

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

:

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

:

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

- - -

PROCEEDINGS

before Mr. Gregory Price and Ms. Patricia Schabo,
Attorney Examiners, at the Public Utilities
Commission of Ohio, 180 East Broad Street, Room 11-A,
Columbus, Ohio, called at 10:00 a.m. on Wednesday,
February 20, 2019.

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VOLUME V

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On behalf of the Federal Executive
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OCC EXHIBITS

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No. 15-1741-GA-AAM Summary
and Staff Review and
Recommendations

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1 Wednesday Morning Session,
2 February 20, 2019.

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4 EXAMINER SCHABO: Let's go on the record.

5 The Public Utilities Commission of Ohio
6 has assigned for hearing at this time and place Case
7 No. 18-298-GA-AIR, 18-49-GA-ALT, and 18-299-GA-ALT,
8 being in the Matter of the Application of Vectren
9 Energy Delivery of Ohio, Inc., for Approval of an
10 Increase in Gas Rates and for Approval of Alternative
11 Rate Plans.

12 My name is Patricia Schabo, and with me
13 is Gregory Price. We are the Attorney Examiners
14 assigned by the Commission to hear this case. We are
15 at day five.

16 Mr. Margard, would you like to proceed
17 with your next witness.

18 MR. MARGARD: Thank you, your Honor.
19 Staff would call Mr. Jonathan Borer.

20 (Witness sworn.)

21 EXAMINER SCHABO: Thank you. Please have
22 a seat. State your name and business address.

23 THE WITNESS: Jonathan Borer. My
24 business address is 180 East Broad Street, Columbus,
25 Ohio 43215.

1 EXAMINER SCHABO: Thank you.

2 MR. MARGARD: Your Honor, I've placed
3 before the witness and provided to the court reporter
4 a document marked for purposes of identification as
5 Staff Exhibit No. 6 entitled "Testimony of Jonathan
6 J. Borer."

7 EXAMINER SCHABO: It will so marked.

8 (EXHIBITS MARKED FOR IDENTIFICATION.)

9 - - -

10 JONATHAN J. BORER

11 being first duly sworn, as prescribed by law, was
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 By Mr. Margard:

15 Q. Mr. Borer, do you have Staff Exhibit 6?

16 A. Yes.

17 Q. And can you identify that for me, please.

18 A. This is my testimony.

19 Q. And this is prepared by you or at your
20 direction?

21 A. Yes.

22 Q. Have you had an opportunity to review
23 this prior to taking the stand today?

24 A. Yes.

25 Q. Do you have any changes, corrections,

1 additions of any kind to your testimony?

2 A. I do not.

3 Q. If I were to ask you the questions that
4 are contained in this document, would your responses
5 be the same?

6 A. They would.

7 Q. And in your opinion would those responses
8 be truthful and reasonable?

9 A. They would.

10 MR. MARGARD: Thank you, your Honors. I
11 respectfully move for admission of Staff Exhibit No.
12 6 and tender the witness for cross-examination.

13 EXAMINER SCHABO: Okay. Company?

14 MR. PRITCHARD: The Company has no cross,
15 your Honor.

16 EXAMINER SCHABO: Ms. Petrucci?

17 MS. PETRUCCI: No questions.

18 MR. LESSER: No questions.

19 MS. MOONEY: No questions.

20 EXAMINER SCHABO: I like this.

21 CAPTAIN FRIEDMAN: No questions.

22 EXAMINER SCHABO: OCC?

23 MS. O'BRIEN: No questions.

24 EXAMINER SCHABO: All righty. I
25 believe -- just in case I missed, there is no one

1 else, right?

2 Mr. Borer, you may step down. Thank you.

3 MR. MARGARD: I renew my motion.

4 EXAMINER SCHABO: Any objections to
5 admitting the testimony?

6 Seeing none, it will be admitted.

7 (EXHIBIT ADMITTED INTO EVIDENCE.)

8 MR. MARGARD: Your Honor, Staff would
9 call Joseph Buckley.

10 (Witness sworn.)

11 EXAMINER PRICE: Please be seated and
12 state your name and business address for the record.

13 THE WITNESS: My name is Joseph Buckley.
14 My business address is 180 East Broad Street,
15 Columbus, Ohio 43215.

16 EXAMINER PRICE: Please proceed,
17 Mr. Margard.

18 MR. MARGARD: Thank you, your Honor.
19 Your Honors, I have placed before the witness and
20 provided to the court reporter a document marked for
21 purposes of identification as Staff Exhibit No. 7,
22 the testimony of Joseph P. Buckley.

23 EXAMINER PRICE: It will be so marked.

24 (EXHIBIT MARKED FOR IDENTIFICATION.)

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JOSEPH P. BUCKLEY

being first duly sworn, as prescribed by law, was
examined and testified as follows:

DIRECT EXAMINATION

By Mr. Margard:

Q. Mr. Buckley, do you have before you Staff
Exhibit 7?

A. Yes, I do.

Q. And can you identify this for me, please.

A. It's my prefiled testimony.

Q. And was this prepared by you or at your
direction?

A. It was.

Q. And have you had an opportunity to review
this prior to taking the stand this morning?

A. I have.

Q. And do you have any changes, corrections,
additions, modifications of any time -- any kind to
your testimony?

A. Not at this time.

Q. And if I were to ask you the questions
posed in this testimony, would your responses be the
same?

A. Yes.

Q. And in your opinion are those responses

1 truthful and reasonable?

2 A. I believe they are.

3 MR. MARGARD: Thank you. Your Honors, I
4 respectfully move admission of Staff Exhibit No. 7,
5 subject to cross-examination, and tender the witness.

6 EXAMINER PRICE: We will defer ruling on
7 your motion until after cross-examination.

8 Company?

9 MR. WHITT: No questions, your Honor.

10 EXAMINER PRICE: Ms. Petrucci?

11 MS. PETRUCCI: No questions.

12 EXAMINER PRICE: Mr. Lesser?

13 MR. LESSER: No questions.

14 EXAMINER PRICE: Ms. Mooney?

15 MS. MOONEY: No questions.

16 EXAMINER PRICE: Captain?

17 CAPTAIN FRIEDMAN: No questions.

18 EXAMINER PRICE: Consumers' Counsel?

19 MS. O'BRIEN: I just have a few
20 questions.

21 - - -

22 CROSS-EXAMINATION

23 By Ms. O'Brien:

24 Q. Good morning, Mr. Buckley.

25 A. Good morning.

1 Q. I would like to refer you to page 3 of
2 your testimony and specifically line 7. And there
3 you state that Staff attempted to capture an interest
4 rate policy change at the Federal Reserve; is that an
5 accurate characterization of your testimony?

6 A. I believe it is, yes.

7 Q. So did capturing that policy change
8 involve calculating the 4.66 percent risk-free rate
9 by using Staff's forecasted yield for 30-year
10 treasury bonds?

11 A. It did.

12 Q. And by forecasted would you characterize
13 that term as unknown?

14 A. I don't believe forecasted means unknown,
15 no.

16 Q. Well, would you agree with me that
17 forecasted is different than historical or actual?

18 A. Yes.

19 Q. Now, keeping on page 3, if you move down
20 to line 17 -- actually, I'm sorry. Okay. We are
21 going to move back. Your testimony where you state
22 that you've been employed by the PUCO since 1987; is
23 that correct?

24 A. Correct.

25 Q. Okay. On how many rate cases have you

1 worked?

2 A. I don't know, quite a few.

3 Q. Okay. Would you say 50?

4 A. I don't know. I really don't know. I
5 wouldn't venture a guess. It's more than a dozen, I
6 know that.

7 Q. Okay. So in your experience, does Staff
8 typically use a forecasted bond yield or historical
9 in calculating the return?

10 A. Staff has -- has recently tried to --
11 within the last seven years or so tried to modify the
12 whole rate of return calculation, how we go about
13 doing it, and we are trying to make incremental steps
14 to make the calculation more reasonable, more
15 transparent, and more accurate, we think.

16 So there -- that is not the only change
17 that we've made. We're trying to work through things
18 so to say that we haven't done it, there is a lot
19 of -- a lot of changes that we're trying to make, and
20 part of this is based on the calculations that we're
21 making and using CAPM. Some of the interest rates,
22 some of the way we've always calculated that -- that
23 factor have resulted in answers that are just
24 reckless.

25 MS. O'BRIEN: Your Honor, I would move to

1 strike Mr. Buckley's answer. My question was in his
2 experience has Staff typically used forecasted bond
3 yield or the historical bond yield in calculating the
4 rate of return.

5 EXAMINER PRICE: I think it is a rather
6 open-ended question, and I think he took advantage of
7 it to explain why they do not. Overruled -- or
8 denied.

9 Q. (By Ms. O'Brien) And are you familiar --
10 since you've worked on rate cases, are you familiar
11 with the recent Dayton Power and Light rate case in
12 Case No. 15-18-EL-AIR, et al.?

13 A. I know that Dayton had a recent rate
14 case. I don't recall the specifics about it. I
15 would have to look, but I do recall they had a rate
16 case, and I don't know if that's the right case
17 number or not, but I assume it is.

18 Q. Okay. Did you work on that case?

19 A. I believe I did, but I wouldn't swear to
20 it. I don't really recall. I think I did.

21 Q. So you're not aware of the risk-free
22 return that Staff used for the Capital Asset Pricing
23 Model in that case?

24 A. I don't recall it offhand.

25 Q. Are you aware of whether the return was

1 calculated using forecasted yields for treasury
2 bonds?

3 A. I don't remember, no.

4 Q. In your experience, does using the
5 historical or known data in making the return
6 calculation rather than the forecasted data
7 facilitate a more reliable result?

8 A. I would not venture to guess what
9 reliable results mean. I'm -- I'm struggling with
10 that characterization of our calculation.

11 Q. Okay. But you would agree with me that
12 forecasted data is data that's not known as opposed
13 to historical data is data that is known?

14 MR. MARGARD: I'll object to the
15 characterization. The witness has already indicated
16 he doesn't believe that forecasted means not known or
17 unknown.

18 EXAMINER PRICE: Overruled. He can
19 answer if he knows.

20 THE WITNESS: Could you repeat the
21 question or reread the question, please.

22 (Record read.)

23 A. I would say that historical data has been
24 observed. But in calculating a rate of return,
25 you're -- you're calculating something that's going

1 on into the future, so I don't believe using
2 forecasted interest rates is inappropriate at all.

3 MS. O'BRIEN: Okay. I would move to
4 strike everything after "observed."

5 EXAMINER PRICE: Well, I allowed your
6 question over Mr. Margard's objection. I think we
7 should allow the witness to explain his answer.
8 Denied.

9 MS. O'BRIEN: Thank you, your Honor.

10 Q. (By Ms. O'Brien) But it's true, isn't it,
11 that historical test years were used in determining
12 rate case expenses; isn't that correct?

13 A. I haven't calculated rate case expenses,
14 and I don't know exactly how they are calculated.

15 Q. Okay. Now, I want to refer you again to
16 your testimony on page 3, beginning at line 4. And
17 there you discuss the Federal Reserve interest rate
18 policy. And you state on lines 5 to 6 that the
19 quantitative easing period has recently been wrapped
20 up. What do you mean by "quantitative easing
21 period"?

22 A. Without getting too far into the woods, I
23 think that interest rate policy was set below market
24 rates.

25 Q. Okay. And can you tell me whether you've

1 ever worked for the Federal Reserve?

2 A. I have not.

3 Q. What specifically qualifies you to
4 forecast interest rates in the United States?

5 A. I didn't forecast them. I took published
6 forecasts and used those. Again, the Staff's goal is
7 to try to create transparency, and by using
8 information that is provided by two different
9 sources, we feel like that we're creating that
10 transparency, so we are not actually forecasting the
11 rates. We're using for -- rates that have already
12 been forecasted.

13 Q. And which sources are you referring to?

14 A. We used forecasts that are published by
15 the U.S. Bureau of Labor Statistics and that are
16 published by the U.S. Energy Information
17 Administration.

18 Q. Can you tell me whether Staff regularly
19 uses these sources to forecast interest rates or use
20 those forecasts in determining the risk-free rates?

21 A. I'm not sure what regularly -- we've done
22 that before. I don't know what regularly would mean.

23 Q. Is it Staff's practice to rely on
24 those -- on those forecasts in determining the
25 interest rate?

1 A. We have used that before. We don't
2 always use that. Again, I go back to my answer to a
3 previous question. We're constantly looking at ways
4 to make the process better. And we're -- if -- if
5 the current process is producing something that's
6 just a reckless result, we are not just going to say,
7 oh, that's what we've always done. That's the number
8 we are going to come up with.

9 We look at averages nationwide to see
10 what other jurisdictions are granting in a rate of
11 return. I don't believe talking about each
12 individual piece, part of the calculation and arguing
13 about it is -- is valid because you are looking at
14 the end result. And if the end result is reckless,
15 you have to think of a better way to do it.

16 And in one of the ways we are trying to
17 really improve is to be more transparent in the way
18 we are doing it so there's not a lot of bias
19 introduced into the calculation.

20 Q. Okay. What do you mean by "reckless," "a
21 reckless result"?

22 A. "A reckless result" would be something
23 that is either -- outside a reasonable range either
24 high or low.

25 Q. And do you believe that the risk-free

1 rates that Staff has calculated in the past, do you
2 believe those are reckless?

3 A. Again, I'm not looking at the individual
4 pieces, parts of the calculation. It would be the
5 final number that you come up with would be what you
6 would characterize as reckless, not -- not the
7 individual components of any calculation.

8 MS. O'BRIEN: No further questions.
9 Thank you.

10 EXAMINER PRICE: Redirect?

11 MR. MARGARD: I have no redirect, your
12 Honor.

13 - - -

14 EXAMINATION

15 By Examiner Price:

16 Q. I have a couple of questions. I just
17 wanted to make sure the record is complete here.
18 Mr. Buckley, in 2008, we had an economic event, did
19 we not?

20 A. Yeah, on or around there, yes.

21 Q. And what was it called?

22 A. The Great Recession, I think.

23 Q. And would you say that in your knowledge
24 that was a historic economical event, I don't want to
25 say unprecedented, but the worst recession since the

1 Great Depression?

2 A. In our -- in our lifetimes I would think
3 that it would be an unprecedented event.

4 Q. And according to your knowledge, the
5 Federal Reserve took extraordinary steps at that time
6 in terms of interest rate policy.

7 A. They did, yes.

8 Q. Including quantitative easing.

9 A. Yes. That was one of the methods that
10 they used.

11 Q. And so regardless of what Staff did
12 historically, beginning around 2008, we had an
13 entirely different interest rate environment than we
14 would have had previously; is that correct?

15 A. Correct. And that made it very difficult
16 to use the methods that we have been using for a long
17 time because, again, I think if we use those methods
18 and simply inputted the numbers that we had always
19 used, I think we would get -- we would have gotten
20 reckless results.

21 Q. And in the last two years or so, I am not
22 sure of the date, Federal Reserve has announced they
23 are no longer engaging in quantitative easing. They
24 are phasing out the quantitative easing; is that
25 correct?

1 A. Yes. They're looking at interest rate
2 policy and trying to get back to the norm with it.

3 Q. And you were asked about the Dayton Power
4 and Light rate case 15-80-EL-AIR, I think is the case
5 number. That case was filed in 2015, was it not?

6 A. It was.

7 Q. And just based upon your general
8 knowledge, you would assume if a case was filed in
9 2015, the test year would have been sometime around
10 2014, 2015?

11 A. Correct.

12 Q. And that was before the Federal
13 Government announced they were backing off
14 quantitative easing.

15 A. I believe it was.

16 EXAMINER PRICE: That's all I have.
17 You're excused.

18 Mr. Margard.

19 MR. MARGARD: I renew my motion.

20 EXAMINER PRICE: Any objection to the
21 admission of Staff Exhibit 7?

22 Seeing none, it will be admitted.

23 (EXHIBIT ADMITTED INTO EVIDENCE.)

24 EXAMINER SCHABO: Would you like to go
25 off the record for a moment?

1 Could we go off the record, please.

2 (Discussion off the record.)

3 EXAMINER SCHABO: Let's go back on the
4 record.

5 Mr. Margard.

6 MR. MARGARD: Thank you, your Honor. The
7 Staff would call Mr. David Lipthratt.

8 (Witness sworn.)

9 EXAMINER SCHABO: Thank you. Please have
10 a seat. State your name and business address for the
11 record.

12 THE WITNESS: David Lipthratt, 180 East
13 Broad, Columbus, Ohio 43215.

14 MR. MARGARD: Your Honors, I've placed
15 before the witness and provided to the court reporter
16 a document marked for purposes of identification as
17 Staff Exhibit No. 8, testimony in response to
18 objections to the Staff Report of David M. Lipthratt.

19 EXAMINER SCHABO: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

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DAVID M. LIPTHRATT

being first duly sworn, as prescribed by law, was
examined and testified as follows:

DIRECT EXAMINATION

By Mr. Margard:

Q. Mr. Lipthrott, do you have before you
what has been marked as Staff Exhibit No. 8?

A. Yes, sir.

Q. And can you identify that document for
me, please.

A. That's my prefiled testimony.

Q. And was this prepared by you or at your
direction?

A. Yes, sir.

Q. Did you have an opportunity to review
this document prior to taking the stand today?

A. I have.

Q. Do you have any changes, corrections,
modifications of any sort?

A. Yes, one correction.

Q. And where is that, please, sir?

A. It's on page 3, line 21, where it states
"The Staff person assigned to this are" should be
"area." So it would read "The Staff person assigned
to this area of review."

1 Q. Thank you, sir. Any others?

2 A. No, sir.

3 Q. If I were to you ask the questions that
4 are contained in this document today, would your
5 answers be the same?

6 A. Yes.

7 Q. And in your opinion would those responses
8 be truthful and reasonable?

9 A. Yes, sir.

10 MR. MARGARD: Thank you, your Honor. I
11 respectfully move the admission of Staff Exhibit No.
12 8, subject to cross-examination, and tender the
13 witness.

14 EXAMINER SCHABO: We'll defer on that
15 until we're done with cross-examination.

16 Start with the Company.

17 MR. KENNEDY: No cross from the Company.

18 EXAMINER SCHABO: Okay. Ms. Petrucci?

19 MS. PETRUCCI: No questions.

20 EXAMINER SCHABO: Mr. Lesser?

21 MR. LESSER: No questions, thank you.

22 EXAMINER SCHABO: Ms. Mooney?

23 MS. MOONEY: No questions.

24 EXAMINER SCHABO: Captain?

25 CAPTAIN FRIEDMAN: No questions, your

Honor.

EXAMINER SCHABO: And OCC?

MS. BOTSCHNER-O'BRIEN: Thank you, your Honor.

- - -

CROSS-EXAMINATION

By Ms. Botschner-O'Brien:

Q. Good morning.

A. Good morning.

Q. In your position of Chief of the Research and Policy Division of the Rates and Analysis Department, you address OCC objection 4 that the PUCO Staff failed to establish reasonable ongoing costs for the Distribution Accelerated Risk Reduction, or DARR, Program on pages 3 and 4 of your testimony; is that correct?

A. I address OCC objection 4 and 5, yes.

Q. And are you generally familiar with Vectren's filing to establish its DARR deferrals in Case No. 15-1741 such that you have some knowledge of Vectren's DARR Program?

A. I have some knowledge.

Q. And are you aware that Vectren's application included timelines for each initiative to produce program estimates for three years from 2015

1 through 2018; is that correct?

2 A. Yes.

3 Q. Do you agree that the DARR was designed
4 as a three-year program deferral?

5 A. That's not my understanding but I could
6 be wrong on that.

7 Q. What is -- what was your understanding of
8 that program?

9 A. In regards to deferral, I don't recall
10 there being a three-year timeline on it.

11 Q. Okay. I believe you are talking about
12 the deferral. I am referring to the program. Would
13 you agree it was a three-year program?

14 A. I relied on key Staff members in -- in
15 obtaining my understanding of the DARR program. I
16 can't speak to if it was originally intended to be a
17 three-year program.

18 MS. BOTSCHNER-O'BRIEN: Okay. Your
19 Honor, may I approach the witness?

20 EXAMINER PRICE: You may.

21 EXAMINER SCHABO: You may.

22 MS. BOTSCHNER-O'BRIEN: Your Honor, may I
23 approach the witness again?

24 EXAMINER SCHABO: You may.

25 Q. Okay. You indicated you have familiarity

1 with Vectren's application for the DARR Program.
 2 I've handed you Vectren's application -- Application
 3 of Vectren Energy Delivery of Ohio for Authority to
 4 Establish the Regulatory Asset, Case No. 15-1741.
 5 Could you turn to Attachment A.

6 MR. MARGARD: Your Honor, if I can
 7 clarify, the witness indicated he had some general
 8 familiarity with the proceeding. I am not sure he
 9 indicated how much familiarity he had with the
 10 application.

11 MS. BOTSCHNER-O'BRIEN: Would the witness
 12 be able to speak for himself?

13 EXAMINER SCHABO: If you ask him a
 14 question as to whether or not he is aware of it.

15 MS. BOTSCHNER-O'BRIEN: Sure.

16 Q. (By Ms. Botschner-O'Brien) Do you have
 17 any -- do you have familiarity with Vectren's
 18 application?

19 A. Not so much the application, the initial
 20 application.

21 Q. Do you have familiarity with Vectren's
 22 program?

23 A. Yes.

24 Q. Okay. The program is described -- the
 25 programs are described on Attachment A, page 5 of 15.

1 A. Which -- which document? You handed me
2 two.

3 Q. This is the application, Vectren's
4 application for its DARR Program.

5 A. Page 5 of 15? Okay.

6 Q. Middle of the page. Sentence reads
7 "Vectren evaluated internal and contracts resource
8 needs and timelines for each initiative to produce
9 program estimates from 2015 through 2018"; is that
10 correct?

11 A. Actually I am still looking for that.

12 Q. That is in the middle of the page between
13 the two charts, first sentence.

14 A. Two charts? Page 5 of 15? Perhaps -- I
15 am on the Application of Vectren Energy Delivery --

16 Q. Attachment A.

17 A. Oh, I'm sorry.

18 Q. Sorry. Attachment A, page 5 of 15.

19 A. Okay.

20 Q. First sentence in the middle of the two
21 charts.

22 A. I see it now.

23 MR. KENNEDY: Your Honor, we would like
24 to object to foundation. I don't know if the
25 foundation has been laid this witness is familiar

1 with this particular document that she's reading into
2 the record.

3 EXAMINER SCHABO: I'll sustain that.
4 Lay a foundation, please.

5 Q. Mr. Lipthratt, are there any documents
6 that would refresh your recollection as to the length
7 of the program?

8 A. I can't speak to which documents would,
9 you know, recollect my memory given that I don't
10 recall it, so it's hard to say which documents might.

11 MS. BOTSCHNER-O'BRIEN: Okay. Your
12 Honors, since this is a publicly-filed document,
13 could we just take administrative notice of this
14 document, please?

15 EXAMINER SCHABO: We can take
16 administrative notice of the document but that
17 doesn't mean that he's ever seen it and is subject to
18 questioning on it.

19 MS. BOTSCHNER-O'BRIEN: Right. I
20 understand that.

21 EXAMINER SCHABO: Okay. Are there any
22 objections to the Bench taking administrative notice?

23 MR. KENNEDY: No.

24 MR. MARGARD: No.

25 EXAMINER SCHABO: Okay. We shall take

1 administrative notice of the application filed
2 October 9, 2015, in Case No. 15-1741-GA-AAM.

3 Q. Are you -- are you aware PUCO approved
4 Vectren for the DARR Program?

5 A. Yes, ma'am.

6 Q. Based on your understanding, what is the
7 purpose of the DARR?

8 A. It was -- the program was established to
9 allow accelerated risk reduction programs to
10 basically do that, address areas of risk with the
11 infrastructure to a -- enable the utility to provide
12 safer, more reliable service.

13 MS. BOTSCHNER-O'BRIEN: May I approach
14 the witness?

15 EXAMINER SCHABO: You may.

16 Q. I've handed you the PUCO order
17 authorizing approval of the DARR. According to the
18 order authorizing the DARR, turning to page 3 of the
19 order --

20 MR. KENNEDY: Objection, foundation.

21 MS. BOTSCHNER-O'BRIEN: The witness just
22 said he is familiar -- he understands the PUCO
23 approved the DARR Program.

24 MR. KENNEDY: There's been no questioning
25 laid to determine if the witness reviewed this order

1 or is familiar with this particular Commission order.

2 EXAMINER SCHABO: Sustained.

3 MS. BOTSCHNER-O'BRIEN: He would -- he
4 would have -- could I respond?

5 EXAMINER SCHABO: Sure.

6 MS. BOTSCHNER-O'BRIEN: He would have to
7 have some familiarity with the order to have an
8 understanding of the program. The program -- the
9 order authorized the program.

10 MR. MARGARD: Your Honor, the fact that
11 the program was authorized does not necessarily mean
12 that the witness is familiar with the specifics that
13 are contained in the Commission order. In addition,
14 of course, the Commission order speaks for itself.
15 There is no reason for us to go through the specific
16 provisions in the Commission's order.

17 Q. (By Ms. Botschner-O'Brien) Have you
18 reviewed the order?

19 EXAMINER SCHABO: You may answer that
20 question.

21 A. I do not recall reviewing this order.

22 Q. Are you familiar with any of the
23 finding -- any of the findings or conclusions in the
24 order?

25 A. Because I am not aware of the order, I'm

1 not sure if I'm aware of them.

2 Q. What is your understanding of what the
3 PUCO directed Staff to do in light of this order?

4 MR. KENNEDY: Objection, calls for a
5 legal conclusion.

6 EXAMINER SCHABO: I'll allow that
7 question. You may answer.

8 A. My understanding is that Staff would work
9 with the Company to allow -- or to establish certain
10 initiatives and metrics to address risk and the
11 associated spending with those programs would be
12 deferred, Staff would review those on an annual
13 basis, and to track the performance of -- the
14 performance against those standards.

15 Q. Okay. So you are not familiar with the
16 order, but you are familiar with the cost recovery;
17 is that what you would say or?

18 A. The cost recovery was in -- is in this
19 case; so, yes, I am familiar with cost recovery.

20 Q. Okay. Would you accept the order --
21 subject to check, that the order required Vectren to
22 file annual reports?

23 A. I'm aware of that.

24 Q. You are aware of that.

25 A. Yes.

1 Q. Okay. Would you accept that the order
2 required that Vectren is to file baseline performance
3 levels to reach the safety initiative?

4 A. Vaguely, yes.

5 Q. Good. Okay. Would you accept that the
6 order required the annual report include state
7 performance improvements compared to baselines
8 results of ongoing and future investigations?

9 MR. KENNEDY: Objection to this line of
10 questioning. I mean, she is asking him about an
11 order he said he didn't -- wasn't aware of, and now
12 she is basically trying to read her interpretation of
13 the order into the record.

14 MS. BOTSCHNER-O'BRIEN: It's not
15 interpretation. It's right from the order, but he --
16 he is aware of what Staff is required to do. He flat
17 out said that.

18 MR. KENNEDY: Well, you are not asking
19 him those questions. You are asking him what the
20 order required Staff to do. If you want to ask him
21 questions about what he thinks Staff is supposed to
22 do, I think that's acceptable.

23 MS. BOTSCHNER-O'BRIEN: I thought that's
24 what I was saying. Okay.

25 EXAMINER SCHABO: Can we avoid reading

1 directly from the order to ask your questions --

2 MS. BOTSCHNER-O'BRIEN: Sure.

3 EXAMINER SCHABO: -- and proceed with
4 asking him what his understanding of the program is?

5 MS. BOTSCHNER-O'BRIEN: Sure.

6 Q. (By Ms. Botschner-O'Brien) Is it your
7 understanding that the program required Staff to --
8 Mr. Lipthrott, just not looking at the order.

9 A. I don't know what I am looking at. I am
10 looking at the annual report.

11 Q. Oh, we can look at that too. Would you
12 like to look at that?

13 A. I can look at anything you want me to
14 look at.

15 MR. WHITT: Look over here.

16 MR. MARGARD: No, no.

17 Q. Would you accept that Staff is
18 required -- that Vectren is required to file annual
19 reports detailing the DARR deferred expenses?

20 A. Yes.

21 Q. That Vectren is required to file baseline
22 performance levels for each safety initiative?

23 A. That's my understanding.

24 Q. Okay. That's all I was getting at.

25 EXAMINER SCHABO: Okay.

1 Q. Would you accept that the reports that
2 Staff -- that your department reviews should also
3 indicate efforts towards identifying efficiencies and
4 implementing cost savings measures? Would that be
5 one of the things the annual reports should show?

6 A. Can you restate your question?

7 Q. The annual reports that Vectren is
8 required to file that Staff reviews, that you said
9 Staff reviews, are required to indicate and identify
10 efficiencies and cost savings measures?

11 A. I believe that's correct.

12 Q. Okay. Thank you. And Vectren has filed
13 those reports; is that correct?

14 A. That is correct.

15 Q. And Staff has reviewed those reports; is
16 that correct?

17 A. Yes.

18 Q. Okay.

19 MS. BOTSCHNER-O'BRIEN: May I approach
20 the witness?

21 EXAMINER SCHABO: You may.

22 MS. BOTSCHNER-O'BRIEN: Let the record
23 reflect I've handed Mr. Lipthrott Staff's review of
24 DARR's annual report for August of 2017 and August of
25 2018.

1 EXAMINER PRICE: Do you want it marked as
2 an exhibit?

3 MS. BOTSCHNER-O'BRIEN: I actually think
4 we can take -- these are public documents. I don't
5 think we need it as an exhibit.

6 EXAMINER SCHABO: Let's mark them. You
7 certainly don't need to move to admit them but let's
8 mark them for clarity of the record, please. So we
9 would be at OCC Exhibit 7. Does that sound right?

10 MS. BOTSCHNER-O'BRIEN: Should -- why
11 doesn't one be 7 and one be 7A since they are two?

12 EXAMINER SCHABO: So we will mark as OCC
13 7 the August 30, 2017, and as OCC 7A the document
14 dated August 29, 2018.

15 MS. BOTSCHNER-O'BRIEN: Thank you.

16 EXAMINER SCHABO: Thank you.

17 Q. (By Ms. Botschner-O'Brien) Mr. Lipthratt,
18 you are one of the cosignatories of these reports,
19 are you not?

20 A. That's correct.

21 Q. Okay. In the 2017 report that you are
22 holding, turn to Staff review and recommendations.
23 Staff -- you are one of the authors of this report,
24 correct?

25 A. Yes, as I previously stated.

1 Q. Staff took no position on the future cost
2 recovery of the DARR Program deferrals; is that
3 correct? You can refer to the document.

4 A. Yeah. I'm thinking through your
5 question.

6 Q. Okay.

7 A. So your question is that Staff took no
8 issue in our Staff letter on the future recovery of
9 these deferred expenses.

10 Q. On the cost recovery of the DARR Program
11 deferrals at that time.

12 A. No, not at this time.

13 Q. Okay. And in the 2018 report, Staff
14 again did not form an opinion on costs but concluded
15 that the DARR deferral should cease given Vectren's
16 treatment of the DARR as part of its base rate
17 application and that Staff would look at the costs in
18 that case; is that correct?

19 A. I don't -- I don't recall. Part of that
20 is correct. I don't think there was an explicit
21 statement that the costs would be reviewed in the
22 rate case. I think that's implicit unless it's in
23 there, I don't recall, but I don't think it's
24 explicitly stated.

25 Q. Does Staff have a responsibility to

1 review costs?

2 A. Yes.

3 Q. On page -- putting aside those for a
4 moment, your reviews and recommendations on page 4 of
5 your testimony, are you there?

6 A. Yes.

7 Q. Okay. You state that Staff discovered
8 that costs associated with the DARR Program were not
9 fully reviewed during the rate case investigation and
10 that "After discovering its error, Staff conducted an
11 expedited and limited review of these accounts"; is
12 that correct?

13 A. I don't think I used the word "fully" as
14 you stated. In my testimony I state Staff did not
15 conduct an isolated review.

16 Q. Mr. Lipthrott, could you turn to the line
17 3.

18 A. I see it now.

19 Q. On page 4.

20 A. Okay.

21 Q. Okay. Could you read what line 3 says.

22 A. Just line 3?

23 Q. Right.

24 A. "Therefore costs associated with this
25 program were not fully reviewed during." That's the

1 end of line 3.

2 Q. You can go on to line 4.

3 A. "The rate case investigation."

4 Q. Thank you. And you state that "After
5 discovering its error, Staff conducted an expedited
6 and limited review of these accounts."

7 A. That's correct.

8 Q. Okay. Thank you. What does "limited
9 review" mean from your perspective?

10 A. In this context a limited review was that
11 whereas in -- if this -- what had happened is that
12 we -- Staff mistakenly understood that these expenses
13 were normal O&M expense accounts. However, given
14 that they were deferred, they were in a regulatory
15 account. They were not captured in the extensive
16 expense review.

17 Upon learning of this information, Staff
18 through institutional knowledge in these annual
19 reviews combined with the data requests that were in
20 our possession, we went through a review to determine
21 if the expenses that had been deferred annually were
22 reasonable and appropriate given our understanding of
23 the program, our interactions with the Company on an
24 annual basis, our previous recommendations in the
25 annual reports, and the followthrough that the

1 Company performed in those areas, we felt those
2 expenses were appropriate for inclusion.

3 Q. So after three years of deferrals, this
4 sort of limited review, is this appropriate in your
5 opinion?

6 A. In this case I believe it's appropriate.

7 Q. Can you explain your reasoning, please.

8 A. Why I believe it's appropriate?

9 Q. Yes.

10 A. Because our understanding of this program
11 we had key Staff members that have been very heavily
12 involved in this program for the in -- from the
13 beginning. We had -- at least once, maybe twice a
14 year, we had meetings with the company. We had a
15 very good understanding, Staff did collectively, of
16 these programs and the expenses that were being
17 deferred and incurred on an annual basis.

18 With any audit there are -- not
19 100 percent of every account is fully verified.
20 That's the purpose of auditing their sampling that
21 has occurred. We are talking about \$10 million
22 amortized over five years less than 3 percent of the
23 total expenses included in the rate case, given our
24 institutional knowledge of this program, the
25 expenses, and the subsequent investigation that

1 occurred after learning of this issue, I felt that we
2 had a very good, reasonable comfort level with these
3 expenses to have them included in the rate case.

4 Q. Thank you. So laying out the Staff
5 Report from 2017 that you have, Staff Report from
6 2018 that you have, and your testimony, it looks like
7 DARR costs weren't looked at in 2017, nothing was
8 done in 2018 as indicated in these Staff reviews --

9 A. I'm sorry. Go ahead.

10 Q. Okay. And you're saying that Staff
11 didn't conduct an isolated review, but it was an
12 expedited and limited review.

13 A. I just --

14 MR. KENNEDY: Objection to form of that
15 question. I felt like there was a lot of parts going
16 on there.

17 EXAMINER PRICE: Compound?

18 MR. KENNEDY: Yes.

19 EXAMINER PRICE: Sure.

20 Q. DARR costs hadn't been looked at until
21 this case in any way, and at that time it was an
22 expedited and limited review; would that be correct?

23 A. No, that would not be correct.

24 Q. That is what your testimony says.

25 A. That is not what my testimony says.

1 Q. Okay.

2 A. Nowhere in my testimony do I state that
3 costs have not been looked at in subsequent annual
4 reviews.

5 Q. Isn't it true on page 4 and 5 -- 4 to 6
6 of your testimony you state "After discovering its
7 error, Staff conducted an expedited and limited
8 review of these accounts"?

9 A. The deferrals. May I clarify?

10 Q. Yes, please.

11 A. What I think you are getting to in the
12 annual reviews we are looking at costs. We are
13 accountants. That's what we like to do. We were
14 looking at costs. Is it the type of auditing that
15 would occur in a rate case? Not entirely but we are
16 reviewing costs. We are asking questions. We are
17 reviewing, tracking, monitoring. We are looking at
18 costs.

19 Q. Okay. Great.

20 EXAMINER PRICE: Can he finish his
21 answer?

22 Q. Are you finished?

23 A. I'm fine.

24 Q. You can go on.

25 A. I'm done.

1 Q. Are you sure?

2 A. Asked and answered. I'm done.

3 Q. Thank you. I didn't want to cut you off.
4 Let me ask you -- I understand what you're saying.
5 Where are the results of Staff's -- where is the
6 result of Staff -- where did the -- let me rephrase
7 that question so it doesn't sound...

8 Where did Staff's review manifest itself?
9 Did you file an addendum to the Staff Report? Any
10 sort of supplement to the Staff Report? There's
11 nothing in the record about this.

12 A. It is in the Staff Report. I'm not sure
13 I understand your question. The Staff Report
14 includes these costs, and given that Staff felt it
15 was appropriate for inclusion, I believe it's on
16 page -- it's multiple places. There is a write-up.
17 There's schedules. It's many places.

18 Q. Do you have the Staff Report with you?

19 A. I do.

20 Q. Good. Can you point to me where you
21 might be referring? That would be really helpful.

22 A. Yeah. Just one example, page 91 of the
23 C-3, the second column, if you will, "DARR & IM
24 Program Expenses," there is a reference there. You
25 could also refer to page -- or Schedule C-3.17.

1 There's subsequent workpapers associated with that
2 that I think OCC has in its possession given that you
3 have Staff's revenue model. The DARR is spoken to on
4 page 16. Those are a few of the examples.

5 Q. Okay. You just referred to page 91,
6 Schedule C-3, correct?

7 A. Yes.

8 Q. Okay. Schedule C-3.17.

9 A. Yes.

10 Q. And for Total Operation and Maintenance
11 Expenses DARR, can you read what that number says?

12 A. Where are you at?

13 Q. Schedule C-3.17 that you just referred
14 to.

15 A. Okay.

16 EXAMINER PRICE: Don't be testy with the
17 witness.

18 MS. BOTSCHNER-O'BRIEN: I'm sorry. I
19 certainly don't mean to be.

20 Q. Schedule C-3.17.

21 A. What line?

22 Q. Under "Operation and Maintenance
23 Expenses," line 24.

24 A. You are actually looking at Schedule
25 3.17, or you are looking at the C-3?

1 Q. I thought you just referred us -- you
2 were talking about page 91 and so that's where I went
3 in the Staff Report.

4 A. That's actually the C-3. The detail of
5 the C-3.17 is for the DARR. It rolls into the C-3.
6 So which would you like me to refer to?

7 Q. Let's -- let's refer to page 91, Schedule
8 C-3.

9 A. Okay.

10 Q. Okay. "Total Operation and Maintenance
11 Expenses," line 24.

12 A. I see it.

13 Q. Can you read that number?

14 A. \$3,058,682.

15 Q. And this is the Staff Report. On this
16 has that 3 million -- 3,058,682 number changed since
17 the Staff Report?

18 A. Yes, I believe we updated the DIMP and
19 TIMP, so the value associated with this has been
20 updated. I don't recall exactly off the top of my
21 head.

22 Q. Where is that update then?

23 A. That would be as part of the stipulation.

24 Q. Do you have the stipulation?

25 A. I do.

1 Q. Thank you. Okay. If you have the
2 stipulation then.

3 A. I do.

4 Q. Okay. Can you turn to Joint Exhibit 2,
5 page 18 of 19 of the stipulation.

6 A. I'm there.

7 Q. Okay. Great.

8 MR. KENNEDY: Your Honor, the Company is
9 going to object at this point since this is the
10 testimony of Mr. Lipthratt's objections to the Staff
11 Report. He was previously on the stand Phase 1 for
12 his support of the stipulation testimony.

13 MS. BOTSCHNER-O'BRIEN: Your Honor, we
14 can't get -- Mr. Lipthratt indicated the number
15 changed. We are trying to get at this.

16 EXAMINER SCHABO: Let's see where we go.

17 MS. BOTSCHNER-O'BRIEN: You can't look at
18 this in complete isolation as Mr. Kennedy would like.

19 ATTORNEY EXAMINER: Ma'am, let's see
20 where this goes. You may ask your question.

21 MS. BOTSCHNER-O'BRIEN: Okay.

22 Q. (By Ms. Botschner-O'Brien) Okay. Joint
23 Exhibit 2.8, page 18 of 19.

24 A. I'm there.

25 Q. Okay. Line 24, Schedule C.17B.

1 A. Which --

2 Q. That may refresh your recollection of the
3 new number. What is that new number now?

4 A. Just to be clear, you are referring to
5 the Schedule C-3.17?

6 Q. Yes, page 18 of 19.

7 A. All right. That new number is
8 \$4,434,007.

9 Q. Did that number change as a result of the
10 additional Staff review that you performed?

11 A. Yes.

12 Q. Okay. Thank you. Thank you,
13 Mr. Lipthratt. Is it your understanding that -- is
14 it your understanding that DARR expenses will
15 continue but instead of being deferred, they will be
16 included as ongoing increase -- ongoing increasing
17 expenses to the rate base to be included in rate
18 base; is that correct?

19 A. Not quite. I wouldn't say "increasing."
20 It's unclear what you mean by "increasing." Ongoing
21 increasing?

22 Q. The DARR will continue, correct?

23 A. The activities will continue.

24 Q. Will base rates be increasing because of
25 the DARR-related expenses?

1 A. Increasing on an annual basis?

2 Q. No, not really an annual basis. Are
3 rates increasing because of the DARR-related
4 expenses?

5 A. The DARR-related expenses have been
6 embedded in the revenue requirement.

7 Q. So would that be -- would that be a "yes"
8 then?

9 A. Can you restate your question?

10 Q. Is the rate base increasing because the
11 DARR-related expenses are continuing?

12 A. Not the rate base, rate -- well --

13 Q. I'm sorry. I did not say that correctly.
14 Let me. Base rates, base rates are increasing
15 because DARR-related expenses are included; would
16 that be correct?

17 A. Base rates are increasing due to a number
18 of factors. Yes, there are DARR-related expenses now
19 embedded in the -- in the expenses but, yes, just to
20 be clear, I just want to make sure the record is
21 clear, not just for that reason. There is revenues,
22 expenses, many moving parts.

23 Q. Oh, sure. Yes. Thank you. So rates are
24 increasing.

25 MS. MOONEY: Object.

1 MS. BOTSCHNER-O'BRIEN: I'll withdraw.

2 Q. Would you say that you just indicated --
3 testified that rate -- rates are increasing, correct?

4 A. Should the Commission adopt the
5 stipulation, rates will increase from current levels
6 today.

7 Q. And would you say this increase is
8 necessary to continue for Vectren to provide safe and
9 reliable service to continue these important DARR
10 safety initiatives; would that be a true statement?

11 A. I think that's a fair statement.

12 Q. The -- if the DARR activities are
13 continuing, would you agree that the baseline
14 performance levels and measurement should continue?

15 A. You know, that's a -- that's more of a --
16 I don't think Staff would be opposed to it but that's
17 not really an area of my -- that's outside of my area
18 of responsibility.

19 Q. So you indicate Staff is not opposed. Do
20 you know -- do you -- as your position, do you have
21 any idea why that wouldn't be in the settlement?

22 A. Why that would not be in the settlement?

23 Q. Right, correct.

24 A. So, again, I just want to be clear, the
25 baseline -- you are referring to the performance

1 metrics?

2 Q. Yes.

3 A. Why it's not in the stipulation? We
4 found through negotiations that we came to what we
5 thought was a reasonable, fair agreement and that was
6 not considered necessary for the settlement.

7 EXAMINER PRICE: As a general matter,
8 test year expenses are not subject to any sort of
9 performance metrics, are they?

10 THE WITNESS: That is correct, yes.

11 Q. Would you agree this is a more unusual
12 situation because these performance metrics were set
13 up specifically because of the deferral?

14 A. No, I wouldn't -- I would not answer -- I
15 would not say -- I would say no.

16 MS. BOTSCHNER-O'BRIEN: May I have a
17 minute?

18 EXAMINER SCHABO: You may.

19 Q. Mr. Lipthrott, you indicated familiarity
20 with Vectren's DARR Program, and you were the
21 signatory on the Staff review of the program for the
22 past couple of years. To what extent was the DARR
23 Expanded Leak Management Program evaluated by Staff?

24 A. I can't speak to that here today.

25 Q. Or to what extent was the DARR Enhanced

1 Damage Prevention Program examined by Staff?

2 A. I can't speak to that.

3 Q. To what extent was the DARR Public
4 Awareness Program evaluated by Staff?

5 MR. MARGARD: Your Honor, these are
6 matters that Mr. Chace addressed in his testimony.

7 MS. BOTSCHNER-O'BRIEN: Mr. Chace did not
8 know when I asked. You deferred me -- referred me to
9 Mr. Lipthratt yesterday.

10 EXAMINER PRICE: I don't recall that
11 exchange. Mr. Chace does testify to -- in his
12 prefiled testimony to those specific programs that
13 you just asked about.

14 MS. BOTSCHNER-O'BRIEN: He did not have a
15 knowledge. I was directed to go to Mr. Lipthratt.
16 But that is okay. I will move along.

17 EXAMINER PRICE: I don't think the record
18 is going to support that.

19 MR. MARGARD: I don't think so either.

20 Q. Will there be any kind of late-filed
21 exhibit or review demonstrating Staff's analysis on
22 the DARR?

23 A. I believe there would be a late filing to
24 update to actuals the expenses, if my memory serves
25 me correctly. At the time it files its compliance

1 tariffs, excuse me, VEDO may incorporate the
2 remaining DARR balance into the stipulated base
3 rates.

4 Q. And there will be a review?

5 A. Yes, by Staff.

6 Q. Is that review anywhere identified in the
7 settlement?

8 A. Yes, ma'am. It's on page -- page 4.

9 Q. Okay. So you referred to the
10 stipulation. Is this on page 5; is that what you are
11 talking about?

12 A. It's on page 4 of my copy.

13 Q. Page 4.

14 A. It's towards the end of the page. It's
15 the last sentence, the last three lines.

16 Q. It says at that time VEDO or Vectren
17 shall file a late-filed exhibit. Where is Staff's
18 review?

19 A. We typically review those. That's our
20 common practice.

21 EXAMINER PRICE: When you are reviewing
22 the compliance tariffs.

23 THE WITNESS: Yes, sir.

24 Q. So you are referring to letter E on page
25 5, VEDO, or Vectren, shall confer with Staff?

1 A. That's part of it. That's associated
2 with it.

3 MS. BOTSCHNER-O'BRIEN: Thank you. I
4 am -- that's all I have, Mr. Lipthratt.

5 EXAMINER SCHABO: Mr. Margard?

6 MR. MARGARD: May I have a few moments?

7 EXAMINER SCHABO: You may. Let's go off
8 the record.

9 (Discussion off the record.)

10 EXAMINER SCHABO: Mr. Margard.

11 MR. MARGARD: Thank you, your Honor.
12 Before I begin my redirect, I think we need to simply
13 acknowledge for the record, if I may, that today is
14 Mr. Lipthratt's birthday.

15 MS. BOTSCHNER-O'BRIEN: Happy birthday.

16 MR. MICHAEL: If I had known that.

17 MR. MARGARD: Anybody who wants to
18 volunteer to lead singing. I will not be.

19 - - -

20 REDIRECT EXAMINATION

21 By Mr. Margard:

22 Q. Mr. Lipthratt, I want to make sure that
23 we're very clear about this. DARR, when we talked
24 about DARR Programs, we've talked about DARR
25 expenses. We've talked deferrals. With this

1 stipulation DARR essentially ends; is that correct?

2 A. Yes, that is correct. The deferrals
3 associated with the DARR will end. Those deferrals
4 are now included in base rates amortized over a
5 five-year period. The DIMP and TIMP activities will
6 continue. The performance metrics associated with
7 the DARR Program will be ending as it's Staff's view
8 given that the deferral is ending, they are no longer
9 necessary. They were a requirement of the deferral
10 given that they were being deferred dollars, so yes.

11 Q. So I want to make sure that I'm clear.
12 You said that the DARR deferrals are ending --

13 A. Yes, sir.

14 Q. -- but not the recovery of those
15 deferrals. That's part of what that stipulation
16 provides, correct?

17 A. Yes, sir.

18 Q. And you also -- you talked about the DIMP
19 and the TIMP. Those are included in the DARR
20 deferrals?

21 A. Those are included in base rates.

22 Q. Those are included in base rates and
23 those will be ongoing.

24 A. Yes, sir.

25 Q. And so when you refer to ongoing

1 activities, the activities which you were referring
2 to were the DIMP and the TIMP; is that correct?

3 A. Yes, sir.

4 Q. And you also mentioned performance
5 measures, and we've had a lot of discussion about
6 performance measures. That was part of the original
7 DARR authorization, correct?

8 A. Yes, sir.

9 Q. And Staff believed that performance
10 measures were appropriate, and you indicated that
11 again on the stand today, correct?

12 A. Yes, sir.

13 Q. But there are no performance standards or
14 measures going forward with respect to DIMP since the
15 DIMP program has now ceased.

16 A. Yes.

17 Q. I'm sorry. DARR Program has now ceased.

18 A. The DARR Program.

19 MR. MARGARD: That's all I have. Thank
20 you.

21 EXAMINER SCHABO: Okay. Any recross?

22 MS. BOTSCHNER-O'BRIEN: Can I have a
23 moment, please?

24 - - -

25

RECROSS-EXAMINATION

By Ms. Botschner-O'Brien:

Q. Mr. Lipthratt, would you agree Vectren's application supported the additional funds to continue the DARR-related activities; it's not just DIMP and TIMP. Would that be true?

A. The deferrals are definitely included, the deferrals associated with historical spending. Other than that there is test-year level expenses included and I can speak to -- I can assure you that there are DIMP- and TIMP-related expenses included in the base rates.

MS. BOTSCHNER-O'BRIEN: Thank you.
That's all I have.

EXAMINER SCHABO: Mr. Price?

- - -

EXAMINATION

By Examiner Price:

Q. I just had a couple of questions just to clarify the record. If you could turn to OCC Exhibit 7.

A. I don't recall which one that is.

Q. That's the earlier of the two.

A. Application.

Q. No, your letter, the August 2017 letter.

1 A. Okay.

2 Q. Okay. Because this was a deferral case,
3 there was no recovery mechanism included in the --
4 the Commission approval of the application; is that
5 correct?

6 A. That's correct.

7 Q. And because there was no recovery
8 mechanism, Staff did not opine on whether or not
9 these assets should be recovered; is that correct?

10 A. Yes, sir.

11 Q. The Staff did investigate the expenses
12 and review them.

13 A. Yes, sir.

14 Q. Okay. Great. And then if you could turn
15 to page 4 of your testimony, this discussion of
16 limited and expedited review. Would you characterize
17 your review of the DARR expenses complete?

18 A. I would.

19 EXAMINER PRICE: Thank you. That's all I
20 have.

21 THE WITNESS: Thank you.

22 EXAMINER SCHABO: Thank you.

23 Mr. Lipthratt, you may step down.

24 Mr. Margard?

25 MR. MARGARD: I renew my motion, your

1 Honor.

2 EXAMINER SCHABO: Any objections to the
3 admission of Mr. Lipthratt's testimony?

4 Seeing none, it will be admitted.

5 (EXHIBIT ADMITTED INTO EVIDENCE.)

6 MS. BOTSCHNER-O'BRIEN: No objections but
7 I would like to move for the admission of 7 and 7A.

8 EXAMINER SCHABO: Does anyone have an
9 objection to OCC Exhibit 7 and OCC Exhibit 7A?

10 MR. MARGARD: I do not have an objection,
11 your Honor, but I will note for the record there does
12 appear to be some additional handwriting on OCC
13 Exhibit No. 7 which is not contained in the original.
14 And I presume that was handwriting that was added by
15 OCC, and I just wanted to clarify that for the
16 record.

17 MS. BOTSCHNER-O'BRIEN: Vern, could I
18 look at your copy?

19 EXAMINER SCHABO: You are referring to
20 the underline?

21 MS. BOTSCHNER-O'BRIEN: There is an
22 underline but there is no additional handwriting that
23 I see.

24 MR. MARGARD: Assuming the underlining
25 was written.

1 EXAMINER PRICE: Or written by hand.

2 MS. BOTSCHNER-O'BRIEN: It is an
3 underline but there is no -- but there are no notes
4 or anything. It's just an underline; but, yes, it
5 would be handwritten underline.

6 EXAMINER SCHABO: Okay. We'll note the
7 underlining is not part of the original document.
8 And seeing no other -- no other comments, we will
9 admit them.

10 (EXHIBITS ADMITTED INTO EVIDENCE.)

11 EXAMINER SCHABO: Let's go off the record
12 for just a moment.

13 (Discussion off the record.)

14 EXAMINER SCHABO: Let's go back on the
15 record.

16 Mr. Margard, your next witness.

17 MR. MARGARD: Thank you, your Honor.
18 Staff would call Suzanne Williams.

19 EXAMINER SCHABO: Good morning,
20 Ms. Williams. Would you please raise your right
21 hand.

22 (Witness sworn.)

23 EXAMINER SCHABO: Thank you. If you
24 would take a seat and state your name and your
25 business address for the record, please.

1 THE WITNESS: Suzanne Williams. My
2 business address is 180 East Broad Street, Columbus,
3 Ohio 43215.

4 EXAMINER SCHABO: Thank you.
5 Mr. Margard.

6 MR. MARGARD: Your Honor, let the record
7 reflect I have placed before the witness and provided
8 to the court reporter a document marked for purposes
9 of identification as Staff Exhibit No. 9 labeled
10 "Testimony of Suzanne Williams."

11 EXAMINER SCHABO: So marked.

12 (EXHIBIT MARKED FOR IDENTIFICATION.)

13 - - -

14 SUZANNE WILLIAMS

15 being first duly sworn, as prescribed by law, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 By Mr. Margard:

19 Q. Ms. Williams, do you have Staff Exhibit 9
20 before you?

21 A. Yes, I do.

22 Q. And can you identify that document for
23 me.

24 A. My testimony.

25 Q. And was this prepared by you or at your

1 direction?

2 A. Yes.

3 Q. And did you have an opportunity to review
4 this document prior to taking the stand today?

5 A. Yes.

6 Q. Do you have any changes, corrections,
7 amendments of any kind to this document?

8 A. No.

9 Q. If I were to ask you the questions
10 contained in your testimony, would your responses
11 today be the same?

12 A. Yes.

13 Q. And in your opinion would those responses
14 be truthful and reasonable?

15 A. Yes.

16 MR. MARGARD: Thank you, your Honors. I
17 respectfully move for admission of Staff Exhibit No.
18 9, subject to cross-examination, and tender the
19 witness for that purpose.

20 EXAMINER SCHABO: We'll defer that ruling
21 until after cross-examination, and we will begin with
22 the Company.

23 MR. WHITT: No questions.

24 EXAMINER SCHABO: Mr. Lesser?

25 MR. LESSER: No questions.

1 EXAMINER SCHABO: Mr. Oliker?

2 MR. OLIKER: No, thank you, your Honor.

3 EXAMINER SCHABO: Ms. Petrucci?

4 MS. PETRUCCI: No questions.

5 EXAMINER SCHABO: Captain?

6 CAPTAIN FRIEDMAN: No questions, your
7 Honor.

8 EXAMINER SCHABO: OCC?

9 MS. O'BRIEN: Yes. I just have a couple
10 of questions.

11 - - -

12 CROSS-EXAMINATION

13 By Ms. O'Brien:

14 Q. Good morning, Ms. Williams. I would like
15 for you to turn to page 4 of your testimony, please.

16 A. Okay. I'm there.

17 Q. And we are going to be talking about Q
18 and A No. 9. In your answer to question No. 9
19 regards the cost effectiveness of energy efficiency
20 and demand-side management programs; is that correct?
21 Do you believe that Staff and the Commission should
22 consider whether the benefits to customers of such
23 programs outweigh the cost to customers?

24 A. Are you talking about in this proceeding
25 or in general?

1 Q. Well, I'm speaking about your answers to
2 Q and A 9 regarding the cost effectiveness of
3 demand-side management programs, so it would be in
4 this proceeding as well as generally.

5 A. I would say not necessarily this
6 proceeding. This would be done on a different
7 filing.

8 Q. Okay. But do you believe that the
9 Commission should consider whether the benefits to
10 customers of such programs outweigh the costs to
11 customers?

12 A. I believe that's something that is
13 considered.

14 Q. Now, regarding lines 13 to 15 on -- also
15 on page 4, you state that the "Customer benefits and
16 the cost-effectiveness of DSM programs should be
17 determined when VEDO," or Vectren, "files its true-up
18 application and an audit has been conducted." Now,
19 in any such true-up application and audit, would
20 Staff support discontinuing an energy efficiency
21 program or DSM program if the cost to customers
22 outweighed the benefits?

23 A. During an audit probably not.

24 Q. And why would that be?

25 A. Because during an audit we check program

1 costs.

2 Q. Okay. And that would be different from
3 the true-up application?

4 A. The true-up application is the same but
5 what I'm saying is that when we conduct an audit, we
6 are basically checking the program costs to see if
7 they are reasonable.

8 Q. Okay. So you're saying that Staff would
9 not support discontinuing an energy efficiency or DSM
10 program if the cost to customers outweighed the
11 benefits; is that right?

12 A. I think that's something that would need
13 to be done during when the portfolio was being
14 created, portfolio of programs.

15 Q. Okay. So your answer is "no"; is that
16 right?

17 A. I am saying I don't think that's the
18 correct time to do that analysis.

19 MS. O'BRIEN: Okay. I think that's all I
20 have. Thank you, Ms. Williams.

21 EXAMINER SCHABO: Ms. Mooney?

22 MS. MOONEY: Yes. I just have a few
23 questions to clarify.

24 - - -

25

CROSS-EXAMINATION

By Ms. Mooney:

Q. Your question and answer on page 8 of your testimony about the collaborative process.

A. Excuse me. Page what?

Q. Well, I said 3. I'm sorry, page 3, question 8 is what. I'm sorry. And it's about the collaborative process. You state on the second sentence that the Staff had pointed out that the collaborative was approving programs that the Commission had not approved; is that correct?

A. That is correct.

Q. What -- how did the collaborative go about approving programs?

A. I believe the collaborative approved programs through consensus.

Q. But they -- they would be in the collaborative -- did you attend the collaborative meetings?

A. I attended some, yes.

Q. And so the collaborative would be beginning a discussion of a program, for example, and then there would be a discussion among the collaborative members and then the collaborative would approve -- by some process approve that

1 program; is that correct?

2 A. Correct. The collaborative would ask for
3 the collaborative group to vote.

4 Q. And then if the collaborative group voted
5 in favor of the program, then the program was at that
6 point approved by the collaborative.

7 A. Correct.

8 Q. And then what -- what would happen as far
9 as implementation of the program would go?

10 A. The programs would be implemented at that
11 point.

12 Q. And that was without Commission approval?

13 A. Correct.

14 Q. And how many -- do you know how many
15 programs were actually approved in that way by the
16 collaborative without Commission approval?

17 A. I'm not sure of the exact number, no.

18 Q. Could you give me like a ballpark
19 estimate on that? Like less than 10? Less than
20 five?

21 A. Probably I would say the programs started
22 somewhere around 2008ish, I'm not sure, so since
23 then.

24 Q. But do you have a number estimate?

25 A. I don't.

1 Q. Now, as far as a program that the
2 collaborative had approved by that process and yet it
3 was not approved by the Commission in a filing, does
4 that -- what did -- how did that affect cost recovery
5 of Vectren of that program?

6 A. I'm not sure that it didn't affect cost
7 recovery.

8 Q. You mean -- all right. So currently
9 Vectren has, what was it, 5.2 million in base rates
10 for -- was that the number? Yeah, 5.2 million in
11 base rates.

12 A. No.

13 Q. No?

14 A. No, that's not correct.

15 Q. Okay. What is the correct number?

16 A. Currently there is 4 million in base
17 rates.

18 Q. Oh, all right. Okay. So they -- so
19 Vectren was able then to freely -- through the
20 collaborative have programs approved by the
21 collaborative and then the money -- the spending for
22 that came out of the 4 million that was in base
23 rates, though the other part is the part that's in
24 the -- and there was no further -- there was no
25 further approval by the Commission of that spending?

1 A. That's my understanding, yes.

2 Q. But the Commission -- the Commission
3 wouldn't have looked again at the base rate number,
4 but the amount that was going through the rider, the
5 Commission did look at that amount on an annual basis
6 in the rider filing; is that correct?

7 A. It was looked at on an annual basis
8 through the rider filing after the fact, yes.

9 Q. And then if the spending were for a
10 program that the Commission had not approved but the
11 collaborative had approved, would that have been part
12 of the filing that you would have noticed that?

13 A. I believe we did notice that which is why
14 the Staff no longer voted on those programs ahead of
15 time. So we were never -- so we discontinued voting.

16 Q. In the collaborative the Staff
17 discontinued voting?

18 A. Correct.

19 Q. In the collaborative did the Staff ever
20 discuss that it was -- that it wasn't going to vote
21 on programs that hadn't already been approved by the
22 Commission?

23 A. I'm not sure that came up in the
24 collaborative.

25 Q. So at collaborative meetings you simply

1 ceased to vote on approval of programs, new programs?

2 A. So I wouldn't -- the vote usually
3 wouldn't take place during the meeting. It would
4 take place after a meeting and via e-mail. So I
5 would say, yes, once we discovered the process was
6 not quite the way it should be, then we abstained
7 from voting.

8 Q. And your recommendation in this case is
9 that the Commission would need to approve any program
10 in order for the expenses of that program to go
11 through the rider; is that correct?

12 A. That's correct.

13 Q. And there is no longer an amount in base
14 rates for energy efficiency programs; is that
15 correct?

16 A. Could you restate your question?

17 Q. That under the new -- the stipulation of
18 the new rates that will take effect after the
19 stipulation, there is no longer an amount in base
20 rates for these programs and all of the money will go
21 through the rider; is that correct?

22 A. If the stipulation is approved, that is
23 correct.

24 MS. MOONEY: Okay. That's all the
25 questions I have.

1 EXAMINER SCHABO: Ms. Fleisher?

2 MS. FLEISHER: No questions, your Honor.

3 EXAMINER SCHABO: Redirect?

4 MR. MARGARD: No redirect, your Honor.

5 Renew my motion.

6 EXAMINER SCHABO: Mr. Price.

7 Thank you. You may step down.

8 Any objections to the admission of Staff
9 Exhibit 9?

10 Seeing none, it will be admitted.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 EXAMINER PRICE: Mr. Margard, you may
13 call your final witness.

14 MR. MARGARD: Thank you, your Honor. The
15 Staff would call Matthew Snider.

16 (Witness sworn.)

17 EXAMINER PRICE: Please be seated and
18 state your name and business address for the record.

19 THE WITNESS: Matthew Snider, 180 East
20 Broad Street, Columbus, Ohio 43215.

21 EXAMINER PRICE: Please proceed,
22 Mr. Margard.

23 MR. MARGARD: Thank you, your Honor.
24 Would the record reflect that I placed before the
25 witness and provided to the court reporter a document

1 marked for purposes of identification as Staff

2 Exhibit No. 10 --

3 EXAMINER PRICE: So marked.

4 MR. MARGARD: -- the testimony of Matthew
5 Snider.

6 EXAMINER PRICE: It will so marked for
7 the record.

8 (EXHIBIT MARKED FOR IDENTIFICATION.)

9 - - -

10 MATTHEW SNIDER

11 being first duly sworn, as prescribed by law, was
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 By Mr. Margard:

15 Q. Mr. Snider, do you have before you what's
16 been marked as Staff Exhibit 10?

17 A. I do.

18 Q. And what is that document, please?

19 A. It is my testimony.

20 Q. And was this prepared by you or at your
21 direction?

22 A. It was.

23 Q. You have reviewed these document prior to
24 taking the stand today?

25 A. I have.

1 Q. And do you have any corrections, changes,
2 modifications of any kind?

3 A. No, I do not.

4 Q. And if I were to ask you the questions
5 contained herein, would your responses be the same?

6 A. Yes, they would.

7 Q. And in your opinion would those responses
8 be truthful and reasonable?

9 A. Yes, they would.

10 MR. MARGARD: Thank you.

11 Your Honors, I respectfully move for
12 admission of Staff Exhibit No. 10, subject to
13 cross-examination, and tender the witness for that
14 purpose.

15 EXAMINER PRICE: We will defer ruling on
16 the admission of Staff Exhibit 10 until after
17 cross-examination.

18 Company?

19 MR. KENNEDY: No questions, your Honor.

20 EXAMINER PRICE: Ms. Petrucci?

21 MS. PETRUCCI: No questions.

22 EXAMINER PRICE: Mr. Olikar?

23 MR. OLIKER: No, thank you, your Honor.

24 EXAMINER PRICE: Mr. Lesser?

25 MR. LESSER: No questions.

1 EXAMINER PRICE: Captain?

2 CAPTAIN FRIEDMAN: No questions.

3 EXAMINER SCHABO: Ms. Mooney?

4 MS. MOONEY: No questions.

5 EXAMINER PRICE: Consumers' Counsel?

6 MR. MICHAEL: Thank you, your Honor.

7 - - -

8 CROSS-EXAMINATION

9 By Mr. Michael:

10 Q. Mr. Snider, would you please turn to page
11 5 of your testimony, lines 18 through 21, and let me
12 know when you're there.

13 A. Yes, I'm there.

14 Q. The precedent to which you are referring
15 includes Ohio Supreme Court precedent where the court
16 held that straight fixed variable was legal, correct?

17 MS. MOONEY: Object.

18 EXAMINER PRICE: Grounds?

19 MS. MOONEY: I don't think the Supreme
20 Court said straight fixed variable was legal. He can
21 refer to the Supreme Court case if he wants. We
22 could all read it.

23 EXAMINER PRICE: Sustained.

24 Q. (By Mr. Michael) What are you referring
25 to there, Mr. Snider? What precedent?

1 A. I am referring to both the Supreme Court
2 in the current case and subsequent cases where other
3 utilities within the gas industry have filed for
4 straight fixed variable and the Commission has
5 approved those filings.

6 Q. Nothing from that precedent though
7 requires a rate design of straight fixed variable
8 though, correct?

9 A. No, it does not.

10 Q. Okay. And isn't it also true,
11 Mr. Snider, that facts could change such that that
12 precedent should not be followed, correct?

13 A. Yeah, I can agree to that.

14 Q. If you would turn to page 6 of your
15 testimony, lines 8 through 11, Mr. Snider. Are you
16 there?

17 A. Yeah, I'm there.

18 Q. Isn't it true that in this rate case the
19 Commission could set a volumetric charge such that
20 the revenue requirement in the settlement is met?

21 A. The Commission could do whatever they
22 choose. That's not Staff's recommendation but, yes,
23 you could achieve a similar revenue requirement
24 through volumetric rate.

25 MR. MICHAEL: Thank you. I have no

1 further questions, your Honor.

2 EXAMINER SCHABO: Ms. Fleisher?

3 MS. FLEISHER: No questions, your Honor.

4 EXAMINER PRICE: Redirect?

5 MR. MARGARD: Thank you, no, your Honor.

6 - - -

7 EXAMINATION

8 By Examiner Price:

9 Q. Mr. Snider, in the previous Vectren rate
10 case, Staff's witness testified that a volumetric
11 rider of collecting a volumetric component and
12 decoupling rider sent a false signal to customers
13 regarding when they could save money through energy
14 efficiency programs. Has the Staff changed its
15 opinion on that?

16 A. No. I don't believe so. I do mention in
17 my testimony about how straight fixed variable, I
18 believe, is a more accurate price signal and
19 customers can still save by reducing on the commodity
20 aspect of it.

21 Q. The commodity makes up about what percent
22 of a customer's bill?

23 A. It really depends on the month to be
24 honest. You know, in the winter months it can be, I
25 don't know, upwards of 60, 80 percent of your bill;

1 in a summer month little to no impact on the bill.

2 EXAMINER PRICE: Okay. That's all I
3 have. You're excused.

4 MR. MARGARD: Your Honors, I renew my
5 motion.

6 EXAMINER PRICE: Any objection to the
7 admission of Staff Exhibit 10?

8 Seeing none, it will be admitted.

9 (EXHIBIT ADMITTED INTO EVIDENCE.)

10 MR. MARGARD: Your Honors, at this time I
11 would also like to move for admission of the
12 previously marked Exhibit No. 2, the Staff Report.

13 EXAMINER PRICE: Any objection to the
14 admission of the Staff Report?

15 Seeing none, it will be admitted.

16 (EXHIBIT ADMITTED INTO EVIDENCE.)

17 EXAMINER PRICE: Let's go off the record.

18 (Discussion off the record.)

19 EXAMINER PRICE: Let's go back on the
20 record.

21 Company proposes to have rebuttal
22 testimony.

23 MR. KENNEDY: Yeah. The Company proposes
24 to file rebuttal on March 5 with a hearing date of
25 March 12 starting at 10:00 a.m.

The Company believes it will have two to three witnesses and will identify the names of those witnesses by February 28.

EXAMINER PRICE: Thank you. The Company's request for rebuttal testimony is granted. We will adjourn then until March 12 at 10:00 a.m.

Thank you, all. We are off the record.

(Thereupon, at 11:55 a.m., the hearing was adjourned.)

- - -

CERTIFICATE

I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Wednesday, February 20,
2019, and carefully compared with my original
stenographic notes.

Karen Sue Gibson

Karen Sue Gibson, Registered
Merit Reporter.

(KSG-6698)



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

Summary: Transcript Volume V - In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan; In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Increase in Gas Rates and In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan, hearing held on February 20th, 2019 electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.