF OHIO, INC.**

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<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 (Stipulation and Recommendation)

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**Second Supplemental Direct Testimony of  
J. Cas Swiz  
in Support of the Stipulation and Recommendation**

**I. BACKGROUND AND QUALIFICATIONS**

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

A. My name is J. Cas Swiz and my business address is One Vectren Square, Evansville, Indiana 47708.

**Q2. Are you the same J. Cas Swiz who filed Direct Testimony on behalf of Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company) in this proceeding on April 13, 2018, and Supplemental Testimony on November 7, 2018?**

A. Yes.

**Q3. Did you also file Direct Testimony in Case No. 18-0049-GA-ALT?**

A. Yes, in support of VEDO's proposed Capital Expenditure Program (CEP) Rider.

**Q4. What is the purpose of this testimony?**

A. This testimony is intended to provide certain facts showing that the Commission should approve the Stipulation and Recommendation (Stipulation) filed in this matter on January 4, 2019, because it is the product of serious negotiations among knowledgeable parties, benefits customers and the public interest, and does not violate any important regulatory principles or practices.

**II. THE STIPULATION AND RECOMMENDATION**

**Q5. Please provide an overview of the Stipulation.**

A. The Stipulation recognizes that VEDO's current base rates for natural gas distribution service are no longer sufficient to yield reasonable compensation for the service rendered and are no longer just or reasonable. The Stipulation recommends that "[u]nless otherwise specifically provided for in this Stipulation, all rates, terms,

1 conditions, and any other items shall be treated in accordance with the Staff Report filed  
2 in these cases on October 1, 2018 (Staff Report).” (Stip. ¶ 2.) And “[a]ny rates, charges,  
3 terms, conditions, or other items included in VEDO’s applications in the above-captioned  
4 cases (collectively, Application)” that “are not addressed in the Staff Report or this  
5 Stipulation,” are to “be treated in accordance with the Application.” (*Id.*)

6 **Q6. Describe the attachments to the Stipulation.**

7 A. There are four attachments to the Stipulation. Joint Exhibit 2.0 includes the Stipulation  
8 Schedules, which were prepared under my supervision. Joint Exhibit 3.0 is an Illustrative  
9 CEP Rider Calculation, which was also prepared under my supervision, and which uses  
10 hypothetical cost and investment inputs to demonstrate how VEDO will develop and  
11 build the CEP Rider rate and apply the applicable rate caps. Joint Exhibit 4.0 and Joint  
12 Exhibit 5.0 are tariff exhibits; of these exhibits, I am only supporting the rates included  
13 within the proposed tariff, Joint Exhibit 4.0. These exhibits are otherwise being supported  
14 by VEDO witness Scott Albertson.

15 **Q7. What revenue requirement does the Stipulation recommend?**

16 A. As set forth in Joint Exhibit 2.0, the Stipulation recommends that VEDO receive a net  
17 base rate increase of \$22,730,487. Although this is significantly less than the  
18 approximately \$34 million increase requested by VEDO, the Stipulation recommends  
19 that it provides reasonable compensation for the services rendered.

20 **Q8. What is the Stipulation’s recommended rate base?**

21 A. As again set forth in Joint Exhibit 2.0, the value of all of VEDO’s property used and  
22 useful for the rendition of service to its customers as of the approved date certain of  
23 December 31, 2017, is \$622,297,988. Although this is less than VEDO’s actual rate base  
24 on the date certain, VEDO is accepting it in compromise.

1 **Q9. What rate of return is reflected in the stipulated revenue requirement?**

2 A. The stipulated revenue requirement reflects a rate of return on rate base of 7.48 percent.  
3 This is significantly less than the 7.97 percent rate of return supported by VEDO in its  
4 Application, and it is within the range recommended by Staff in the Staff Report. This is  
5 also significantly less than VEDO's current rate of return of 8.89 percent, as authorized in  
6 VEDO's last rate case, Case No. 07-1080-GA-AIR. The stipulated rate of return is being  
7 addressed by VEDO witness Dr. Michael Vilbert.

8 **Q10. Does the Stipulation also address the operating revenue and expense reflected in the**  
9 **revenue requirement?**

10 A. Yes. The specific adjustments to operating revenue and expense are set forth in the C  
11 Schedules to Joint Exhibit 2.0 and reflect several compromises between VEDO's and  
12 Staff's positions.

13 **Q11. Describe the allocations used to develop the rates set forth in Joint Exhibit 4.0.**

14 A. The allocations used to develop these rates are the same as those reviewed and  
15 recommended by Staff within the Staff Report (Staff Report at 29). This recommendation  
16 was based upon the cost of service study sponsored by VEDO Witness Feingold. The  
17 distribution of the stipulated revenue increase, and the manner of distribution, to each rate  
18 schedule represents those percentages supported by the Company's response to Staff  
19 discovery, as referenced within the Staff Report, and the recommendations made within  
20 the Staff Report (Staff Report at 29). The data request referenced by Staff was provided  
21 to requesting parties, and other than the continuation of SFV, I am not aware that any  
22 non-Signatory Party objected to these recommendations of the Staff Report.

23 **Q12. Describe the late-filed exhibits contemplated under the Stipulation.**

24 A. Three potential adjustments to the revenue requirement are contemplated under the  
25 Stipulation, which will be addressed through late-filed exhibits.

1           The first involves property taxes. The Stipulation recognizes that the amount of  
2           property tax expense included in the revenue requirement is \$16,505,566. One disputed  
3           item in the case, as evident from the Staff Report and Objections (which VEDO has  
4           withdrawn), was the proper level of property tax to reflect in rates. VEDO's application  
5           proposed adjustments intended to recognize the level of expense occurring on the assets  
6           in service on the date certain (*i.e.*, property tax expense incurred in 2018 and payable in  
7           2019). Staff projected a different level of expense than VEDO, to which VEDO objected.  
8           Rather than engage in a dispute over the projection of a level of expense that would be  
9           known for certain in 2019, VEDO and Staff agreed that in accordance with R.C.  
10          4909.15(D) and R.C. 4909.191, VEDO would submit actual data regarding the actual  
11          property tax expense paid through September 30, 2019. If that data shows that VEDO's  
12          actual property tax expense was less than \$16,505,566, VEDO will submit a rate  
13          adjustment for the recalculation of stipulated base rates, no later than ninety days after  
14          that data is received, in accordance with R.C. 4909.191 and otherwise comply with the  
15          conditions of that statute. If actual property tax expense is greater than \$16,505,566,  
16          VEDO will not propose an adjustment.

17          The second adjustment involves rate case expense. The Stipulation specifies the  
18          amount of rate-case expense reflected in the stipulated revenue requirement and permits  
19          VEDO to submit a late-filed exhibit to update to the actual amount of expense incurred at  
20          a specified point in the case. This adjustment can go up or down, depending on the actual  
21          level of expense incurred and deferred. Even with this adjustment, VEDO expects to  
22          recover less rate-case expense than actually incurred, given that it will likely incur  
23          additional expenses after the time of the update. If this Stipulation is litigated through the  
24          rehearing phase, the additional, unrecovered expense could be substantial.

1           The last adjustment is to update the remaining deferral balance associated with the  
2           Distribution Accelerated Risk Reduction (DARR) Program. VEDO received authority to  
3           defer expenses associated with its DARR Program in Case No. 15-1741-GA-AAM. The  
4           Staff Report recommended that the termination of the DARR deferral should occur  
5           “contemporaneous with the date new rates adopted in this case go into effect.” (Staff  
6           Report at 16.) The stipulated revenue requirement reflects deferred DARR expenses  
7           through the end of 2018. VEDO’s deferral authority, however, continues until a recovery  
8           mechanism is established. In this case, the recovery mechanism will be the proposed  
9           base rates and charges agreed to in the Stipulation, which, based on the timeline in this  
10          proceeding, will become effective after the end of 2018. The Stipulation provides a  
11          means of recovering this final portion of the DARR deferral balance, permitting VEDO  
12          to submit a late-filed exhibit capturing and incorporating into base rates the remaining  
13          portion of the DARR deferral balance. This approach eliminates the need either to file a  
14          separate application to recover a small balance or to carry such balance for an extended  
15          period of time until a future rate case.

16   **Q13. Does the Stipulation resolve every dispute potentially at issue in this case?**

17   A.    No. On a number of fronts, the Stipulation recognizes that certain issues are best resolved  
18          in other contexts or separate dockets. In these situations, the Stipulation provides clarity  
19          regarding the process by which such issues may be resolved, without requiring a choice  
20          between litigation or forfeiture of the issue.

21   **Q14. Can you explain what issues have been deferred for discussion and resolution**  
22          **outside of this case?**

23   A.    Yes. For example, several parties took opposing positions regarding the scope and  
24          funding of Energy Efficiency (EE) Programs. Rather than resolve those issues in this  
25          docket, the Signatory Parties have agreed that VEDO should discuss EE issues outside of

1 this case, attempt to resolve the issues via a stipulation in a separate docket, and (failing  
2 that) resolve those issues in a separate docket. The Stipulation generally preserves the  
3 right for parties to address the larger topics of dispute.

4 Likewise, issues regarding the scope and timing of VEDO's bare steel and cast  
5 iron pipeline replacement program (Replacement Program) and the Distribution  
6 Replacement Rider (DRR) are also reserved for separate dockets, if the need arises to  
7 revisit them. By signing the Stipulation, VEDO is committed to the terms and conditions  
8 included in the Stipulation, such as the December 31, 2023 target date for Replacement  
9 Program completion, and the present scope of the DRR. But the Stipulation recognizes  
10 that VEDO may later propose, in a separate proceeding, certain modifications, such as an  
11 extension of the Replacement Program beyond 2023, or a change in the scope of the  
12 Replacement Program. This is subject to a requirement of conferring with Staff, and Staff  
13 reserves the right to oppose any modification. No modification to the stipulated terms and  
14 conditions could occur without Commission approval. In this way, the Stipulation  
15 provides clear requirements applicable to the Replacement Program and DRR, without  
16 prejudging or ruling out the permissibility of later modifications.

17 Meter testing provides another example of an issue being set aside for resolution  
18 in another context. The Staff Report recommended that VEDO provide customers with  
19 the opportunity to have one meter test without charge every three years. VEDO was  
20 concerned that this recommendation for a without-charge meter test would drive  
21 incremental cost increases for an activity not reflected in VEDO's revenue requirement,  
22 either as an actual or projected expense. Rather than provide for present authority to defer  
23 and/or recover such incremental costs, the Stipulation recognizes that VEDO may seek  
24 authority to defer and/or recover such costs in a separate proceeding.



1           Issues regarding the return of Tax Cuts and Jobs Act of 2017 (TCJA) savings  
2           have also been submitted for resolution in another docket. Depending on the progress of  
3           this docket and the TCJA docket (which is outside of VEDO's control), this provides  
4           additional procedural flexibility and may permit for the speedier return of tax savings.

5           Similarly, the Stipulation also avoids the need to litigate a number of issues raised  
6           by marketer and supplier interests. Rather than seek immediate resolution of issues such  
7           as exiting the merchant function and billing enhancements, VEDO has agreed to discuss  
8           these and other issues and provide additional information under defined conditions, as  
9           supported in the testimony of VEDO witness Albertson.

10          For all of these issues, the Stipulation provides a clear process for resolving areas  
11          of concern, if and when such resolution becomes necessary.

### 12   **III.   THE CRITERIA FOR EVALUATING STIPULATIONS**

#### 13   **Q15.   What criteria does the Commission use to decide whether to approve a Stipulation?**

14   A.    The Commission has applied the following three criteria: First, is the Stipulation a  
15          product of serious bargaining among capable, knowledgeable parties? Second, taken as a  
16          package, does the Stipulation benefit customers and the public interest? Third, does the  
17          Stipulation violate any important regulatory principle or practice?

#### 18          **A.    THE STIPULATION IS THE PRODUCT OF SERIOUS BARGAINING.**

#### 19   **Q16.   Is the Stipulation supported by parties representing a range of interests?**

20   A.    Yes. The Stipulation is supported by parties representing a wide range of interests,  
21          including those of VEDO's customers. In addition to the Company, the Signatory Parties  
22          include the Commission's Staff; the City of Dayton, which has sought to protect and  
23          advance the interests of its residents, the largest city within VEDO's service area; the

1 Federal Executive Agencies (FEA), representing federal customers, including the largest  
2 single site employer within VEDO's service area, Wright Patterson Air Force Base; and  
3 two entities representing the interests of natural gas suppliers, Interstate Gas Supply  
4 (IGS) and the Retail Energy Supply Association (RESA).

5 **Q17. Was the Stipulation the product of serious bargaining among capable,**  
6 **knowledgeable parties?**

7 A. Yes. All of the intervening parties participated in, or had the opportunity to participate in,  
8 the negotiations. The settlement negotiations involved a diverse group of experienced  
9 parties. An initial settlement meeting was held following the prehearing conference on  
10 November 15, 2018. After that, all-party settlement meetings were held on November 20,  
11 November 27, December 4, December 12, December 17, and December 20. The initial  
12 meetings focused on reaching a preliminary understanding on the revenue requirement,  
13 after which additional meetings were held regarding other issues. All parties that  
14 intervened in the case were invited to attend these negotiation sessions. Parties generally  
15 circulated term sheets or other written proposals in advance or at the outset of these  
16 sessions. A telephone bridge was established for these sessions to accommodate those  
17 parties whose counsel could not travel to a particular session. VEDO answered questions  
18 from the parties and invited feedback and counterproposals to any proposed settlement  
19 terms. All parties made extensive comments on VEDO's proposals, and all Signatory  
20 Parties made compromises.

21 In addition, VEDO invited all of the parties to contact VEDO directly if they  
22 wanted to engage in separate settlement discussions with the Company. Numerous parties  
23 took advantage of that opportunity, and VEDO had several conversations with individual  
24 parties, including but not limited to the Commission's Staff. All agreed upon terms and  
25 conditions are reflected in the Stipulation.

1 All of the negotiations were at arm's length. All of the negotiations were premised  
2 on a thorough analysis of the Application by the Staff and by the parties via discovery.  
3 The process consumed numerous days, including during the weeks of the holidays of  
4 Thanksgiving, Christmas, and New Year's Day. Although it resulted in the extension of  
5 this proceeding beyond the 275-day deadline provided in R.C. 4909.42 (which elapsed no  
6 later than December 31, 2018), VEDO supported two extensions of the hearing date: first  
7 from December 4, 2018, to January 7, 2019, to permit the continuance of negotiations;  
8 and then again from January 7 to January 29, to permit further review and evaluation of  
9 the Stipulation by the Commission and any opposing parties. Even for those parties who  
10 did not sign the Stipulation, numerous proposals and counterproposals were exchanged  
11 up until an impasse was recognized.

12 The result of the negotiations was a compromise, as explained more fully below.  
13 Many parties and customers receive benefits under the Stipulation, but as demonstrated  
14 by the differences between VEDO's application position and the Staff Report position  
15 and corresponding objections, neither VEDO nor any other Signatory Party received  
16 everything that it sought in negotiation. The Stipulation strikes a reasonable balance that  
17 benefits customers and the public interest.

18 **Q18. Were the parties represented by capable, knowledgeable persons?**

19 A. Yes. All of the parties were represented by attorneys, most if not all of whom have years  
20 of experience in regulatory matters before this Commission and who possess extensive  
21 information. In addition, all of the parties either employed or had access to technical  
22 experts.

1           **B.       THE STIPULATION BENEFITS CUSTOMERS AND IS IN THE PUBLIC INTEREST.**

2   **Q19.   What facts support that the Stipulation benefits customers and is in the public**  
3   **interest?**

4   A.     The Stipulation benefits VEDO's customers and the public interest in numerous ways, as  
5         shown by the following examples.

6         (1) It will enable VEDO to continue to provide safe and reliable service by promoting its  
7             financial condition by implementing just and reasonable rates, which will support  
8             VEDO's ability to furnish necessary and adequate service and facilities;

9         (2) It recommends a significant reduction to the revenue requirement proposed by  
10            VEDO, reducing that requirement from approximately \$34 million to \$22.7 million;

11        (3) It will facilitate the continuation of VEDO's accelerated replacement and retirement  
12            of bare steel/cast iron (BSCI) pipelines and other targeted infrastructure (the  
13            Replacement Program) with cost recovery through the Distribution Replacement  
14            Rider (DRR), which supports the accelerated reduction of system risks and  
15            compliance with federal pipeline safety regulations;

16        (4) It provides for base rates that reflect the reduction in the federal income tax rate under  
17            the Tax Cuts and Jobs Act of 2017 (TCJA);<sup>1</sup>

18        (5) It establishes a rate of return that is significantly below that supported by the  
19            Company in its Application and which is within the range recommended in the Staff  
20            Report;

21        (6) It provides direct benefits to the City of Dayton and its residents, including  
22            provisions: (a) making available direct annual economic and neighborhood  
23            development funding and addresses the process applicable to such funding; (b)

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<sup>1</sup> The return of other tax benefits is being accomplished via a Tax Savings Credit Rider, which has been proposed in a separate proceeding, *see* 19-0029-GA-ATA.

1 requiring consultation with Dayton regarding economic development projects eligible  
2 for inclusion within an infrastructure development rider; and (c) establishing up to  
3 two workshops per year targeting both commercial and industrial customers, and two  
4 workshops per year targeting residential customers, regarding various energy  
5 efficiency programs and issues;

6 (7) It establishes procedural mechanisms and cost controls applicable to the continuation  
7 of several important programs, including the DRR and Replacement Program; the  
8 Capital Expenditure Program (CEP); and gas conservation and energy efficiency  
9 programs (EE Programs). Cost recovery associated with these programs after the date  
10 certain is not being addressed in these dockets; as has been the case historically, all  
11 costs will be subject to Commission review and approval before being recovered from  
12 customers. Each of these programs benefits customers and the public, whether by  
13 replacing at-risk pipeline, fostering economic development and the provision of just  
14 and reasonable service through investment in local infrastructure, or making available  
15 programs to improve the efficiency of homes and energy usage;

16 (8) It provides for VEDO's filing of a future base rate case, with a date certain no later  
17 than December 31, 2024, which was recommended by the Staff Report and other  
18 parties to this case. In that future base rate case, VEDO has among other things  
19 agreed to submit an updated depreciation study; to address Staff preferences for the  
20 presentation of rider revenues; to provide a description of budget changes as part of  
21 the S-4.2 Schedule; and to update base rates for the inclusion of CEP balances and  
22 assets;

23 (9) It provides for updates to VEDO's tariff, including the updating of several  
24 miscellaneous charges in accordance with the Staff Report and the addition of a

1 provision recommended in the Staff Report to provide for a meter test without charge  
2 once every three years;

3 (10) It addresses marketer and supplier concerns, as explained in the testimony of VEDO  
4 witness Albertson; and

5 (11) Lastly, it will reduce the costs of litigation, which would otherwise increase rate case  
6 expense and be recoverable from all customers.

7 **Q20. How does the Stipulation support the continued provision of safe and reliable**  
8 **service?**

9 A. In several ways. The Stipulation permits VEDO to recover just and reasonable rates  
10 based on its test period of the 12 months ending September 30, 2018 and date certain of  
11 December 31, 2017. VEDO's current base distribution rates are no longer sufficient to  
12 yield reasonable compensation for the gas distribution service that VEDO renders and are  
13 no longer just and reasonable. The rates proposed in the Stipulation support VEDO's  
14 financial health and its ability to provide safe and reliable service. The stipulated revenue  
15 requirement is set forth in Joint Exhibit 2.0. The Stipulation also provides for the  
16 continuation of the CEP and Replacement Program, with cost recovery respectively under  
17 the CEP Rider and DRR. The Commission has previously approved these programs as  
18 just and reasonable and necessary to support the provision of safe and adequate service.  
19 The Stipulation permits them to continue.

20 **Q21. Are there other commitments that will benefit customers in VEDO's service area?**

21 A. Yes. VEDO has committed to provide direct funding to economic development projects  
22 and neighborhood development projects identified by the City of Dayton. Subject to the  
23 terms and condition of the Stipulation, at least \$75,000 per year shall be provided, and  
24 this will directly benefit the residents of the City. VEDO has also committed to regularly  
25 consult with Dayton to identify Infrastructure Development Rider (IDR)-eligible

1 economic development projects, which will further support the local economy. VEDO is  
2 also committed to sponsoring energy efficiency workshops in Dayton on a regular basis,  
3 for all customer classes. These economic development activities are in conjunction with  
4 the ongoing capital investment supported by both the DRR and CEP, which in addition to  
5 supporting the provision of safe and reliable service, also provide jobs and increased  
6 opportunity for local revenues through taxes and other development. These are merely  
7 some examples.

8 **Q22. Does the Stipulation reflect compromises from the position supported in VEDO's**  
9 **Application?**

10 A. Yes. To take a few examples, VEDO's Application supported a \$34,021,227 increase in  
11 its revenue requirement. VEDO has instead stipulated to a \$22,730,487 million increase  
12 in its revenue requirement, a reduction of over \$11 million dollars, roughly one third of  
13 its proposed increase, reflecting numerous individual compromises made by VEDO.

14 VEDO proposed a \$35.41 monthly customer charge for residential customer  
15 classes, which *included* the return of TCJA savings via base rates. VEDO has instead  
16 stipulated to customer charge of \$32.86, which does *not include* the return of TCJA  
17 savings.<sup>2</sup> This will be subject to further reductions when VEDO's TCJA application is  
18 approved; as filed, VEDO is proposing, starting in 2019, a fixed credit of \$3.72 per  
19 residential customer per month to pass back TCJA tax savings. *See* Case No. 19-0029-  
20 GA-ATA. With the fixed credit, fixed charges for residential customers will total \$29.14  
21 per month, an immediate increase to the currently-effective total fixed charge of \$1.52.

22 VEDO proposed a CEP Rider without caps, without a regular prudence and  
23 necessity audit of the underlying assets, and without consequence if the date certain of its  
24 next rate case is after 2024. But VEDO has stipulated to a defined revenue requirement

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<sup>2</sup> Other than the fact that base rates reflect the reduced FIT rate of 21 percent.

1 cap on the CEP Rider of \$1.50 per residential customer per month, regular prudence and  
2 necessity audits, and the resetting of the CEP Rider to zero in the event it fails to comply  
3 with stipulated future rate case filing requirements.

4 In its tariffs, VEDO proposed creating a Multi-Family Pilot Program and  
5 enhancing its ability to verify the legitimacy of applicants for service; in its objections, it  
6 opposed Staff's recommendation that VEDO provide a meter test without charge once  
7 every three years. In the Stipulation, however, VEDO has agreed to withdraw the  
8 "verification" provision and the Multi-Family Pilot Program, and it has accepted the  
9 meter test provision recommended by Staff.

10 VEDO's Application did not propose any programs or meetings specifically  
11 targeted towards the City of Dayton or its residents. In the Stipulation, VEDO has agreed  
12 to provide regular and direct funding of economic and neighborhood development  
13 projects identified by Dayton; to engage in regular meetings with Dayton to identify IDR-  
14 eligible projects; and to sponsor energy efficiency workshops targeted at all customer  
15 classes.

16 These are not the only compromises made by VEDO in this case, but they are  
17 sufficient to illustrate the benefits achieved by the Stipulation.

18 **C. THE STIPULATION DOES NOT VIOLATE ANY IMPORTANT REGULATORY**  
19 **PRINCIPLE OR PRACTICE**

20 **Q23. Does the Stipulation violate any important regulatory principle or practice?**

21 A. No. The Stipulation does not violate any important regulatory principle or practice. On  
22 the contrary, it encourages compromise as an alternative to litigation and allows VEDO  
23 to recover just and reasonable rates as provided under R.C. 4909.18. The Stipulation  
24 supports VEDO's financial condition and ability to provide safe and reliable service. The



1 DRR and CEP Rider will continue to provide financial support for the policies and goals  
2 approved by the Commission in prior orders. The base rate design reflected in the  
3 Stipulation is the same rate design approved by the Commission in 2009 in VEDO's last  
4 base rate case, as explained by VEDO witness Albertson. All of the positive benefits  
5 described above, to both customers and the public interest, confirm that the Stipulation  
6 does not violate any important regulatory principles or practices.

7 **Q24. Is the rate base recommended by the Stipulation reasonable?**

8 A. Yes. I am familiar with the Company's books and records, as well as with the filing  
9 schedules supporting rate base. The rate base recommended by the Stipulation is less than  
10 the rate base supported in the Application, which reflects among other things VEDO's  
11 acceptance of certain Staff positions in compromise. At a minimum, the stipulated rate  
12 base does not exceed VEDO's actual date certain rate base.

13 **Q25. Is the test period reflected in the stipulated revenue requirement reasonable?**

14 A. Yes. Again, I am familiar with the Company's books and records, as well as with the  
15 filing schedules supporting the test period. VEDO's actual test-period expenses were  
16 greater than those reflected in the stipulated revenue requirement, and VEDO's  
17 Application supported those amounts. Nevertheless, although VEDO could have sought  
18 to litigate the Staff Report's recommended adjustments to various revenue and expense  
19 items, VEDO accepted significant reductions in the revenue requirement as a  
20 compromise to resolve this case.

21 **IV. CONCLUSION**

22 **Q26. Does this conclude your second supplemental direct testimony in support of the**  
23 **Stipulation?**

24 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 17<sup>th</sup> day of January, 2019:

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Summary: Testimony Exhibit 11.2 Second Supplemental Direct Testimony of J. Cas Swiz in Support of the Stipulation electronically filed by Mr. Andrew J Campbell on behalf of Vectren Energy Delivery of Ohio