

FILE

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BEFORE

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THE PUBLIC UTILITIES COMMISSION OF OHIO

PUCO

In the Matter of the Application of :  
Vectren Energy Delivery of Ohio, Inc., :  
for Authority to Amend its Filed Tariffs : Case No. 07-1080-GA-AIR  
to Increase the Rates and Charges for Gas :  
Services and Related Matters. :

In the Matter of the Application of :  
Vectren Energy Delivery of Ohio, Inc., :  
for Approval of an Alternative Rate Plan : Case No. 07-1081-GA-ALT  
for a Distribution Replacement Rider to :  
Recover the Costs of a Program for the :  
Accelerated Replacement of Cast Iron :  
Mains and Bare Steel Mains and Service :  
Lines, a Sales Reconciliation Rider to :  
Collect Differences between Actual and :  
Approved Revenues, and Inclusion in :  
Operating Expenses of the Costs of :  
Certain Reliability Programs. :

TESTIMONY

OF

EDWARD M. STEELE

PUBLIC UTILITIES COMMISSION OF OHIO  
FACILITY AND OPERATIONS FIELD DIVISION OF  
THE SERVICE MONITORING AND ENFORCEMENT DEPARTMENT

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

2 A. My name is Edward M. Steele. My business address is 180 East Broad  
3 Street, Columbus, Ohio 43215.

4

5 2. Q. What is your current position?

6 A. I am employed by the Public Utilities Commission of Ohio as Chief of the  
7 Gas Pipeline Safety Section, Facility and Operations Field Division,  
8 Service Monitoring and Enforcement Department.

9

10 3. Q. Please summarize your education and professional qualifications?

11 A. I am a graduate of the University of Pittsburgh, where I obtained a  
12 Bachelor of Science degree in Geology. I also have completed 9 week  
13 long classes on Pipeline Safety at the Transportation Safety Institute in  
14 Oklahoma City, OK. I also completed the three Appalachian Underground  
15 Corrosion Short Courses offered at West Virginia University in  
16 Morgantown, WV. From June 2003 to September 2004, I was chairman of  
17 the National Association of Pipeline Safety Representatives (NAPSR). I  
18 am also a member of the National Association of Regulatory Utility  
19 Commissioners (NARUC).

20

21 4. Q. Please summarize your business experience.

22 A. I began working for the Public Utilities Commission in 1986 as a  
23 compliance investigator in the Gas Pipeline Safety Section. My

responsibilities included inspection of gas company facilities, records and procedures for compliance with state and federal regulations. I prepared reports on these inspections, and, when applicable, prepared probable violation reports. In 1989, I was promoted to field supervisor of the Gas Pipeline Safety Section. In this position, I was responsible for training the compliance investigators as well as reviewing reports and probable noncompliance records for accuracy and content. I created a GPS computer database used for tracking inspections, follow ups and incidents and also entered data into this database. In 1991, I was promoted to my current position of Chief of the Gas Pipeline Safety Section. I am responsible for the supervision often full time Gas Pipeline field Staff as well as the review of their reports, probable noncompliance reports, follow up investigations, incidents, complaints, scheduling of their workload, and filing federal documents as part of the PUCO's certification program with the Pipeline and Hazardous Materials Safety Administration.

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

A. I am addressing the concerns that the Applicant and OCC had with several issues in the Staff report filed in this case. I will be addressing Applicant objections 29 and 42, as well as OCC objections 24, 25, 26, 27, 28, 32, and 48.

1    6.    **Q.    What is the Staff's position regarding the Applicant's objection 29?**

2            A.    The Applicant objected to Staff's recommendation that they replace  
3            prone-to-fail risers over a three year time frame. They based this  
4            objection on the anticipated competition for contract labor as well as their  
5            main and service line replacement work that will be occurring.

6

7    7.    **Q.    What time frame is the Applicant proposing?**

8            A.    The Applicant wants to replace the prone-to-fail risers over a period of not  
9            less than five years. They feel that this will result in a lower replacement  
10           cost and lead to a more effective and efficient replacement program.

11

12   8.    **Q.    What is your opinion of this?**

13           A.    I believe that these prone-to-fail risers should be replaced as quickly and  
14           economically as possible. Staff is willing to move from the position of  
15           replacement in a three year time frame to allow the applicant to take up to  
16           five years for replacement of the prone-to-fail risers. I cannot agree with  
17           the statement of a period of not less than five years. In my opinion, as I  
18           stated above, these risers need to be replaced as quickly and economically  
19           as possible. I believe that replacing these risers within 60 months  
20           following a final order in this case is reasonable.

21

1     9.     **Q.     What is your position regarding the Applicant's objection 42?**

2           A.     VEDO objected to the Eagle Report recommendation on ownership and  
3                   maintenance of service lines as it was apparently based on an incorrect  
4                   understanding of Applicant's proposal. The Eagle report recommended  
5                   that the Applicant consider ownership and maintenance of all service lines  
6                   at least for residential and small commercial customers. It is my  
7                   understanding that the Applicant proposed to be responsible for operation  
8                   and maintenance for all service lines in their territories as well as  
9                   assuming ownership for all new and replaced service lines. I agree with  
10                  the Applicant that all service lines must be operated and maintained by the  
11                  utility as required by 49 CFR Part 192, and that ownership should be up to  
12                  the outlet of the meter once the new service line or replacement service  
13                  line is installed.

14  
15    10.    **Q.     What is Staff's position regarding OCC's objection 24?**

16           A.     OCC objected to the Accelerated Distribution System Replacement  
17                   Program (ADSP) Staff Report's support for VEDO's twenty year, \$335  
18                   million ADSP because it failed to include an analysis of specific yearly  
19                   information regarding a prioritization schedule for pipeline replacements,  
20                   the type, location, schedule and a capital budget for the gas mains and  
21                   connected facilities that are planned to be replaced. I believe that the  
22                   program is vital to maintain the integrity and safety of the VEDO pipeline  
23                   system. VEDO is experiencing six times as many leaks on their bare steel

1 and cast iron mains than on their coated cathodically protected mains.  
2 Approximately 48% of the leak repairs on mains from 2000 to 2006 were  
3 on bare steel and cast irons main which comprise only 12.8% of the  
4 pipeline system. Unprotected bare steel pipe does have a useful lifespan.  
5 Depending on the soil resistivity, these lines can already have corrosion  
6 leaks that have been repaired, corrosion leaks that are occurring as we  
7 speak, and corrosion leaks in the immediate future. Any of these leaks can  
8 allow gas to migrate and accumulate in a confined area and cause an  
9 explosion. These pipelines are not cathodically protected, and unprotected  
10 steel lines corrode in the soil, returning to their natural state. These lines  
11 need to be replaced with a prioritized schedule as determined by VEDO  
12 based on their knowledge of the pipeline system.

13  
14 11. **Q. What is Staff's position regarding OCC objection 25?**

15 A. OCC objected that the ADSP will not reduce the leakage in the VEDO  
16 service areas. That is an incorrect statement. When you replace pipeline  
17 that is corroding and leaking, gas is escaping into the atmosphere.  
18 Depending on the grade of leak, the gas can continue to escape for an  
19 indefinite period of time. Replacing bare steel and cast iron mains will  
20 stop the leakage on the pipelines and result in a lower unaccounted for gas,  
21 less leakage, and a safer system. As stated above, VEDO is experiencing  
22 six times as many leaks on their bare steel and cast iron mains than on

1           their coated and cathodically protected mains. Replacing these lines will  
2           result in reducing the leakage rates for VEDO.

3  
4   12.   **Q.    What is Staff's position to OCC objections 26 & 27?**

5           A.    The ADSP will result in savings in the Operating and Maintenance costs  
6           for the company. This savings will occur in several ways. One is a  
7           reduced number of leaks and also fewer leaks to be repaired. This will  
8           also allow the company to go to a longer leak survey interval as specified  
9           by the pipeline safety regulations. Bare steel and cast iron mains must be  
10          leak surveyed every 3 years, and plastic pipe and cathodically protected  
11          steel lines can be leak surveyed on a 5 year cycle. These requirements are  
12          the same for all companies in Ohio, not just VEDO. This is in addition to  
13          the savings on the cost of the gas lost by leakage that would be eliminated.  
14          In referencing the \$8.5 million in savings for Duke Energy Ohio, Staff was  
15          not implying that DEO would achieve similar savings, but merely  
16          demonstrating that an ADSP will result in O&M savings.

17  
18   13.   **Q.    What is Staff's position to OCC objection 28?**

19          A.    When VEDO filed its most recent rate case (three years ago) the company  
20          did not propose the proactive approach of an ADSP. Staff believes the age  
21          of the plant justifies this program. With the passage of time and the  
22          continued aging of the plant, each year makes the matter more pressing.  
23          Now that the company has conducted an assessment of its system and

1 proposed a systematic approach to dealing with the problem, Staff  
2 believes it is time to move forward with this necessary work.

3  
4 14. Q. What is Staff's position to OCC objection 32?

5 A. VEDO's ADSP program deals specifically with the replacement of bare  
6 steel and cast iron mains. These pipelines were installed in VEDO's  
7 system prior to the 1960's. These pipelines have been operating and  
8 corroding since their installation. Wall thickness varies among pipelines.  
9 As pipelines corrode, they lose wall thickness. As the pipe wall becomes  
10 thinner, the line becomes more susceptible to leakage. While the line may  
11 not be leaking today, there may only be a few thousandths of an inch of  
12 wall thickness left. Said another way, the line may not be leaking today,  
13 but could corrode and leak as soon as tomorrow. It is not possible to  
14 predict leakage, only to identify the pipelines that are prone to leak.

15  
16 15. Q. What is Staff's position to OCC objections 48?

17 A. As stated in our Staff report, Staff believes that LDC ownership of curb-  
18 to-the-meter service lines will significantly enhance pipeline safety and  
19 establish a clear line of responsibility between the utility and the  
20 consumer.

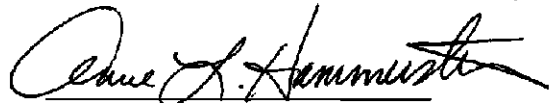
21  
22 16. Q. Does this conclude your testimony?

23 A. Yes, it does.



## **PROOF OF SERVICE**

I hereby certify that a true copy of the foregoing Prefiled Testimony of Barbara J. Bossart, submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 19th day of August, 2008.



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