

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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

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)	

In the Matter of the Application of The)	
Vectren Energy Delivery of Ohio, Inc., for)	Case No. 18-0299-GA-ALT
Approval of an Alternative Rate Plan)	

**TESTIMONY IN SUPPORT OF
THE STIPULATION AND RECOMMENDATION
OF
DAVID M. LIPTHRATT
RATES AND ANALYSIS DEPARTMENT
RESEARCH & POLICY DIVISION**

STAFF EX. ____

January 22, 2019

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

2 A. My name is David M. Lipthratt. My address is 180 East Broad Street, Columbus,
3 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 or
10 PUCO) as the Chief of the Research and Policy Division of the Rates and Analysis
11 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 and a
15 Minor in History from the University of Georgia. Subsequently, I earned a Masters
16 in Public Administration Degree with a focus on public budgeting and finance and
17 policy analysis from the University of Georgia. In addition, I earned a post-
18 baccalaureate Certificate of Accounting Concentration at Columbus State
19 Community College. I am a Certified Public Accountant (Ohio License #
20 CPA.48876). Moreover, I have attended various seminars and rate case training
21 programs sponsored by this Commission, professional trade organizations, and the
22 utility industry community.

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

A. The purpose of my testimony is to support the Joint Stipulation and Recommendation (Stipulation) in this case by confirming that the Stipulation complies with the Commission’s three-part test for determining a stipulation’s reasonableness.

7. Q. What are the components of the three-part test?

A. A stipulation before the Commission must: (1) be the product of serious bargaining among capable, knowledgeable parties; (2) as a package, benefits ratepayers and the public interest; and (3) not violate any important regulatory principle or practice.

8. Q. Is the Stipulation a product of serious bargaining among capable, knowledgeable parties?

A. Yes. The Stipulation is the product of an open process in which all intervenors were given an opportunity to participate. All parties were represented by experienced and competent counsel that have participated in numerous regulatory proceedings before the Commission. There were extensive negotiations among the parties and the Stipulation represents a comprehensive compromise of the issues raised by parties with diverse interests.

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9. Q. Which parties have signed the Stipulation?
- A. The Signatory Parties to the Stipulation are the Staff of the PUCO (Staff), Vectren Energy Delivery of Ohio, Inc. (VEDO), the City of Dayton (Dayton), Federal Executive Agencies (FEA), Interstate Gas Supply, Inc. (IGS), and the Retail Energy Supply Association (RESA)
10. Q. Please list the non-opposing parties to the Stipulation.
- A. Honda of America Mfg. (Honda) does not oppose the Stipulation.
11. Q. Does the Stipulation benefit ratepayers and the public interest?
- A. Yes. The Stipulation results in a just and reasonable resolution of the matters pending in these Commission dockets. Included in this reasonable resolution is a revenue requirement that benefits ratepayers, through a balanced approach by recognizing some of the objections to the Staff Report of Investigation raised by intervening parties, rejecting some of the objections, and considering alternative approaches. Additionally, the following are some of the key benefits that are achieved from the Stipulation:
- The stipulated revenue increase of \$22,730,487 is lower than the \$34,021,227 increase requested by VEDO in its application.

- Reflects the lowered federal income tax rate of the Tax Cuts and Jobs Act of 2017 (“TCJA”) and establishes a framework for returning excess accumulated deferred income taxes resulting from the TCJA and the full balance of the regulatory liability ordered by the Commission effective January 1, 2018 in Case No. 18-47-AU-COI to ratepayers.
- Establishes a \$32.86 customer charge for VEDO’s residential customers, which is lower than the \$35.31 customer charge recommended in VEDO’s Application.
- The Stipulation allows for sufficient funding to ensure safe and reliable service through the following programs:
Acceleration Risk Reduction (DARR) Program, Integrity Management (IM) Program, Distribution Replacement Rider, and Capital Expenditure Program (CEP) Rider.
- VEDO commits to partner with the City of Dayton in various community support initiatives including providing not less than \$75,000 per calendar year for economic or neighborhood development projects.

12. Q. What adjustments were made from the Staff Report of Investigation to arrive at the stipulated recommended revenue requirement?

1 A. Embedded within the stipulated revenue requirement are the following adjustments
2 to the Staff Report of Investigation:

- 3 • The Stipulation reflects an increase of \$509,063 in net plant
4 in service for vehicles that was not recommended in the Staff
5 Report of Investigation due to lack of support. During the
6 settlement negotiations, VEDO provided sufficient
7 documentation to support inclusion.
- 8 • Staff corrected the labor calculation to properly account for
9 payroll tax. Loading rates (fringe benefits, payroll tax, and
10 pension/401K) should have been applied to total labor, which
11 includes annualized labor, over time, double time, and other
12 labor. The proper application of loading rates results in an
13 adjustment in the Company's favor of \$920,187. Second,
14 VEDO filed a supplemental data request to update labor
15 loading rates as of September 2018, which is the last month
16 of the test year. This change affects fringe benefits, payroll
17 tax rates, and pension/401K rates for an adjustment in the
18 Company's favor of \$422,406. These changes produced at
19 total increase for the company of \$1,342,593.
- 20 • The amount of property tax expense included in the stipulated
21 base rates was increased to \$16,505,566 from \$12,413,105 as
22 recommended in the Staff Report of Investigation, in

1 accordance with R.C. 4909.191, to account for property tax
2 expenses reasonably expected to be paid within 12 months
3 following the test period.

- 4 • The Stipulation includes an addition of \$105,321 of
5 conservation expenses, thus ensuring the Energy Efficiency
6 Funding Rider (EEFR) recovers 100 percent of approved
7 energy efficiency program expenses.
- 8 • The revenue requirement reflects an increase of \$1,375,325 for
9 the Distribution Acceleration Risk Reduction (DARR)
10 Program and Integrity Management (IM) Program to account
11 for the projected December 31, 2018 deferred balance and to
12 update to actuals for the DARR, Distribution Integrity
13 Management Program (DIMP) and Transmission Integrity
14 Management Program (TIMP) expenses.
- 15 • The Shared Service Expense adjustment was increased by
16 \$200,610 to reflect the stipulated rate of return.
- 17 • Additionally, the adjustments discussed above produced
18 various flow-through and tax expense adjustments.

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20 13. Q. Does the settlement package violate any important regulatory principles or
21 practices?

1 A. Based on my experience, involvement in this proceeding, and review of the
2 Stipulation, Staff concludes that it complies with all relevant and important
3 regulatory principles and practices.

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5 14. Q. Are you recommending that the Commission approve the Stipulation?

6 A. Yes. In my opinion, the Stipulation represents a fair, balanced, and reasonable
7 compromise of the issues in this proceeding. I believe that the Stipulation meets all
8 of the Commission's criteria for adoption of settlements, and it is my
9 recommendation that the Commission issue an order approving the Stipulation.

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11 15. Q. Does this conclude your testimony?

12 A. Yes. However, I reserve the right to submit supplemental testimony as new
13 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, et al., 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

Assistant Attorney General

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Summary: Testimony in Support of the Stipulation and Recommendation of David Lipthratt
electronically filed by Ms. Tonnetta Scott on behalf of PUC