

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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3 In the Matter of: :

: Case No. 07-1080-GA-AIR

4 The Application of Vectren:
5 Energy Delivery of Ohio, :
6 Inc., for Authority to :
7 Amend its Filed Tariffs to:
8 Increase the Rates and :
9 Charges for Gas Services :
10 and Related Matters. :

11 In the Matter of: :

: Case No. 07-1081-GA-ALT

12 the Application of Vectren:
13 Energy Delivery of Ohio, :
14 Inc., for Approval of an :
15 Alternative Rate Plan for :
16 a Distribution Replacement:
17 Rider to Recover the Costs:
18 of a Program for the :
19 Accelerated Replacement of:
20 Cast Iron Mains and Bare :
21 Steel Mains and Service :
22 Lines, a Sales :
23 Reconciliation Rider to :
24 Collect Difference Between:
Actual and Approved :
Revenues, and Inclusion in:
Operating Expense of the :
Costs of Certain :
Reliability Programs. :

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20 TELEPHONE DEPOSITION OF L. DOUGLAS PETITT

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1 taken before me, Rosemary F. Anderson, a Notary
2 Public in and for the State of Ohio, at the offices
3 of Ohio Consumers' Counsel, 10 West Broad Street,
4 Columbus, Ohio, on Monday, August 11, 2008 at 1:30
5 p.m.

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1 APPEARANCES:

2 McNeese, Wallace & Nurick
3 By Ms. Gretchen J. Hummel (via telephone)
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5 On behalf of the Company.

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8 10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485

9 On behalf of the Residential
10 Consumers of the State of Ohio.

11 ALSO PRESENT:

12 Vectren:
13 Mr. Larry Friedeman (via telephone)

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WITNESS

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DEPOSITION EXHIBITS

IDENTIFIED

1 - Notice to Take Deposition

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L. DOUGLAS PETITT

being first duly sworn, as hereinafter certified,
deposes and says as follows:

EXAMINATION

By Ms. Grady:

Q. Good afternoon, Mr. Pettitt.

A. Good afternoon.

MS. GRADY: For exhibit purposes I would
like to have marked as Deposition Exhibit No. 1 the
Notice to Take Deposition Upon Oral Examination of
Douglas A Karl, and Request for Production of
documents as OCC Exhibit 1.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Pettitt, just for the record, I'm only
going to ask you this once, you are adopting the
testimony of Mr. Karl from Vectren who retired; is
that correct?

A. Yes, I am.

Q. Mr. Pettitt, the deposition notice
requested you to produce at the time of your
deposition all documents relating to your testimony
or your knowledge and expertise with the subject
matter of these proceedings and/or your responses to
discovery, including but to the limited to, the

1 results of any studies done for these proceedings and
2 any backup documents including raw data for those
3 studies.

4 In response to that directive what did
5 you with before you today, and can you identify what
6 you brought with you today for purposes of
7 deposition?

8 A. I can. I have the direct testimony of
9 Douglas A. Karl, which I have adopted, dated
10 December 4, 2007, I believe. I also have the
11 supplemental testimony and exhibits that I filed,
12 L. D. Petitt, on or about July 23, 2008. And I also
13 have access on line at my desk to various other
14 requests, follow-up to requests by staff and OCC.

15 Q. Okay.

16 MS. HUMMEL: May I interrupt you for just
17 a second, Ms. Grady. Just to start out with a really
18 clean record, in terms of the deposition of
19 Mr. Karl's testimony, I would like to note the two
20 exceptions that were addressed by-- the two
21 exceptions to Mr. Pettit's adoption to Mr. Karl's
22 testimony that were addressed at the question at the
23 bottom of page 2 of Mr. Pettit's supplemental
24 testimony carrying over to page --

1 MS. GRADY: Give me a moment, and I will
2 pull to that, the bottom of page 2 carrying over to.

3 MS. HUMMEL: Page 2 and the answers on
4 page. He answered a categorical yes to the question
5 you posed to him and I just wanted to make sure the
6 record was clear on that.

7 MS. GRADY: Very good. Thank you,
8 Ms. Hummel.

9 MS. HUMMEL: Thank you.

10 Q. (By Ms. Grady) Okay. I think we said
11 good afternoon. Mr. Pettit, what does the L stand
12 for in your name?

13 A. Loren, L-O-R-E-N.

14 Q. You're the second Loren I know. That's
15 Rusty Russell's name at our office as well.

16 A. Very good. He obviously liked it as much
17 as I did.

18 Q. I always wondered why people choose their
19 middle initial and now I know.

20 A. Blame my mother.

21 Q. Yes, the mother's get blamed for quite a
22 bit, I'm sure.

23 Let's go to page 2 of Mr. Karl's direct
24 testimony which you've adopted, and at page 2 you

1 refer to schedule 3.15. Do you see that reference?

2 A. I do see that reference.

3 Q. Now, there on that schedule, on Schedule
4 3.15 you propose a \$2.9 million adjustment to reflect
5 annual program costs associated with the conservation
6 initiatives; is that correct?

7 A. That is correct.

8 Q. If you look at the workpapers that back
9 up that schedule, we can see that 4 million is the
10 projected annual cost of the conservation program
11 expenditures.

12 A. Correct.

13 Q. And we can also see that during the test
14 period \$.1.1 million is reflected, and that would be
15 the three months actual and nine months projected
16 expenditures.

17 A. That's correct.

18 Q. And is that solely, the \$1.1 million, is
19 that solely attributable to the low-income
20 weatherization plan component, or is that something
21 different?

22 A. No, it is completely attributed to the
23 low-income weatherization program known as Team 1.
24 1.1 million is the annual budget for that program.

1 Q. Okay. And of the \$1.1 million, how much
2 was actually spent in the three-month figure, the
3 actuals, if you know?

4 A. One moment please. Let me see if I have
5 that at my fingertips. Ms. Grady, I do not have that
6 at my fingertips. I can find that, what it was at
7 that point in time.

8 Q. Okay, I would appreciate that when you
9 get the chance, Mr. Pettit.

10 A. I'd be glad to do it.

11 Q. Now, you're proposing a 1.9 million
12 pro forma adjustment to the three and nine; is that
13 correct?

14 A. That's correct.

15 Q. And the \$2.9 million figure, can you tell
16 me, is that specifically related to program costs
17 such as rebates, audits or kits, or if it's not, can
18 you explain to me how that \$2.9 million is made up?

19 A. The \$2.9 million is the all-inclusive
20 costes associated with rolling out and developing and
21 delivering the broad conservation programs that are
22 described in Matthew Rose's testimony, and I believe
23 in his testimony he breaks down the cost structure,
24 and I'm not sure if you want me to list the testimony

1 to break it down for you.

2 Q. Do you know where he does break that
3 down, if you know offhand?

4 A. Well, I'm looking at his testimony, and
5 he provides -- I've moving to the page numbers here.
6 Starting on page 7.

7 Q. Page 7, okay.

8 A. I'm sorry, starting on page 6 of his
9 testimony at the bottom he starts with the
10 description of the various programs, and then he
11 highlights the total program costs associated with
12 that particular program through his testimony.

13 Q. Okay. And I do see that reference. And
14 as far as the total program costs, do you know
15 whether those total program costs include education
16 or advertising or is that something that Mr. Rose
17 would know?

18 A. Mr. Rose would be able to speak obviously
19 to his testimony, but I can tell you that inclusive
20 in the \$4 million per year is the amount requested
21 for any awareness/education associated with the
22 program.

23 Q. And do you know on a sort of a general
24 basis how much that amount is for the awareness? You

1 called it the awareness program or education pieces.

2 A. I would define it broadly as
3 awareness/education, anything that it would take to
4 educate and motivate customers to participate in the
5 program.

6 Q. I guess I was questioning, Mr. Pettit,
7 whether you knew or had an idea how much of the
8 \$4 million figure is related to what you call the
9 awareness/education component of the programs.

10 A. No. I think I can get to that number
11 pretty quickly, if you'll indulge me for a second.

12 Q. I certainly will indulge you, Mr. Pettit.

13 A. Again, I'm looking through Mr. Rose's
14 testimony. Ms. Grady, I believe I do have the
15 number, and I would caveat it by stating that I would
16 like to have Mr. Rose confirm the numbers --

17 Q. Okay.

18 A. -- at some point in time, but I believe
19 the awareness/education component of the total
20 program of the 2.9 million roughly per year that's
21 associated with the broad conservation programs would
22 be just under \$2 million of the \$14.3 million or so,
23 so that would be -- I'll just do that calculation.
24 Approximately 14 percent is what I'm coming up with.

1 I'm going to do that calculation one more time just
2 to make sure I have it. Just under 14 percent is the
3 number that I'm calculating.

4 Q. Now, Mr. Pettitt, you mentioned
5 14.3 million. Are you referencing -- and I'm looking
6 at Mr. Rose's testimony at MFR Exhibit 1, page 6 of
7 6. Are you referencing the 14.331 million total
8 savings figure? Is that where you're getting the
9 14.3 from?

10 A. I'm sorry, give me a page number again
11 please.

12 Q. I believe it is MFR Exhibit 1, page 6 of
13 6.

14 A. Yes, that's actually the budget dollars
15 spent is 14.331, correct.

16 Q. Now, I guess where my confusion is coming
17 is that you called that last column budget dollars
18 spent.

19 A. That's correct.

20 Q. So you're saying on a total, if
21 approximately \$2.9 million is spent from 2008 to 2012
22 each year, that an additional \$2 million would be
23 associated with this awareness or education program;
24 is that right?

1 MS. HUMMEL: Excuse me, I'm going to just
2 insert a little objection here. You've gone down
3 this road like five or six or eight questions now,
4 questioning Mr. Pettit on somebody else's testimony,
5 and I just want a continuing objection with respect
6 to this line of questioning.

7 MS. GRADY: Was there a pending question?

8 (Record read.)

9 A. My statement would be that our assertion
10 would be that of the total over the five-year period
11 14.331 million would be spent on the programs, and of
12 that approximately \$1,950,000 or thereabouts would be
13 associated with the education and awareness
14 component. Those items and efforts that are intended
15 to drive participation would be part of the 14.331.

16 Q. Thank you, Mr. Pettit.

17 A. You're welcome 2.9.

18 Q. Is any of the \$2.9 million per year that
19 is part of your pro forma adjustment, is any of that
20 related to costs associated with administering these
21 programs?

22 A. Yes. All administrative costs are
23 inherent or embedded in those costs.

24 Q. Now, when we say administrative costs,

1 are we talking about internal administrative costs as
2 opposed to a third-party administrator?

3 A. We're talking all associated costs,
4 internal or external.

5 Q. Is the company looking at an external
6 administrator for any of these programs, if you know?

7 A. We are looking and probably will rely on
8 external firms to provide assistance in delivering
9 the measures.

10 Q. Okay. Would that be in relation to the
11 low-income programs or something beyond the
12 low-income programs?

13 A. Well, it's certainly true with the
14 low-income programs as we contract with the Dayton
15 Cap Agency, Community Action Partnership. They are
16 the provider of the weatherization service and have
17 been since the event of the low-income weatherization
18 program known as Team 1.

19 Q. That relates to the 1.01, right, not the
20 2.9?

21 A. That relates to the 1.1, and then with
22 respect to the projected 2.9 per year, I suspect very
23 strongly that we will engage outside assistance in
24 order to deliver the services.

1 Q. And that is even for nonlow-income
2 programs?

3 A. That is correct.

4 Q. And when you say assistance in
5 delivering, are you talking about a community action
6 agency, or are you talking about a third-party
7 vendors or what?

8 A. Third-party vendors primarily is what I'm
9 thinking.

10 Q. And would you know generally with respect
11 to the programs -- and again if this is something
12 Mr. Rose would be more familiar with or would know
13 and you would not know, you can certainly so
14 indicate. But are you familiar generally with
15 respect to the use of third-party vendors about the
16 level of administrative expense built into these
17 programs?

18 A. You know, I will defer to Mr. Rose on
19 that. He's the expert, and he's got a lot of
20 experience with respect to these programs. I
21 respectfully request deference to him.

22 Q. I understand. Now, Mr. Pettit, do you
23 know that beyond the dollars associated with the
24 Team 1 program, have there been any actual costs

1 incurred during the test year related to the proposed
2 programs?

3 A. Other than the time that folks like
4 myself and others have spent in preparation for the
5 programs, we have not captured significant funds
6 associated with those programs realizing that we had
7 the rate case pending.

8 MS. GRADY: Would you read the answer,
9 please.

10 (Record read.)

11 Q. If you can you tell me -- you said there
12 was some time spent that you and others related to
13 the preparation for the programs. Can you tell me
14 what you mean there by preparation for the programs
15 and give me an estimate of the time that you've
16 spent?

17 A. Oh, gosh, it would be a rough estimate,
18 but what I was referring to, I mean, for instance, we
19 have done a lot of thought about how we will, you
20 know, how we will be able to help our customers. We
21 have spent a lot of internal time actually preparing
22 our employees for the fact that we are in position to
23 help other customers use less. So a lot of time has
24 been spent internally in changing our culture as well

1 as, you know, preparing for the time when we will be
2 able to -- providing customers with these kinds of
3 programs. So how much time, it's hard to say, and it
4 would be really a guess at this point.

5 Q. Okay. I'll accept that. Now, you were
6 talking about rolling out the programs. Can you tell
7 me, Mr. Pettit, what the rollout time period for
8 these programs is and exactly what the schedule for
9 rolling them out is?

10 A. Well, we don't have a hard and fast
11 schedule, but I can tell you it is our intent to be
12 up and running as absolutely fast as possible, and
13 I'll tell you we have -- this winter is great
14 motivation to try to be out in the marketplace
15 helping customers for this winter.

16 You know, a month ago we were looking at
17 \$14 natural gas. It's subsided a little bit into the
18 8-9 range, but still year over year extremely
19 significant with respect to the run-ups, and we're
20 really interested in providing hard and fast
21 opportunities for our customers to use less.

22 And so specifically with respect to your
23 question, I would say there's some programs that
24 could be up and running as little as a couple, two to

1 three months, and a couple may take a couple more
2 months longer. We are really motivated to be up and
3 running as quickly as possible.

4 Q. Do you know specifically the ones that
5 can be up and running in two to three months? Can
6 you go through those, or is that something you do not
7 know the specifics of?

8 A. With the caveat that this is my best
9 guess at this point, I'd be glad to talk to the
10 programs.

11 Q. Okay.

12 A. And so, for instance, the residential
13 programs which are highlighted starting on page 6 of
14 Mr. Rose's testimony, you would hope would be up and
15 running within two to three months.

16 Q. Yes.

17 A. I think it would be probably for the high
18 efficiency for gas water heating, page 7. The same
19 could hold true for the on-line audit and water
20 heating kit. That probably can be up within a
21 shorter period of time. Energy efficient new
22 construction, I would say 4 and 5 may take a little
23 more time because it does require spending a great
24 deal of time with our allies, but I would also say

1 that some of these can start trickling in in a short
2 bit of time.

3 And then what I would also say is 5 and
4 6, all of the commercials, which are 6, 7 and 8, if
5 you are following along with Mr. Rose's testimony,
6 and I would say 5 as well probably have a little more
7 lead time simply because we need to procure the right
8 expertise with respect to those, and the audit in
9 No. 5, the audit performance round, you know,
10 requires providing, you know, the right technical
11 help or acquiring the right technical help.

12 That's a rough guess, and I do again
13 caveat that it's our position as we sit here and
14 think about it today, but it could certainly change
15 as we find the market, if we get started and labor is
16 hard to find, those kinds of things, an appropriate
17 skill set is harder to find than what we would think.

18 Q. You mention the on-line audit and water
19 heating kit --

20 A. Yes.

21 Q. -- program. Is the on-line audit, is
22 that the Nexus?

23 A. It is now known as Aclara. They changed
24 their name.

1 Q. What is it called?

2 A. Aclara. I think it is A-C-L-A-R-A.

3 Q. What does that stand for?

4 A. I don't know. It is literally a company
5 name change, and I can't tell you what the genesis
6 was.

7 Q. The on-line audit has been up and running
8 for quite sometime.

9 A. It has. And it's a guess on my part but
10 at least 18 months, probably closer to two years it's
11 been up and running.

12 Q. And would the costs of that, the running
13 of that program during the past 18 months, be
14 included in the \$2.9 million adjustment that you are
15 proposing?

16 A. I believe it is.

17 Q. Okay. Do you know what portion of the
18 \$2.9 million adjustment would be related to Nexus
19 costs associated with the program being up and
20 running for the past 18 months?

21 A. I do not have that at my fingertips, and
22 I am obviously thinking about my answer to the
23 previous question as to whether I've captured costs
24 out of the \$2.9 million. So I really do need to

1 check in terms of reconciling the two questions, and
2 I apologize for not knowing the answer to that.

3 Q. That's all right. I would appreciate if
4 you could, Mr. Pettit, advise me as to of the
5 \$2.9 million adjustment if there are Nexus costs
6 associated with that, and the Nexus costs I'm looking
7 at would be Nexus costs that were incurred from
8 implementing the program and having it running, any
9 costs incurred prior to the test year is what I'm
10 looking at.

11 A. Got it.

12 Q. Thank you.

13 A. I'll be glad to check. I apologize, I
14 should probably know that answer, but I want to
15 verify it.

16 Q. That's all right. I appreciate you
17 getting that information for me. Now, you indicate
18 on WPC-3.15 that you intend to hire additional
19 employees to assist in administering these programs,
20 and in particular those would be the conservation
21 analysts and the conservation program manager. Is
22 that correct?

23 A. That is correct.

24 Q. Now, I'm going to shift gears a bit and

1 go to page 7 of your testimony.

2 A. Okay.

3 Q. They're you're talking about the need to
4 enhance the sales group. Is the sales group the name
5 of a department or is that -- let me strike that. Is
6 the sales group the name of a department?

7 A. It actually, as was focused on in
8 Mr. Karl's and my subsequent adoption testimony, the
9 actual group's name is Industrial Sales.

10 Q. Industrial Sales, okay. So when Mr. Karl
11 speaks of the enhancing of the sales group, that
12 would be enhancing of the Industrial Sales group; is
13 that right?

14 A. That's correct.

15 Q. Okay. And there you speak of your plans
16 to add the director of sales and the field sales
17 representative. Do you see that?

18 A. I do see that.

19 Q. And the total expenditures on an analyzed
20 basis, and I'm looking at page 8, are around \$80,000,
21 is that correct, if you add those two up?

22 A. Looks right to me. Probably closer to
23 90, but yes.

24 Q. I like your math. Now, have you filled

1 the field sales representative position, if you know?

2 A. We have not filled the field sales
3 representative, and, in fact, in ensuing testimony we
4 have pulled that particular position and will not be
5 filling it.

6 Q. And I understand given the nature of the
7 timing of the filing, that the point the direct was
8 filed you had different plans and they changed from
9 that date until the supplemental was filed; is that
10 correct?

11 A. That's a fair statement.

12 Q. Now, if I look at WPC-3.14 and I look at
13 the 28,000 annual costs, has any of that been
14 actually incurred, if you know?

15 A. With respect to the field sales
16 representative, no. It has not been -- no expenses
17 have been incurred.

18 Q. Okay. And also on that schedule, that's
19 WPC-3.14, you have an 11,700 test year amount. Do
20 you see that? Maybe I'm looking at the wrong thing.
21 I'm looking at the workpaper, and I'm looking at the
22 field sales representative. I'm looking at the same
23 line. You have a column called annual costs of
24 28,080 and then a test year amount of 11,7. Do you

1 see that reference?

2 A. I do see the reference.

3 Q. And the 11,7 found on line 11, can you
4 tell me what that consists of related to the field
5 sales representative position?

6 A. No, I can't, but I will find it out for
7 you.

8 Q. Great, thank you. You indicate in your
9 supplemental testimony, and you actually confirmed
10 that earlier, that you reconsidered the need to
11 create the new position, and, therefore, have
12 eliminated the field sales representative position.
13 Do you recall that testimony?

14 A. I do.

15 Q. Would it be appropriate then in your
16 opinion, Mr. Pettit, to reject your test year
17 adjustment of 16,380?

18 A. I would reserve the right to answer the
19 previous question before I answer this question as
20 I'm just not sure of what comprises it.

21 Q. Okay. I appreciate that. Now, why did
22 you determine -- I mean, what bore upon your
23 determination to eliminate that position?

24 A. We have a department that represents the

1 small commercial class, small to medium class of
2 customer field sales. We have an existing couple of
3 employees that do exist in VEDO, and our intent
4 really was with respect to making sure that we are
5 being as efficient and as effective with respect to
6 costs, we just decided we would remove that position
7 and provide coverage with the existing positions. It
8 was as simple as making the right decision with
9 respect to allocation of resources.

10 MS. HUMMEL: Excuse me. Did someone just
11 call in?

12 (Discussion off record.)

13 Q. (By Ms. Grady) Now, Mr. Pettit, do you
14 know if the economic development representative and
15 the supervisor of measure services has been filled?
16 And the place I'm getting those positions would again
17 been WPC-3.14.

18 A. The economic development manager was
19 addressed in Mr. Keeping's testimony, and so I
20 would -- what I would say because I did come late to
21 the game, I would prefer to allow Mr. Keeping to
22 answer that.

23 Q. Okay. With respect to the supervisor of
24 measure services, do you know if that position has

1 been filled?

2 A. I have no idea.

3 Q. Would that also be Mr. Keeping?

4 A. No. I don't know for sure, but it would
5 be other than Mr. Keeping or myself, and I'm trying
6 to think. It could possibly be Mr. Francis's
7 testimony, but that's a guess.

8 Q. Okay. So is it safe with respect to
9 WPC-3.14, you are most familiar with the customer
10 support or the sales/economic development piece; is
11 that correct?

12 A. That's correct.

13 Q. And the other pieces there would be other
14 witnesses addressing those.

15 A. That's correct.

16 Q. Now, with respect to economic development
17 representative, there's an indication on
18 WPC 3.14 actual expenditures related to that were
19 \$8,554. Do you see that?

20 A. I'm looking here. Okay, I do see it.

21 Q. Do you know what the expenditures pertain
22 to?

23 A. I can't give you a specific answer, I
24 apologize, and I again would tell you that

1 Mr. Keeping had that in his -- I'm sorry. He spoke
2 to that position in his testimony.

3 Q. Okay. Now, you have testimony,
4 Mr. Pettit, about the director of sales, and I'm
5 looking at -- unfortunately, I didn't write the page
6 number. I have lines 15 through 19. Oh, yes, that
7 is page 7, lines 15 through 19. You indicate that
8 the director of sales will lead the customer addition
9 activities. Do you see that?

10 A. I do. I'm reading the description in my
11 testimony, here. Yes, I see.

12 Q. Okay. Can you tell me how the customer
13 addition activities will be coordinated with the VEDO
14 conservation strategy as you indicate there in your
15 testimony?

16 A. Well, let me in answering this refer to
17 my supplemental testimony that was filed.

18 Q. Yes.

19 A. That position doesn't exist as we defined
20 it in the original testimony.

21 Q. Okay.

22 A. Instead of having a director of sales, a
23 position has been created as the director of
24 conservation.

1 Q. Okay.

2 A. And that signifies a change in our
3 corporate philosophy, and it primarily means that we
4 have created an organization that is led by the
5 director of conservation that does report to me.
6 And, by the way, my title as marketing and
7 conservation speaks to this as well, because we have
8 created an internal focus that says that we need to
9 help our customers, every customer, use less of our
10 product.

11 And so that's why we've created the
12 position of director of conservation as opposed to
13 director of sales. We're trying to mobilize all of
14 our resources internally to that end, and that is
15 lowering our customers' consumption and ultimately
16 their bill.

17 Q. Now, let's talk generally about the
18 conservation portfolio that you propose. You are
19 general familiar with those programs; is that
20 correct?

21 A. Yes, I am. I generally familiar with
22 them.

23 Q. Okay. Those programs were chosen,
24 Mr. Pettit, after economic analysis; is that right?

1 A. That is correct. Mr. Rose speaks to his
2 process in his testimony, but essentially he looked
3 at tried-and-true programs and then he provided a
4 first pass at a cost/benefit test.

5 Q. And I guess I was questioning whether in
6 the cost/benefit test he used various forms. Is that
7 correct, if you know?

8 A. He did. And I believe, as I turn the
9 page to his testimony, he gave -- yes, he used
10 multiple tests.

11 Q. And those tests would tell you whether
12 the program was cost-effective or not, right?

13 A. That is correct.

14 Q. Now, when the tests were run, did the --
15 if you know, and if you don't know this, you can
16 certainly say so and I can proceed to depose
17 Mr. Rose. But when he ran the tests, do you know if
18 Mr. Rose factored into the tests the company's
19 proposal in this case to transition to a straight
20 fixed variable rate design?

21 A. I don't believe so, but I can't answer
22 that for sure.

23 Q. Okay. That would be something Mr. Rose
24 would be able to answer.

1 A. That is correct, and in answering or
2 attempting to answer the question, I'm also -- I'm
3 not sure the difference that it would make, but I
4 just don't know so I will leave it with Mr. Rose.

5 Q. Now, do you understand that the straight
6 fixed available proposal filed by the company in this
7 case would increase the customer charge by decreasing
8 the volumetric rates. Do you understand that?

9 A. I understand that concept, yes.

10 Q. And do you also understand that a move to
11 the full straight fixed variable as the company
12 proposes in subsequent years would mean that all
13 revenues collected under -- all revenues would be
14 collected under the customer charge with no
15 volumetric rate?

16 A. Can you read back that question please.

17 Q. I can restate it if you would like.

18 A. That would be fine.

19 Q. Do you also understand that under the
20 company's approach to a full SFV, which would occur
21 in later years, would mean that all the revenues
22 would be collected under customer charge with no
23 volumetric rate imposed.

24 A. I guess my answer would be I understand

1 that the movement, certainly the closer you get to
2 straight fixed variable, as you say in this case it's
3 defined as full, and I understand you are certainly
4 moving away from recovery of volumetric and moving to
5 fixed. I understand in that case.

6 I'm not sure how our design -- the reason
7 I'm not giving you a precise answer here, I'm not
8 sure what we have proposed with respect to the end
9 point and where we wind up with straight fixed
10 variable, I'm just not part of the day-in and day-out
11 discussion where that end point is, but I do
12 understand generally the movement from volumetric
13 recovery to fixed.

14 Q. Yes. That's all I'm really asking you,
15 whether you understand the movement and the impact,
16 not exactly when it occurs.

17 A. I understand that concept.

18 Q. Would you agree that the rate design
19 proposed by Vectren could have an impact on the cost
20 effectiveness of your demand-side management
21 programs?

22 MR. MARGARD: Excuse me, Doug.

23 Ms. Grady, this is Larry Friedeman here. I will
24 object to that because I believe Mr. Pettit already

1 indicated he was not aware whether Mr. Rose had
2 incorporated the concept of straight fixed variable
3 rate into his studies and analysis relative to cost
4 factor.

5 Q. You can answer the question, Mr. Pettitt.

6 A. Right. So I think -- I got to recall the
7 question. Can you read it back? I'm sorry.

8 Q. I can just rephrase it or resay it.
9 Would you agree that the rate design proposed by
10 Vectren could have an impact on the
11 cost-effectiveness of the programs that you are
12 proposing to sponsor under the \$2.9 million
13 adjustment?

14 A. I suspect there may be a minor impact,
15 but given the fact we're still talking about roughly
16 80 percent of the bill is commodity cost, I mean
17 you're not talking about a significant impact, if
18 there is one.

19 Q. And can you explain to me what you mean
20 by a minor impact and, if you understand, how the
21 rate design would impact that?

22 A. Well, my only support is here to the
23 magnitude of any changes that might be inferred by
24 having 20 percent of your bill not impacted by volume

1 reductions, and so to the extent 20 percent, I guess
2 there could be some lever downward with respect to a
3 cost/benefit analysis or test, but I'm not sure if
4 it's a one-for-one relationship, so, you know, a
5 general direction I can give you, but I don't
6 understand complete magnitude if it is one for one or
7 not.

8 Q. Also, Mr. Pettit, and certainly if you
9 don't understand or you can certainly so indicate,
10 would it be your conclusion that the rate design
11 would impact the payback period associated with
12 certain measures?

13 A. It could have some impact, I suspect.

14 Q. Okay. And would you imagine that the
15 impact would be to extend the payback period?

16 A. Again, it could marginally.

17 Q. Would you agree, Mr. Pettit, that under
18 the straight fixed variable proposal by the company
19 that customers would have less incentive to engage in
20 DSM?

21 A. Again, you're talking about fully
22 80 percent of your bill is the gas costs or roughly
23 thereabouts, and with gas costs as high as they are,
24 I just cannot be convinced that somebody would not do

1 something or take some measure to impact their bill
2 downward because there's a slight piece of the charge
3 that's now not recovered through volume but rather
4 fixed charge.

5 Q. But as you move closer to straight fixed
6 variable, would that incentive to try to reduce the
7 bill, would that become lessened?

8 MS. HUMMEL: Just have to put an
9 objection in here. It's getting now beyond
10 speculation and into crystal ballism. Is that a
11 word?

12 MS. GRADY: I don't know. I was just
13 thinking about that.

14 MS. HUMMEL: Well, I like it.

15 You can answer, Mr. Pettit, if you know.

16 A. Without attempting to be obstinate, I
17 guess the way the question is asked, I don't see any
18 one not participating or performing a measure because
19 now there's a little less upside with respect to
20 reducing consumption.

21 I mean, in other words, if I'm motivated
22 to reduce my bill, as I can imagine most people are
23 and will be as the costs rise, the impetus to take
24 action I again contend will not diminish because of a

1 movement to straight fixed variable.

2 Q. Mr. Pettitt, do you think that when full
3 straight fixed variable is reached, and, again, when
4 I say full straight fixed variable, I mean all of the
5 costs are recovered through fixed charge as opposed
6 to any volumetric charge, is there any incentive at
7 all to customers to engage in demand-side management?

8 A. Oh, absolutely.

9 Q. Then can you explain that to me?

10 A. Sure. You're still talking about trying
11 to save the cost of the commodity. If I understand
12 straight fixed variable, the company's fixed costs
13 and everything else that's tied up or defined under
14 that are going to be recovered. If, in fact, as you
15 stated, postulated, it's 100 percent straight fixed
16 variable, then you're recovering the direct costs or
17 fixed cost or what we know as distribution charges.

18 And, again, today that's roughly
19 20 percent of the bill. You have the full 80 percent
20 that's passed through every month from the utility to
21 the customer that is this cost of the commodity. So
22 you have all of that that can, and hopefully will be,
23 conserved. So every unit that you use less of, you
24 save the full component of the commodity, right?

1 So that's pretty significant and, in
2 fact, today it's , I don't know, in the high \$8 range
3 gas is trading for next month. As I said in answer
4 to a previous question, last month we had \$14 gas
5 that was trading. And I would contend to you that
6 the amount that's fixed cost becomes pretty
7 negligible when talking \$14 gas. No one that I know,
8 I have not read anyone who had postulated or
9 predicted that natural gas was going to come down
10 anytime soon, at least from a fundamental market
11 movement.

12 And so, yes, I disagree with the
13 contention that someone would not be motivated to
14 save or conserve if they're not paying for
15 distribution charges in a volumetric manner.

16 Q. Are you then saying, just so I understand
17 it, are you saying that the customer would be
18 responding to the GCR rate? Is that what you're
19 talking about?

20 A. Absolutely.

21 Q. And so if the customer is responding to
22 the GCR rate, then the customer has the incentive to
23 reduce that bill.

24 A. Absolutely.

1 Q. But the incentive to reduce distribution
2 charges would be completely gone when you reached a
3 straight fixed variable; is that correct?

4 MS. HUMMEL: Object to the form of the
5 question.

6 May I have that reread please.

7 (Record read.)

8 MS. HUMMEL: If you know, you can answer,
9 Mr. Pettit. If you know or understand it.

10 THE WITNESS: So read it again. I'm
11 sorry. My memory gets short when there's an
12 objection.

13 MS. GRADY: You know what, I like that.
14 Maybe I should ask my questions in a more staccato
15 manner and get them all done with while you memory is
16 gone.

17 (Record read.)

18 Q. From a customer perspective, I might add.

19 A. So if the premise is that there is zero
20 distribution costs passed through volumetric if, by
21 definition, you moved to full SFV or straight fixed
22 variable.

23 Q. Yes.

24 A. Then the answer to your question is yes.

1 But, again, there's still the incentive on the
2 greatest part of the bill, and that is to save of on
3 the cost of the commodity. I would also contend that
4 with enough focus -- this is the same argument we
5 used with respect to being able to change the way we
6 collect revenue from our customers, but with enough
7 people focusing on the conservation piece of the
8 equation using less natural gas, then I contend the
9 results will be a lower cost commodity as well. Not
10 only do you use less commodity and you're saving
11 because you're using less, but for the units that you
12 are using, you are spending less because the
13 commodity price is down. The cost of the commodity
14 is down.

15 Q. Mr. Pettitt, along those lines, if
16 customers are using less and that then produces a
17 lowering of the commodity cost, can we say the same
18 thing for the distribution cost, that if a customer's
19 usage goes down overall, and we're talking about the
20 overall customers of VEDO, would that bring the
21 distribution costs down as well for the company?

22 A. You're outside of my area of expertise
23 and you're probably in Jerry Ulrey's rate design
24 questions. I understand the question, and the answer

1 is the fixed costs -- the majority of our business is
2 fixed costs, so from a theoretical perspective the
3 reason that regulators have agreed to move to having
4 more fixed costs recovered in a fixed manner by
5 customer charge because the costs of our business
6 just aren't that variable. And so with respect to
7 the commodity price or cost going down, I'm just not
8 sure that that has an impact on the distribution
9 costs.

10 Q. I understand. I appreciate you're
11 attempting to answer that.

12 MS. GRADY: Mr. Pettit, that's all the
13 questions for you today.

14 THE WITNESS: Great. Thank you.

15 THE HEARING EXAMINER: I'm going open up
16 the deposition to any other counsel who wishes to
17 depose Mr. Pettit.

18 (No response.)

19 MS. GRADY: Having heard no response, we
20 will now go off the record. Thank you Mr. Pettit.

21 THE WITNESS: Thank you.

22 (The deposition concluded at 2:38 p.m.)

23 - - -

1 State of Ohio :
2 County of _____ : SS:
3

4 I, L. Douglas Petitt, do hereby certify that I
5 have read the foregoing transcript of my deposition
6 given on Monday, August 11, 2008; that together with
7 the correction page attached hereto noting changes in
8 form or substance, if any, it is true and correct.

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L. Douglas Petitt

I do hereby certify that the foregoing
transcript of the deposition of L. Douglas Petitt was
submitted to the witness for reading and signing;
that after he had stated to the undersigned Notary
Public that he had read and examined his deposition,
he signed the same in my presence on the _____ day
of _____, 2008.

Notary Public

My commission expires _____, _____.

- - -

CERTIFICATE

State of Ohio :
County of Franklin : SS:

I, Rosemary F. Anderson, Notary Public in and for the State of Ohio, duly commissioned and qualified, certify that the within named L. Douglas Petitt was by me duly sworn to testify to the whole truth in the cause aforesaid; that the testimony was taken down by me in stenotypy in the presence of said witness, afterwards transcribed upon a computer; that the foregoing is a true and correct transcript of the testimony given by said witness taken at the time and place in the foregoing caption specified and completed without adjournment.

I certify that I am not a relative, employee, or attorney of any of the parties hereto, or of any attorney or counsel employed by the parties, or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Columbus, Ohio, on this 13th day of August, 2008.

Rosemary F. Anderson/Kst
Rosemary F. Anderson,
Professional Reporter, and
Notary Public in and for the
State of Ohio.

My commission expires April 5, 2009.

(RFA-8184)

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