

**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 Rate)

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

**SUPPLEMENTAL DIRECT TESTIMONY
OF
JAMES D. WILLIAMS**

IN OPPOSITION TO THE JOINT STIPULATION AND RECOMMENDATION

**On Behalf of
The Office of the Ohio Consumers' Counsel**
*65 East State Street, 7th Floor
Columbus, Ohio 43215-4213*

January 28, 2019

TABLE OF CONTENTS

	PAGE
I. INTRODUCTION	1
II. PURPOSE	1
III. EVALUATION OF THE SETTLEMENT REGARDING THE THREE-PRONG TEST USED BY THE COMMISSION FOR EVALUATING SETTLEMENTS.....	3
IV. CONCLUSIONS.....	15

ATTACHMENTS

Attachment JDW-01 2018 DARR Annual Report, (Attachment B)

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.***

4 ***A1.*** My name is James D. Williams. My business address is 65 East State Street, 7th
5 Floor, Columbus, Ohio 43215. I am employed by the Office of the Ohio
6 Consumers' Counsel ("OCC") as a Utility Consumer Policy Expert.

7

8 ***Q2. HAVE YOU FILED DIRECT TESTIMONY IN THIS PROCEEDING?***

9 ***A2.*** Yes. I am responsible for Direct Testimony that was filed in this proceeding on
10 November 7, 2018 that supported several OCC objections to the PUCO Staff
11 Report that was filed on October 7, 2018. That testimony is incorporated here by
12 reference.

13

14 **II. PURPOSE**

15

16 ***Q3. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY?***

17 ***A3.*** The purpose of my supplemental testimony is to address certain issues related to
18 the Stipulation and Recommendation ("Settlement") that was reached between
19 Vectren Energy Delivery of Ohio, Inc. ("Vectren" or ("VEDO")) the PUCO Staff,
20 and some other parties in this proceeding on January 4, 2019. Specifically, I
21 provide my opinion on whether the Settlement meets the three-prong test used by
22 the PUCO in evaluating Settlements.

1 ***Q4. CAN YOU DESCRIBE HOW THE SETTLEMENT THAT WAS REACHED***
2 ***BETWEEN VECTREN, THE PUCO STAFF, AND OTHER PARTIES IN***
3 ***THIS PROCEEDING RESOLVED THE OBJECTIONS TO THE STAFF***
4 ***REPORT THAT WERE SUPPORTED IN YOUR DIRECT TESTIMONY.***

5 ***A4.*** Yes. The Settlement does not reasonably address the objections that were raised
6 in my Direct Testimony. For example, the Settlement enables Vectren to continue
7 the Distribution Accelerated Risk Reduction (“DARR”) deferral past the date
8 certain in this case. Also, the Settlement permits Vectren to significantly increase
9 the amount of money that customers pay for continuing DARR related activities
10 without any requisite accountability or safety performance metrics governing how
11 these funds are used.

12
13 ***Q5. CAN YOU DESCRIBE OTHER MATTERS RAISED IN THE SETTLEMENT***
14 ***THAT YOU WILL BE ADDRESSING IN YOUR SUPPLEMENTAL***
15 ***TESTIMONY?***

16 ***A5.*** Yes. To protect consumers, I address the community support commitment made
17 to the City of Dayton, including a \$75,000 per year contribution that has nothing
18 to do with natural gas service. I also address concerns with many of the marketer
19 provisions included in the Settlement that can adversely impact consumers.

**III. EVALUATION OF THE SETTLEMENT REGARDING THE THREE-
PRONG TEST USED BY THE COMMISSION FOR EVALUATING
SETTLEMENTS**

***Q6. WHAT CRITERIA DOES THE COMMISSION USUALLY RELY UPON FOR
CONSIDERING WHETHER TO ADOPT A SETTLEMENT?***

A6. It is my understanding that the PUCO will adopt a stipulation only if it meets all of the three criteria delineated below. The PUCO must analyze the Stipulation and decide the following:

1. Is the settlement a product of serious bargaining among capable, knowledgeable parties representing diverse interests?¹
2. Does the settlement, as a package, benefit customers and the public interest?
3. Does the settlement package violate any important regulatory principle or practice?²

¹ The PUCO takes into account the “diversity of interests” as part of the first part of the stipulation assessment. *See: In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer, Case No. 10-388-EL-SSO*, Opinion and Order at 48 (August 25, 2010).

² *Consumers' Counsel v. Pub. Util. Comm'n.* (1992), 64 Ohio St.3d 123, 126.

1 ***Q7. DOES THE SETTLEMENT FILED IN THIS PROCEEDING MEET ALL***
2 ***THREE CRITERIA?***

3 ***A7.*** No. The proposed Settlement does not meet the three-prong test, as I elaborate
4 below.

5
6 ***Q8. DOES THE SETTLEMENT BENEFIT CUSTOMERS AND THE PUBLIC***
7 ***INTEREST?***

8 ***A8.*** No. Under the Settlement, VEDO would be authorized to continue deferring
9 DARR expenses from January 1, 2019 until the date that new base rates go into
10 effect.³ Vectren has currently deferred \$10,118,818 in DARR expenses that will
11 be amortized and collected from customers. However, the Settlement permits
12 Vectren to file a late-filed exhibit reflecting DARR expenses incurred between
13 January 1, 2019 and the date the PUCO approves rates in this proceeding.⁴ The
14 additional expenses would then be included in base rates.

15
16 It is not in the public interest for Vectren to increase the base rates beyond the
17 level that the PUCO approves in this proceeding based on costs that it alleges to
18 have incurred after January 1, 2019. There is no provision in the Settlement for
19 the Staff to even review the additional expenses to determine that they are just and
20 reasonable. VEDO is merely required to confer with Staff before adjusting and
21 filing new base rates.⁵ This lack of regulatory review puts consumers at risk to

³ Settlement at page 4.

⁴ *Id.*

⁵ Settlement at page 5.

*Supplemental Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

1 pay for costs that were imprudent, or for investments that are not used and useful
2 in the provision of utility service. This is an unjust and unreasonable outcome
3 that harms consumers.

4
5 Additionally, as explained in my direct testimony, the costs that VEDO is seeking
6 to collect from customers for the deferred DARR costs between 2016 and 2018
7 are already much higher than originally planned.⁶ Yet there is no indication that
8 the PUCO Staff investigated the reasonableness of the DARR cost increases in
9 2017 and 2018 compared to the original spending plan. In 2017, the Utility
10 planned to spend \$2,948,689 and actually spent \$3,942,635. In 2018, the Utility
11 planned to spend \$3,086,281 and claims to have actually spent \$3,927,000.⁷ This
12 is troubling considering that the PUCO specifically required Vectren to
13 implement efficiencies and cost savings measures when it approved the DARR.⁸
14 It is not in the public interest for the PUCO to approve a settlement where the
15 Utility failed to exercise restraint in containing costs that are ultimately charged to
16 consumers.

17
18 The PUCO should protect consumers from paying excessively high costs by
19 authorizing VEDO to collect no more than \$8,963,858 for the DARR deferral

⁶ See Williams Direct Testimony (November 7, 2018 at page 8).

⁷ *Id.*

⁸ *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval to Change Accounting Methods Associated with its Distribution Risk Reduction Program*, Case No. 15-1741-GA-AAM, Opinion and Order (November 3, 2016 at 4).

*Supplemental Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

1 between 2016 and 2018.⁹ The PUCO should require the DARR deferral to end
2 December 31, 2018 to preclude any further rate increase after it approves rates in
3 this proceeding. Future increases in DARR spending beyond 2018 should be
4 collected from customers through applications under R.C. 4909.15 for an increase
5 in rates (traditional ratemaking). There should be no more adjustments to charges
6 for consumers through annual rider updates.¹⁰

7

8 ***Q9. ARE THERE OTHER DARR-RELATED OBJECTIONS THAT WERE***
9 ***RAISED IN YOUR DIRECT TESTIMONY THAT ARE NOT ADRESSED IN***
10 ***THE SETTLEMENT?***

11 ***A9.*** Yes. The proposed Settlement increases the total operations and maintenance
12 (“O&M”) expenses that VEDO collects from customers by \$4,434,4007. These
13 expenses are associated with DARR & Integrity Management (“IM”) programs in
14 general.¹¹ As explained in my direct testimony, the DARR included a number of
15 initiatives that are intended to reduce gas pipeline risks and for continuing the
16 provision of safe and reliable service to consumers. The major provisions of the
17 DARR include:¹²

- 18 • Expanded Leak Management Program,
- 19 • Enhanced Damage Prevention Program,

⁹ See Williams Direct Testimony (November 7, 2018 at page 8). Actual reported expense for 2016 and the originally planned spending for 2017 and 2018.

¹⁰ R.C. 4909.15.

¹¹ Settlement Schedule C-3. DARR & IM Program Expenses C-3.17.

¹² See Williams Direct Testimony (November 7, 2018 at page 4).

*Supplemental Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

- Public Awareness,
- Workforce Training and Qualification for new Requirements,
- Pipeline Safety Management System Implementation, and
- Enhanced Risk Modeling and Threat Analysis.

In approving the DARR, the PUCO specifically required VEDO in consultation with Staff to develop specific performance measures for each DARR program initiative.¹³ These measures are reported annually as shown in the most recently filed DARR Annual Report (attached herein as JDW-1). The Settlement supports VEDO increasing base rates for the purpose of continuing the enhanced safety measures associated with the DARR. However, the Settlement does not require VEDO to perform additional tracking on the DARR performance measures or to report the progress being made in enhancing public safety. Given that the reporting structure already exists, there is no reason for the Settlement not to have included requirements for the reporting to continue. There is no assurance that the additional money that customers are paying for enhanced safety are being used for the intended purpose. This is neither benefiting customers nor in the public interest.

¹³ *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Approval to Change Accounting Methods Associated with its Distribution Risk Reduction Program*, Case No. 15-1741-GA-AAM, Opinion and Order (November 3, 2016 at 4).

1 ***Q10. ARE THERE OTHER PROVISIONS IN THE SETTLEMENT THAT DO***
2 ***NOT BENEFIT CUSTOMERS AND THE PUBLIC INTEREST?***

3 ***A10.*** Yes. The Settlement includes provisions related to a \$75,000 contribution that
4 VEDO will make annually to the City of Dayton for the purpose of economic or
5 neighborhood development projects.¹⁴ Neighborhood development projects can
6 involve neighborhoods where VEDO currently provides services to customers or
7 where VEDO plans to provide services.¹⁵ Contributions that are made by VEDO
8 to the City of Dayton in exchange for obtaining Dayton's support for a Settlement
9 that results in increased customer bills is not benefiting customers or the public
10 interest. The Vectren service territory includes many customers that do not even
11 live in Dayton and who's rates should not be influenced through an agreement
12 between Dayton and Vectren. In fact, there is no requirement in the Settlement
13 that Vectren customers (in Dayton or elsewhere) receive any benefit through the
14 contribution VEDO makes to Dayton. But many Vectren customers are currently
15 struggling to pay their natural gas bill and will struggle even more with rate
16 increases supported under the Settlement.

17
18 For the period June 1, 2017 through May 31, 2018, there were 18,916 residential
19 customers disconnected by Vectren across its service territory.¹⁶ This is a

¹⁴ Settlement at page 15.

¹⁵ *Id.*

¹⁶ *In the Matter of the Annual Report Required by R.C. 4933.123 Regarding Service Disconnections for Nonpayment*, Report of Service Disconnections for Nonpayment of Vectren Energy Delivery of Ohio, Inc, Case No. 18-757-GE-UNC (June 29, 2018).

*Supplemental Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

1 significant increase (eight percent) from the 17,406 residential customers who
2 were disconnected two years earlier between June 1, 2015 and May 31, 2016.¹⁷

3 There are few bill payment assistance options available for customers across the
4 entire Vectren service territory that can help customers avoid loss of service.

5 Despite the increase in customers being disconnected for non-payment, the
6 Settlement does nothing to help Vectren customers maintain their natural gas
7 service.

8
9 A settlement that benefits customers and the public interest would also protect
10 customers who are impacted financially by the settlement. The \$75,000
11 contribution to the City of Dayton as an incentive for agreeing with a Settlement
12 that raises rates for all Vectren customers would be better suited as a shareholder
13 funded bill payment assistance program available for all VEDO customers.

14
15 ***Q11. ARE THERE OTHER PROVISIONS IN THE SETTLEMENT THAT DO***
16 ***NOT BENEFIT CUSTOMERS AND THE PUBLIC INTEREST?***

17 ***A11.*** Yes. The Settlement contains provisions that benefit only marketers and not the
18 public. Under certain circumstances, the Vectren call center would be obligated
19 to transfer customer calls to the Standard Choice Offer (“SCO”) supplier listed on
20 the bill or refer the customer to the supplier contact information on the bill.¹⁸ The

¹⁷ *In the Matter of the Annual Report of Service Disconnections for Nonpayment Required by Section 4933.123, Revised Code*, Report of Service Disconnections for Nonpayment of Vectren Energy Delivery of Ohio, Inc, Case No. 16-1224-GE-UNC (July 1, 2016).

¹⁸ Settlement at page 19.

*Supplemental Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

1 circumstances under which a call could be transferred to the SCO supplier or
2 referred to the contact information on the bill are not defined. Considering that
3 customers who are served on the SCO have chosen Vectren to arrange for both
4 the supply and delivery of natural gas service, there should rarely (if ever) be an
5 occasion when a customer call to Vectren would be transferred to the SCO
6 supplier. Unlike customers who have contracted with a marketer to supply their
7 natural gas, VEDO customers served under the SCO are assigned following an
8 auction process and have no contractual relationship with the supplier. Questions
9 about the SCO supplier, rates, monthly gas usage, billing determinants, etc. are
10 the sole responsibility of VEDO. This also includes explaining the auction
11 process and why the marketer name and contact information is listed on the bill
12 even though the customer is not under contract with the supplier.

13
14 Given that the customers relationship is with Vectren for the providing natural gas
15 service, there is no benefit for customer calls to be transferred to the SCO
16 supplier. In fact, the public interest is damaged as a result of potential distorting
17 of responsibilities and increases the likelihood that customer confusion between
18 VEDO and the SCO suppliers pertaining to the supply of natural gas will result.
19 This is especially true given that the Settlement contains no restrictions on
20 marketers being able to translate these calls into opportunities to try to induce
21 consumers to switch from the SCO to a contracted rate or for sales of other
22 products and services. To the extent that customers have a question about an SCO
23 marketer or wish to contact that marketer with inquiries about other products or

1 services, the toll-free contact information for the marketer is already readily
2 available on the bill.

3
4 ***Q12. ARE THERE OTHER PROVISIONS IN THE SETTLEMENT THAT***
5 ***NEITHER BENEFIT CUSTOMERS NOR THE PUBLIC INTEREST?***

6 ***A12.*** Yes. The Settlement contains provisions that benefit marketers and not the
7 customers who must pay for unnecessary billing system enhancements.¹⁹ VEDO
8 agreed to review the feasibility of upgrading its current billing system to enable
9 additional marketer offers to be included on consolidated bills that are rendered
10 by Vectren.²⁰ Additionally, Vectren is to review and share the feasibility, cost,
11 and prudence of including the additional functionality in its successor billing
12 system.²¹ However, the Settlement does not include any provisions that requires
13 marketers to pay the costs for implementing any additional billing system
14 enhancements. It neither benefits customers nor the public interest for customers
15 to pay for billing system enhancements that should be paid for by marketers.

16
17 Vectren has an Exit Transition Cost (“ETC”) rider on customer bills that recovers
18 costs including business system development, informational and educational, call
19 center, billing, and other incremental costs.²² According to the Settlement, the

¹⁹ Settlement at page 21.

²⁰ *Id.*

²¹ *Id.*

²² Vectren Tariff, Sheet No. 41.

*Supplemental Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

1 ETC rider is subject to an annual cap of \$850,000.²³ The Settlement includes a
2 provision that if a billing system upgrade is determined to be feasible, cost-
3 effective, and prudent by Vectren, then it shall use good faith efforts to implement
4 the improvement.²⁴ However, a billing system improvement that is beneficial for
5 a marketer is not necessarily beneficial for all Vectren customers. And because
6 the ETC rider is paid for by all customers, the projects that are funded under the
7 ETC rider should benefit all customers and the public interest and not just the
8 marketers.

9
10 The ETC rider should not be used to fund billing system enhancements for
11 marketers especially when there are many other dire and pressing public interest
12 needs. An article in the Columbus Dispatch discussed the financial disaster that
13 many natural gas customers have experienced with choice where they have paid
14 \$1.3 billion more for natural gas through a marketer than if they had remained
15 with the gas utility.²⁵ Unfortunately, Vectren does not track the difference
16 between the prices customers pay marketers and what the bill would have been if
17 the gas was supplied under the standard offer. This type of reporting often
18 referred to as “shadow billing” is not available from Vectren. However, that is
19 not to say that the ETC rider could not (or should not) be used to obtain shadow
20 billing type of information from Vectren. Unlike billing system enhancements

²³ Settlement at page 23.

²⁴ Settlement at page 21.

²⁵ <https://www.dispatch.com/content/stories/business/2016/04/05/1-customers-losing-big-on-unregulated-natural-gas-plans.html>

*Supplemental Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

1 that benefit only the marketers, the public interest is greatly advanced when there
2 is a better understanding of customer savings (and losses) under the VEDO choice
3 program.

4 According to the PUCO Energy Choice website, the Vectren SCO rate is
5 currently \$0.47669 per ccf.²⁶ And there are currently 38 different marketer offers
6 available on the PUCO's Apples to Apples website.²⁷ Out of the 38 offers, there
7 are five that are lower than the SCO. Two of the five are introductory offers
8 where the price is valid for two months. This means that 33 of the publicly
9 available offers on the PUCO sponsored website exceed the SCO rate.

10

11 Vectren customers would benefit from a price to compare message on all bills that
12 includes the current SCO rate (for comparison purposes) and resources that are
13 available to help customers make effective choices. Considering that the purpose
14 of the ETC rider is to inform and educate customers about choice, the price to
15 compare message on the bill provides a benefit to customers that greatly exceeds
16 use of the ETC rider in paying for marketer billing system enhancements. The
17 price to compare message on the bill helps customers avoid paying more than
18 necessary for their supply of natural gas.

²⁶

<http://energychoice.ohio.gov/ApplesToApplesComparision.aspx?Category=NaturalGas&TerritoryId=11&RateCode=1>

²⁷ *Id.*

Q13. DOES THE SETTLEMENT VIOLATE ANY IMPORTANT REGULATORY PRINCIPLE OR PRACTICE?

A13. Yes. The Settlement includes provisions where Vectren agrees to review the feasibility of including in customer lists that are provided to marketers, a list of choice customers whose current commodity rates are in the top 25% of all Choice customer rates.²⁸ Ohio Revised Code 4929.22 requires the PUCO to establish rules pertaining to the sharing of customer information between natural gas companies and marketers including generic load information on a comparable and nondiscriminatory manner. The sharing of information regarding those customers who are paying the highest marketer rates could be discriminatory and used for the purpose of targeting, marketing and solicitations - - and potentially even higher marketer rates.

Ohio Revised Code 4929.02(A) promotes the availability to consumers of adequate, reliable, and reasonably priced natural gas services and goods. In addition, R.C. 4929.02(B) promotes the availability of unbundled and comparable natural gas services and goods. In establishing reasonably priced services, the SCO should be the benchmark rate that is used for comparison with marketer rates. Yet the top 25% list as defined in the Settlement includes only those customers who are paying in the top 25% of marketer rates. Even if these customers change marketers or switch to a lower rate, this does not mean that the customers may not still have overly expensive marketer rates where they would

²⁸ Settlement at 22.

1 be better off financially being served under the SCO rate. This is another reason I
2 support the price to compare message (with the SCO rate) on customer bills and
3 shadow billing as explained earlier in my testimony.
4

5 **IV. CONCLUSIONS**
6

7 ***Q14. CAN YOU SUMMARIZE YOUR CONCLUSIONS?***

8 ***A14.*** Yes. My conclusion is that the PUCO should not approve this Settlement. The
9 Settlement does not benefit customers and is not in the public interest regarding
10 the amount of money customers will pay for the DARR deferral and the lack of
11 transparency in future pipeline safety reporting. In addition, the Settlement
12 provides financial incentives to the City of Dayton but not customers of Vectren.
13 The ETC rider should not be used to pay for marketer requested billing system
14 enhancements. Customers would benefit from more transparent reporting of
15 marketer pricing compared to the VEDO SCO through shadow billing.
16 Furthermore, all customers would benefit from having a price to compare (as the
17 VEDO SCO rate) being prominently reflected on bills. Finally, the sharing of
18 customers who are on the highest 25% of all marketer prices with other marketers
19 without adequate protections violates important regulatory principles and is
20 discriminatory and contrary to state policy.

*Supplemental Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 18-0298-GA-AIR, et al.*

1 ***Q15. DOES THIS CONCLUDE YOUR TESTIMONY?***

2 ***A15.*** Yes. However, I reserve the right to incorporate new information that may
3 subsequently become available through outstanding discovery or otherwise.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Supplemental Direct Testimony of James D. Williams on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission to the persons listed below on this 28th day of January 2019.

/s/ William Michael

William Michael

Assistant Consumers' Counsel

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Attachment B



Distribution Accelerated Risk Reduction Program Management

Distribution Accelerated Risk Reduction 3-Year Plan Update

Program Element	2016 – Actuals	2017 – Plan	2017 – Actuals	2018 – Plan
Expanded Leak Management Program	\$1,399,326	\$1,500,000	\$2,132,866	\$2,000,000
Enhanced Damage Prevention Program	\$274,412	\$770,000	\$468,670	\$625,000
Public Awareness	\$183,324	\$200,000	\$280,285	\$230,000
Workforce Training and Qualification for New Requirements	\$197,774	\$255,840	\$208,886	\$295,000
Pipeline Safety Management System Implementation	\$61,119	\$110,441	\$230,347	\$112,000
Enhanced Risk Modeling and Threat Analysis	\$133,228	\$250,000	\$633,110	\$665,000
Grand Total	\$2,249,183	\$3,086,281	\$3,954,164	\$3,927,000

Plan Variance Commentary

- Vectren reduced the number of leaks left open in the system from 2016 and completed approximately 1,000 more in 2017. Resource availability and favorable weather allowed leak mitigation efforts to continue through fall and winter months, accounting for the variance of approximately \$630,000.
- Enhanced damage prevention efforts focused on mapping accuracy improvements, records availability, and data enhancements in systems used to support locating. Since this information is used for the asset-based risk modeling, these projects were executed by distribution integrity management data resources, and the actual spend is reflected in the Enhanced Risk Modeling and Threat Analysis program.
- Vectren conducted an increased number of partnered root-cause analysis exercises based on the threats identified by the risk register and current events throughout 2017 to determine root-cause and developed and implemented mitigation plans including process enhancements, additional training and qualifications, and data and system enhancements.
- Vectren adjusted the 2018 planned spend for the Expanded Leak Management to \$2.0M to continue to leverage the existing level of resources dedicated to eliminate the grade 3 leak backlog and the additional grade 3 leaks that have been discovered since January 2016 and ensure a backlog of leaks is not created.
- The average annual spend program-to-date is \$3.1M and is projected to increase to \$3.4M at the end of 2018.



Distribution Accelerated Risk Reduction 2017 Monthly Actual Spend

Program Element	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2017
Expanded Leak Management Program	-	-	-	-	-	-	\$120,487	\$394,473	\$318,299	\$388,002	\$366,688	\$564,956	\$2,132,866
Enhanced Damage Prevention Program	\$20,573	\$46,406	\$34,386	\$41,450	\$38,963	\$50,515	\$37,454	\$42,877	\$8,199	\$60,953	\$40,918	\$45,975	\$468,670
Public Awareness	-	-	\$10,150	\$58,850	\$49,657	\$(2,028)	-	-	\$64,008	\$30,012	\$77,504	\$(7,688)	\$280,285
Workforce Training and Qualification for New Requirements	\$14,017	\$16,412	\$16,987	\$12,814	\$16,773	\$16,908	\$14,953	\$13,144	\$18,562	\$18,556	\$13,549	\$36,210	\$208,886
Pipeline Safety Management System Implementation	\$8,777	\$9,410	\$17,905	\$12,125	\$11,095	\$20,099	\$37,075	\$52,021	\$26,865	\$11,024	\$10,001	\$13,949	\$230,347
Enhanced Risk Modeling and Threat Analysis	\$4,473	\$3,233	\$941	\$450	\$8,392	\$9,647	\$8,867	\$30,016	\$133,745	\$176,885	\$187,530	\$68,929	\$633,110
Grand Total	\$47,841	\$75,462	\$80,369	\$125,490	\$124,660	\$95,142	\$218,617	\$532,532	\$569,678	\$665,432	\$696,171	\$722,351	\$3,954,164

- The Expanded Leak Management Program costs met the baseline of \$1,918,234 in July 2017. Costs incurred for leak repairs above the baseline from July through December are reflected in the actual costs of the Expanded Leak Management Program for grade 3 leak remediation.



Expanded Leak Management Program

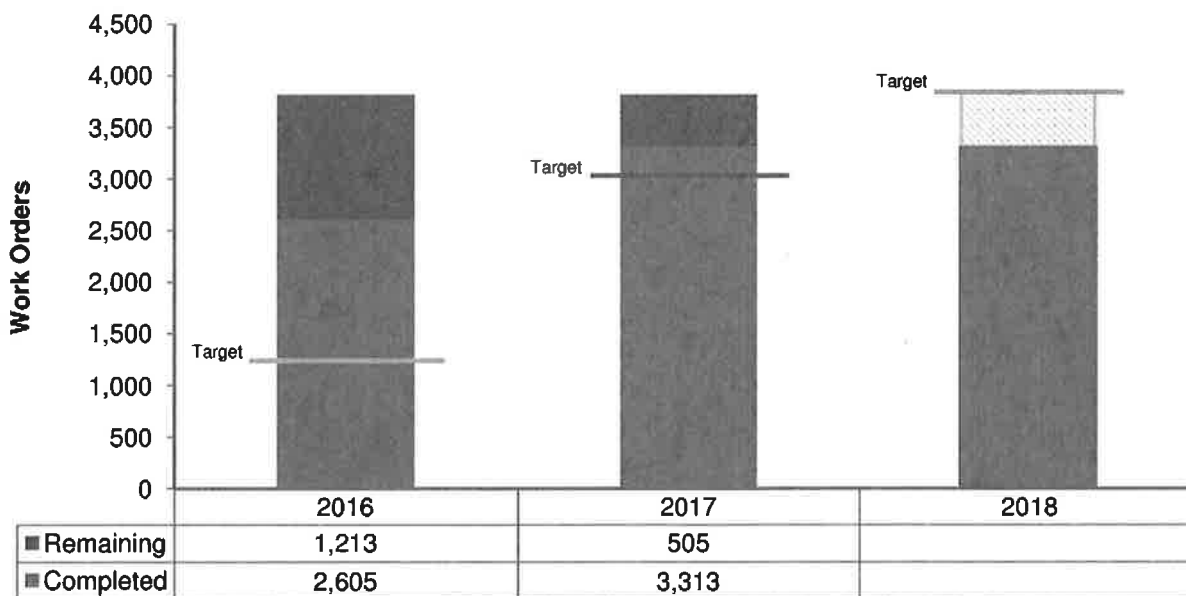
This section focuses on the performance of the grade 3 leak reduction program and demonstrates progress toward eliminating the grade 3 leak backlog and repairing grade 3 leaks as they occur in the system. The grade 3 leak backlog was assessed as of January 3, 2016, and identified 3,818 grade 3 leaks to be evaluated and resolved. The leaks were prioritized for evaluation using a base set of criteria including above ground or below ground, asset type, vintage, and historical remediation information.

Expanded Leak Management Program Measure	Data
Number of Grade 3 Backlog Leaks Resolved (12/31/2017)	3,313
Percent of Backlog Leaks Completed	87%

2017 Status

- In 2017, Vectren focused on remediating grade 3 leaks from the backlog as well as remediating newly discovered leaks to reduce the total amount of open leaks in the system.
- Additionally, 1,331 grade 1 and 1,216 grade 2 leaks have been remediated.
- Vectren completed approximately 1,000 more leaks in 2017 than in 2016 and almost doubled the number of above ground leaks completed.
- Vectren reduced the number of leaks left open in the system by almost 1,000 from 2016 to 2017.

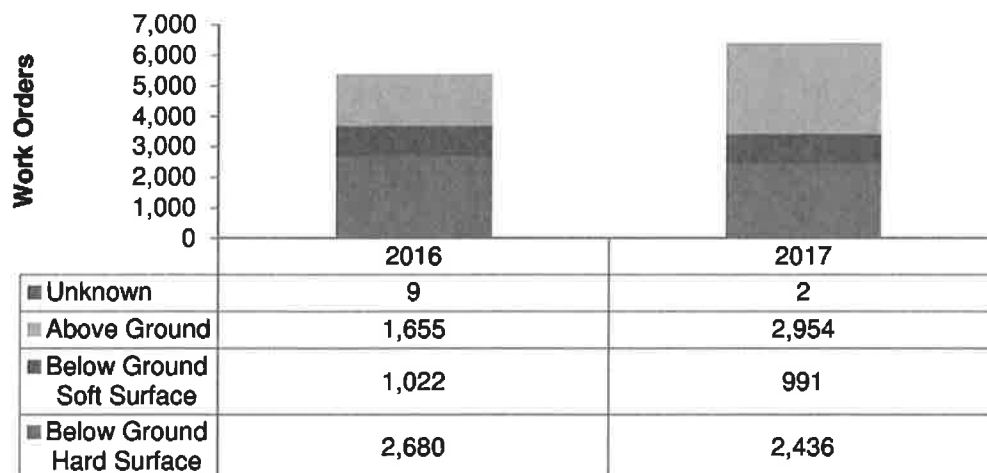
Ohio Leak Backlog Status



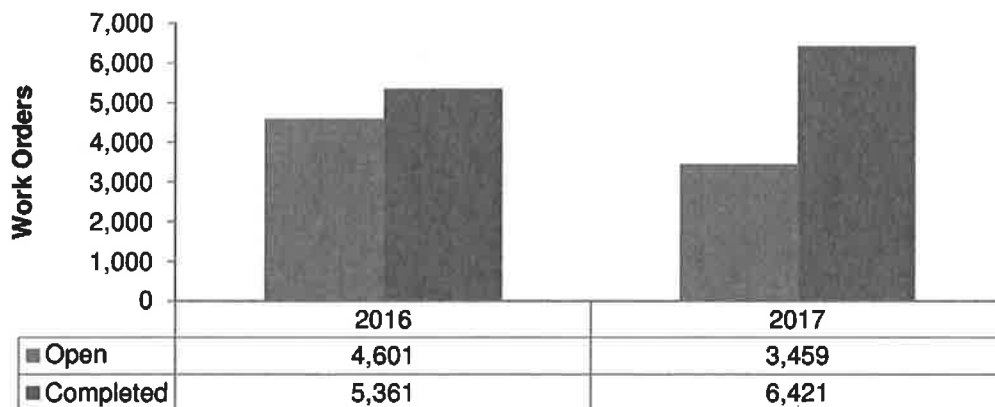


Expanded Leak Management Program

Total Completed Leaks



Leak Status at Year-end



2018 Focus

- In 2018, the focus of grade 3 leak repair will be to continue to remediate grade 3 leaks as they are discovered as well as work on the backlog, resulting in a lower percentage of the backlog being mitigated as compared to 2017, but still remaining on target to eliminate the original backlog (from January 1, 2016) by the end of 2018.
- In 2017, an additional 2,890 grade 3 leaks were discovered that are being addressed.
- Any new grade 3 leaks discovered during 2018 leak surveys will be remediated to avoid rebuilding a backlog of leaks for repair.
- Vectren has discovered that some leak reports are duplicates, as the leaks had been reported from a previous survey. We are working towards process enhancements to resolve duplicate reporting, which will remediate a number of grade 3 backlog leaks.



Enhanced Damage Prevention Program

This section focuses on the reduction of damages to distribution assets. The initiative includes:

- projects to improve the data and information used to locate distribution facilities;
- the addition of a damage prevention specialist to assist in targeted contractor relations and additional presence at projects with a higher potential to damage facilities;
- conduct quality audits and training with our contract locators; and
- the development and implementation of a ticket risk assessment model to predict one-call tickets with a high potential for damage to occur and assign mitigative actions to reduce the likelihood of a damage.

Measures	2016 Data	2017 Data
Number of Locate Tickets	89,303	84,540
Damage Rate (2017 Target 2.10)	2.27	1.85

2017 Status

- The Ohio damage prevention specialist (DPS) engages with excavators both on job sites and in structured educational meetings held throughout the year. The DPS evaluates excavator damage history to work with both their field crews and leadership to create safe excavation practices around pipeline assets.
- Excavators were at-fault for 51% of all 2017 excavation damages. In 2017, there were 29 excavation damages due to the person excavating not using the 811 system and 37 excavations related to the failure to hand dig in the tolerance zone. We have enhanced our 811 awareness messaging to target specific industry groups. We have also increased education around hand tools usage.

Enhanced Damage Prevention Program Measures	2015	2016	2017
Damage Rate	2.53	2.27	1.85
Target	N/A	2.25	2.10

Ticket Risk Assessment

Measure	2016 Data	2017 Data
Number of Ticket Risk Assessment (TRA) Tickets Worked	5,350	7,716

2017 Status

- The TRA team consists of 4 highly trained and experienced contract locator technicians. This program was a key factor in exceeding the 2017 targets and getting Ohio below 2.0 damage rate for the first time.
- 2017 Percent of Total Damages due to Incorrect/Unavailable Records includes Stubs which are 80% of the total.

Damage Reduction Data Improvements

Measure	2016 Data	2017 Data
Percent of Total Damages due to Incorrect/Unavailable Records	7%	16%

2018 Focus

- In 2018, Vectren will continue to educate excavators on safe digging practices and using ticket risk assessment to provide more attention to locate tickets with a higher likelihood of damage.
- Vectren will conduct a pilot main cameraing program to locate and map stubbed off mains/services.
- An additional focus for 2018 is enhancing our public awareness messaging to target stakeholders that are less aware of the state laws and best practices around safe digging.
- The metrics will continue to be evaluated annually to determine program performance and identify enhancements.



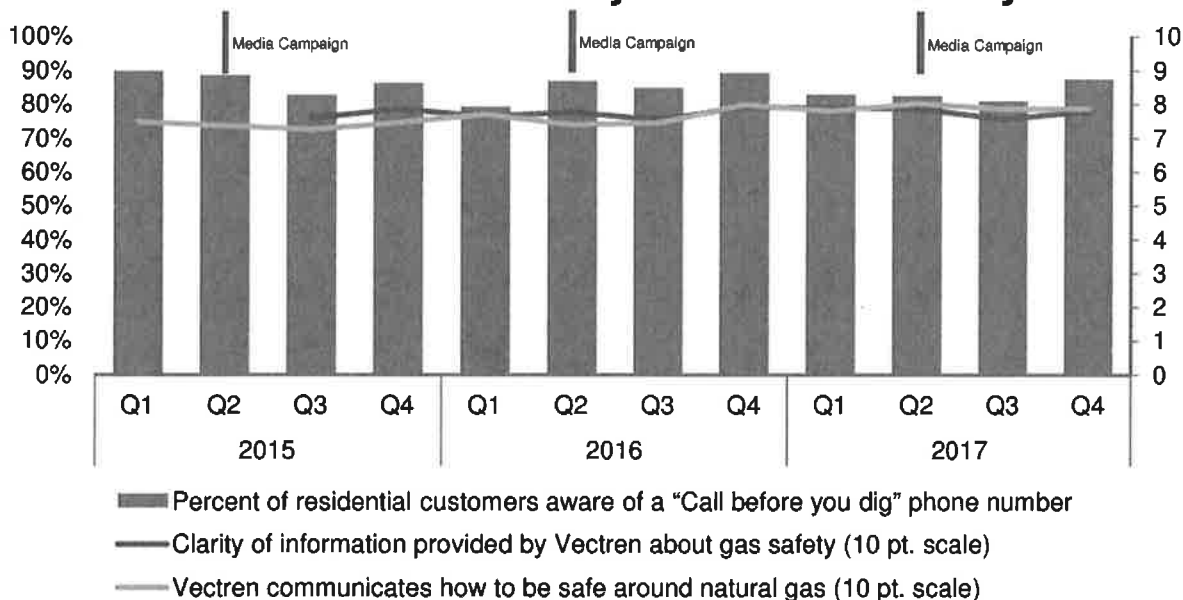
Public Awareness

The focus of this section is to describe the increased communications to support pipeline safety in regard to our increased work within pipeline right-of-way in communities. These communications efforts are directly connected to our pipeline modernization programs and also continue to sustain public awareness of the importance in calling 811 before digging to locate facilities and decrease the chance of a facility damage.

Media	Total Impressions	Click-Throughs	# of Spots
Digital (YouTube, Facebook, Twitter, Pandora, Weather.com, Hulu, Display Ads)	1,957,663	3,629	N/A
Network & Cable TV	2,720,009	N/A	569
Radio	957,000	N/A	186

Data included above is from April–June 2017.

Residential Quarterly Customer Survey



Source: Quarterly Online Customer Satisfaction Survey and Quarterly Online Customer Satisfaction Survey

2017 Status

Awareness campaigns have successfully maintained gas safety and "Call before you dig" phone number awareness within our gas service and pipeline safety working areas.

Awareness communications focused on public notification of pipeline modernization project work in their areas. Messaging was designed to alert customers of the increase in work crews in order to safely navigate around the work zones.

Messaging also reiterated that the pipeline replacement program is to maintain a reliable, safe gas delivery system.

Continued messaging was used to communicate recognizing a gas leak and calling 811 before digging. Messaging media included network and cable television, radio, digital, social media, newspaper, and bill inserts/messaging.



Workforce Training & Qualifications Performance

This section focuses on the increased activities in workforce training and qualifications required by new and increasingly stringent regulations. Vectren evaluated the current operator qualification program, identified activities critical to maintaining and operating the pipeline system, and is increasing hands-on performance evaluation forms (PEFs) to ensure personnel have appropriate training and skills to perform those tasks to ensure pipeline safety, reduce risk, and meet increased regulatory requirements for operator qualification.

Vectren added internal resources dedicated to support the increased training and performance evaluations as well as tracking, reporting, and maintenance of the workforce training and qualification information systems. Vectren utilizes contract and internal resources to develop the content for the training materials, performance evaluations, and simulations.

Covered tasks increased from 48 to 153. Vectren continues to identify additional necessary covered tasks as a result of developing policies and procedures required by new pipeline safety regulations.

Measure	2016 Data	2017 Data
Number of Evaluations Completed and Processed	2,498	1,838
Number of Employees Evaluated	103	132

2017 Status

- Assigned and/or completed 923 new evaluations and other reoccurring tasks from first and second phase PEF deployments, continuing through 2018.
- Continued to review and complete evaluations from the 32 remaining covered tasks identified in the PEF project's third phase (target date of completion of third phase items is June 30, 2018).
- Maintained current qualifications by requalifying employees on items coming due through the end of 2017. In 2016, 97 employees had completed the new training standard and PEFs and in 2017, the number of personnel fully completing the additional PEFs rose to 121.
- Continued to monitor PEF completion rates and audit to ensure any deviation from evaluation protocols is investigated.
- Reviewed covered task list for additional evaluations that may need to be developed, consolidated, or removed based on Vectren's evolving operational requirements/procedures.

2018 Focus

Vectren will continue to develop content for additional tasks for our training programs and conduct performance evaluations to enhance the qualifications of staff for activities impacting gas assets with a target to train all staff performing the additional covered tasks. Vectren expects the number of required covered tasks to fluctuate as it implements new plans, policies, and procedures to comply with new pipeline safety regulations and as updates to Vectren's infrastructure continues.



Pipeline Safety Management System Implementation

This section focuses on the development and implementation of a pipeline safety management system (PSMS) supported by Pipeline Hazardous Materials and Safety Administration's (PHMSA's) "Guidance for Strengthening Pipeline Safety through Rigorous Program Evaluation and Meaningful Metrics" and the American Petroleum Institute (API) issued recommended practice 1173 "Pipeline Safety Management System Requirements." A PSMS is a comprehensive change management lifecycle framework, which drives a safety culture including pipeline safety, employee safety, and public safety.

The PSMS implementation plan includes:

- Organizational restructuring focused on safety
- Implementing a safety control framework
- Increased staff dedicated to managing, planning, developing, and implementing the safety management system including:
 - Documenting processes and developing control points
 - Enhancing the operator qualification plan, the compliance plan, change management process, and the integrity management risk models
 - Performing quality assurance of pipeline safety processes

Measure	2016	2017	2018 (Targets)
Percent Complete of Implementation Plan Milestones	55%	80%	N/A*
Percent Complete of Planned Mitigation Activities	15%	70%	75%
Percent Complete of 2 Year Project Plan Milestones*	N/A	N/A	50%

2017 Status

- 80% of the milestones to develop and implement the foundational elements of the PSMS have been completed.
- Milestone achievements include the development and population of a risk register, evaluation and prioritization of register items to address, and the identification and assignment of mitigating actions.
- 45 risk register items were identified exceeding the initial threshold for evaluation. 70% of the mitigative actions developed to address those items are complete.
- 45 of the 45 risk register items above the threshold for evaluation have been addressed.
- Completed 87 PSMS risk mitigation activities aimed to reduce risk or strengthen controls to determine root cause, establish mitigation plans and process enhancements, and communicate lessons learned.
- Initiated 8 testing plans.
- Conducted a mock drill to test emergency response to a pipeline event detected through Gas Control.
- Vectren volunteered to complete PHMSA's inaugural review of PSMS.
- *Completed PricewaterhouseCoopers (PwC) reassessment and established new 2 year project plan.

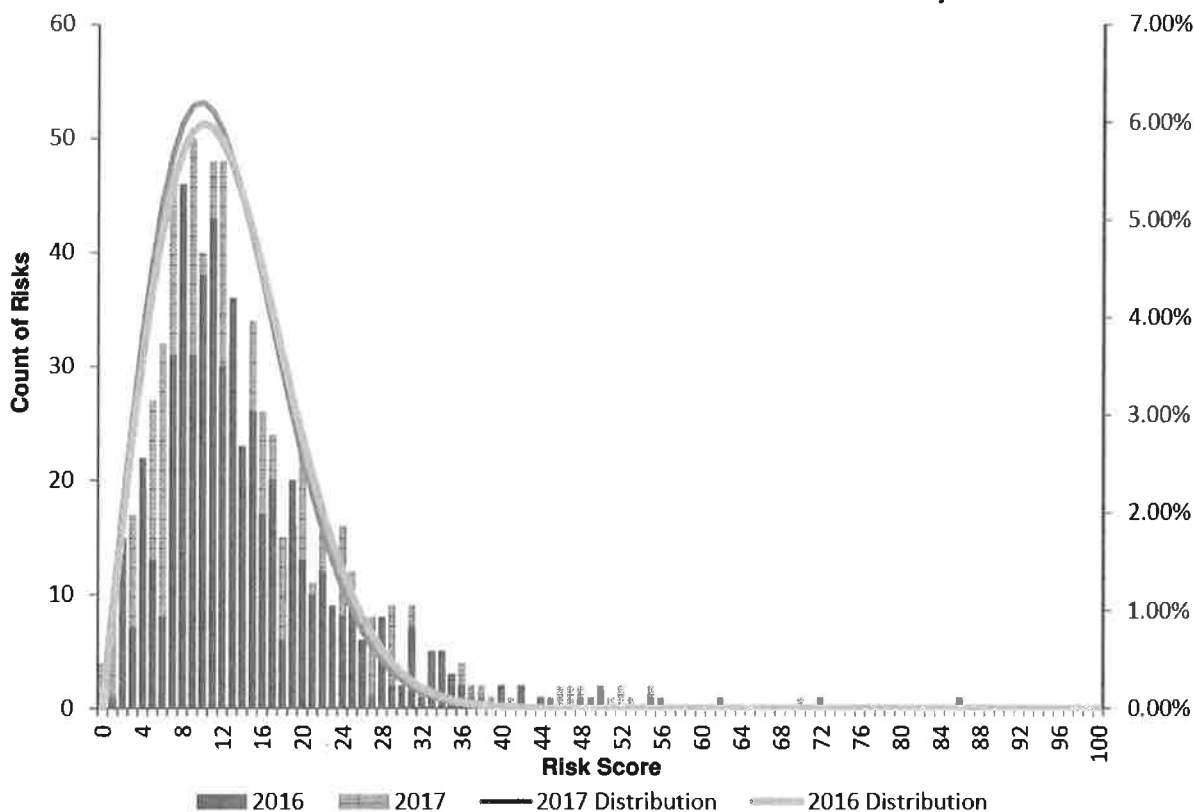
2018 Focus

- Vectren will continue to:
 - execute improvement opportunities for implementation of the PSMS;
 - implement operational control testing processes;
 - conduct activities to maintain the risk register, develop mitigating actions to reduce risk of the reported items, and measure the effectiveness of those activities; and
 - hold communication meetings to report progress on implementation of the PSMS and associated activities to reduce pipeline risk.



Pipeline Safety Management System Implementation

PSMS Risk Score Frequency Distribution with Median-Centered Normal Distribution Curve Overlay



2017 Status

- The PSMS risk register profile shows that the items reported range in risk score from 0 to 87 with the majority falling within the 7–15 range. This initial population provided the baseline, established in 2016, of the PSMS risk register items to compare year-over-year.
- The risk score takes into account the likelihood of the event occurring and the consequence of the event.
- Register items may be added at any time. The entire register listing will be reviewed annually, and risk may be adjusted considering status of mitigative actions, industry events, operational activities, etc.
- Mitigative actions are focused around higher risk register items first.

2018 Focus

- The 2018 focus includes executing the mitigation plans and measuring their impact to the PSMS risk score. The target is an additional 3% reduction.



Enhanced Risk Modeling And Threat Analysis

This section focuses on the progress of developing asset-based risk models, improving the quality and completeness of data on distribution assets, and enhancements to the threat identification and analysis processes by developing additional or more robust reporting, data integration, data mapping, and data viewing tools. This initiative contains many specific projects to enhance the risk modeling and threat analysis processes.

Measure	Year	Status
Develop 2016 Targeted Distribution Risk Models	2016	100%
Implement 2017 Targeted Distribution Risk Models	2017	100%

2017 Status

- In 2017, Vectren has focused on the development of three specific asset-based risk models for distribution assets.

Asset types were evaluated and prioritized for 2017 model building for completion of models covering the asset categories below:

- Pipeline
 - Valves
 - Regulator
- Accomplishments include:
 - Enhanced data extract, transfer, and load process
 - Validated Pipeline model with subject-matter experts (SMEs)
 - Tested outputs for all three models
 - Created maps for easy review for all models
 - Created procedure for running/update models
 - Identified and prioritized data quality enhancements related to risk
 - Dashboard developed for Pipeline
 - Completed Indirect Survey on high pressure distribution (HPD) line



PSMS Risk Register

- We have completed a total of 11 bowties in 2017.
- There is a total of 15 bowties with completed mitigation plans.
- There is a total of 138 action items assigned. 20 were assigned in 2017.
- 80% of 2017 assigned action items are complete.



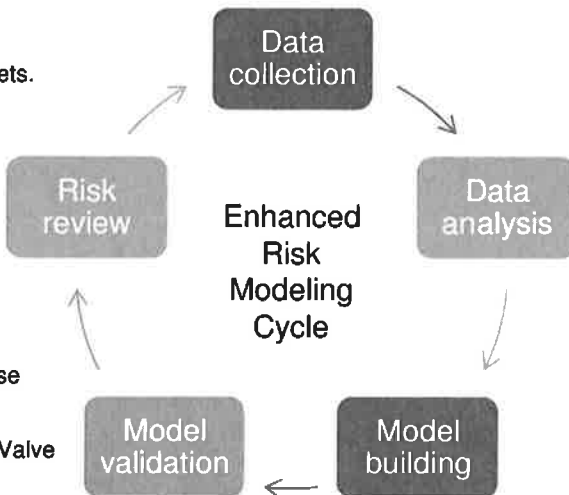
Enhanced Risk Modeling And Threat Analysis

2018 Focus

- In 2018, Vectren will focus on the development of three specific asset-based risk models for distribution assets.

Asset types were evaluated and prioritized for 2018 model building for completion of models covering the asset categories below:

- Service Line
- Meter Setting
- Fitting
- Other risk model initiatives will include:
 - Interface to the modernization project database
 - Cycle of check and adjust on the previously developed models—Pipeline, Regulator, and Valve
- In 2018, there will be a high focus on data to support risk modeling and identify threats. Initiatives include:
 - Develop a data health report for data being used in the distribution risk models
 - Create data governance to direct and approve data projects
 - Complete Indirect Survey for HPD lines
- PSMS Risk Register
 - Continue analyzing asset related risks and threats to develop bowtie analysis and mitigation plans for high risk items.



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Summary: Testimony Supplemental Direct Testimony of James D. Williams in Opposition to the Joint Stipulation and Recommendation electronically filed by Ms. Jamie Williams on behalf of Michael, William Mr.