

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

**TESTIMONY IN RESPONSE TO OBJECTIONS TO
THE STAFF REPORT
OF
DAVID M. LIPTHRATT
RESEARCH & POLICY DIVISION
RATES AND ANALYSIS DEPARTMENT**

STAFF EX. _____

January 22, 2019

1 1. Q. Please state your name and business address.

2 A. My name is David M. Liphtratt. My address is 180 East Broad Street,
3 Columbus, Ohio 43215-3793.
4

5 2. Q. By whom are you employed and in what capacity?

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO).
7

8 3. Q. What is your current position with the PUCO?

9 A. I am employed by the Public Utilities Commission of Ohio (the Commission
10 or PUCO) as the Chief of the Research and Policy Division of the Rates and
11 Analysis Department.
12

13 4. Q. Would you briefly state your professional and educational background?

14 A. I earned a Bachelor of Arts Degree that included a Major in Political Science
15 and a Minor in History from the University of Georgia. Subsequently, I
16 earned a Masters in Public Administration Degree with a focus on public
17 budgeting and finance and policy analysis from the University of Georgia.
18 In addition, I earned a post-baccalaureate Certificate of Accounting
19 Concentration at Columbus State Community College. I am a Certified
20 Public Accountant (Ohio License # CPA.48876). Moreover, I have attended
21 various seminars and rate case training programs sponsored by this

Commission, professional trade organizations, and the utility industry community.

5. Q. What are your responsibilities in this proceeding?

A. I am responsible for the general management and processing of the Rate Case application, including schedule C-3.17 Distribution Accelerated Risk Reduction (DARR) Program and Integrity Management (IM) Program Expenses, as well as issues related to the Distribution Replacement Rider (DRR) and the House Bill 95 (HB95) Capital Expenditure Program (CEP).

6. Q. What is the purpose of your testimony?

A. The purpose of my testimony is to respond to objections raised by parties pertaining to the CEP and DRR programs. Specifically, I will address the Office of the Ohio Consumers' Counsel (OCC) Objections one, four, and five and 18 through 23.

OCC Objection 1 – Rate Base

7. Q. OCC objects to Staff Report for failing to recommend for consumer protection a used and usefulness, prudence, and necessity audit of Vectren's 2011-2017 Capital Expenditure Program (CEP) investments, a depreciation

offset for those assets that have been retired, and that CEP investments as of the date certain be included in rate base. Please respond.

A. The objection raised by has been addressed by the Stipulation filed in this case. As part of the Stipulation, VEDO shall not be required to create a depreciation offset as recommended in the Staff Report, provided that VEDO continue to net out retired assets in the calculation of deferred depreciation expense, as described in the Supplemental Testimony of VEDO witness J. Cas Swiz in this proceeding and as approved in Case Nos. 12-530-GA-UNC and 13-1890-GA-UNC. Additionally, the PUCO Staff or its designee will perform a review of VEDO's filing, every one to two years in its discretion, to determine the necessity, prudence, lawfulness, and reasonableness of the CEP Investment for the prior calendar year.

OCC Objections 4 and 5 - Distribution Accelerated Risk Reduction (DARR) Program and Integrity Management (IM) Program Expenses

8. Q. OCC raises several objections pertaining to Staff's recommendations for the DARR: (4) Staff failed to properly review past expenses, and (5) Staff failed to establish reasonable ongoing expenses. Please respond.

A. Staff did not conduct an isolated review of past and test year expenses in the rate case. The Staff person assigned to this are of review incorrectly determined that DARR expenses, similar to DIMP and TIMP expenses, were included in expense accounts that would have been reviewed by a different

1 team assigned to review expenses. Staff discovered at the end of November
2 that the DARR expenses were in fact held in a different deferral account and
3 therefore costs associated with this program were not fully reviewed during
4 the rate case investigation. After discovering its error, Staff conducted an
5 expedited and limited review of these accounts due to limited resources and
6 time constraints. As a result of this review, Staff believes the DARR
7 expenses are appropriately included in base rates.

8
9 **OCC Objections 18-22 - HB95 Capital Expenditure Programs (CEP)**

10 9. Q. OCC raises several objections pertaining to Staff's recommendations for the
11 CEP: (18) Staff failed to define proposed cost controls, (19) Staff failed to
12 recommend a prudence review of historic plant records, (20) Staff failed to
13 recommend Vectren Energy Delivery of Ohio, Inc. (VEDO) work with OCC
14 and Staff to develop future revenue caps, (21) Staff failed to recommend a
15 minimum future revenue offset, and (22) Staff's recommendation of the
16 creation of a single capital asset rider should be rejected. Do you agree?

17 A. No. The Staff report contained recommendations to develop costs controls;¹
18 Staff conducted a thorough plant review in this case;² and Staff
19 recommended revenue caps.³ Staff made no recommendations to alter the

¹ *In the Matter of the Application of The Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan*, Case No. 18-49-GA-ALT, *et al.*, Staff Report at 17-18 (Oct. 1, 2018).

² *Id.*

³ *Id.*

1 revenue offset that is currently in place. Pertaining to consolidation of capital
2 riders, Staff recommended approval of the CEP with certain modifications.
3 As an alternative to Staff's recommendation, Staff recommended that the
4 VEDO initiate discussion with Staff regarding the potential creation of a
5 single rider that would include all capital investments. As a result of the
6 Stipulation in this case, Staff's view is there is currently no need to discuss
7 the creation of a single capital investment rider in this case, but Staff believes
8 that the creation of a single investment rider should be discussed in future
9 cases.

10
11 **OCC Objection 23 - Distribution Replacement Rider (DRR)**

12 10. Q. OCC objects to Staff's review of the DRR program, specifically that (23)
13 Staff failed to limit rate caps by permitting deferrals. Do you agree?

14 A. No. In Staff's opinion, the rate caps identified by VEDO in their application
15 are appropriate. Also, the deferrals referred to by OCC have been permitted
16 in the program since its inception and Staff is not recommending a change at
17 this time.

18
19 11. Q. Does this conclude your testimony?

20 A. Yes. However, I reserve the right to submit supplemental testimony as new
21 information subsequently becomes available.

CERTIFICATE OF SERVICE

This is to certify that the foregoing **Testimony of David Liphtratt** has been served upon all of the parties of record in Case No. 18-0298-GA-AIR by electronic and/or U.S. mail, postage pre-paid mail this 22nd day of January, 2019.

/s/Werner L. Margard III

Werner L. Margard III

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Summary: Testimony in Response to Objections to the Staff Report of David M. Lipthratt
electronically filed by Ms. Tonnetta Scott on behalf of PUC