

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:
Energy Delivery of Ohio, :
5 Inc., for Authority to :
Amend its Filed Tariffs to:
6 Increase the Rates and :
Charges for Gas Services :
7 and Related Matters. :

8 In the Matter of: :
: Case No. 07-1081-GA-ALT
9 The Application of Vectren:
Energy Delivery of Ohio, :
10 Inc., for Approval of an :
Alternative Rate Plan for :
11 a Distribution Replacement:
Rider to Recover the Costs:
12 of a Program for the :
Accelerated Replacement of:
13 Cast Iron Mains and Bare :
Steel Mains and Service :
14 Lines, a Sales :
Reconciliation Rider to :
15 Collect Difference Between:
Actual and Approved :
16 Revenues, and Inclusion in:
Operating Expense of the :
17 Costs of Certain :
Reliability Programs. :

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19 PROCEEDINGS

20 VOLUME VII

21 before Mr. Gregory Price, Attorney Examiner, at the
22 Public Utilities Commission of Ohio, 180 East Broad
23 Street, Room 11-F, 10:00 a.m. on Tuesday,
24 September 2, 2008.

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20 Utilities Commission.

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1 Tuesday Morning Session,

2 September 2, 2008.

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4 ATTORNEY EXAMINER: Let's go on the
5 record. Good morning. The Public Utilities
6 Commission of Ohio has set for hearing at this time
7 and this place Case No. 07-1080-GA-AIR in the Matter
8 of the Application of Vectren Energy Delivery of
9 Ohio, Inc., for Authority to Amend its Filed Tariffs
10 to Increase the Rates and Charges for Gas Service and
11 Related Matters.

12 My name is Gregory Price. I am the
13 Attorney Examiner assigned to preside over today's
14 hearing.

15 Let's begin again as we have been doing
16 with taking abbreviated appearances of the parties
17 starting with the company.

18 MS. HUMMEL: Thank you, your Honor.
19 Gretchen J. Hummel, Samuel C. Randazzo, McNees,
20 Wallace & Nurick; and Lawrence K. Friedeman of
21 Vectren on behalf of the company.

22 ATTORNEY EXAMINER: Thank you.

23 Mr. Rinebolt.

24 MR. RINEBOLT: On behalf of Ohio Partners

1 for Affordable Energy, David C. Rinebolt, P.O. Box
2 1793, Findlay, Ohio 45839.

3 ATTORNEY EXAMINER: Consumers' Counsel.

4 MS. GRADY: Yes, your Honor. On behalf
5 of the residential customers of VEDO, Maureen R.
6 Grady appearing on behalf of Janine L.
7 Migden-Ostrander, Ohio Consumers' Counsel, and Joseph
8 P. Serio.

9 ATTORNEY EXAMINER: Thank you.
10 Staff.

11 MR. MARGARD: Thank you, your Honor. On
12 behalf of the Commission staff, Werner Margard and
13 Anne L. Hammerstein, Assistant Attorneys General.

14 ATTORNEY EXAMINER: Thank you very much.
15 Any preliminary matters for the Bench
16 before we take our first witness?

17 MR. SERIO: Yes, your Honor. I guess now
18 that there is a letter on the record the matter that
19 I had with Mr. Ulrey's testimony I can take up when
20 Mr. Ulrey takes the stand, but regarding
21 Mr. Overcast's testimony we didn't get this until
22 late Friday afternoon and there is significant new
23 data in this testimony. And we had previously
24 noticed Mr. Overcast for deposition and had taken his

1 deposition, and we want the opportunity to either do
2 discovery or depose Mr. Overcast on some of the
3 information in his rebuttal testimony that has
4 previously not been a part of the record in the case.

5 Specifically if you look at his question
6 and answer No. 8 where he talks about extracting data
7 from the billing system, appending it, and then using
8 Global Positioning System technology to determine a
9 calculation, it's patently unfair that we don't know
10 what he did, and the only way we can find out about
11 it is asking questions on prefiled testimony live
12 without the opportunity to have done any discovery or
13 background on it at all.

14 So we would like the opportunity to
15 either submit some written discovery to the company
16 later today or to schedule a time where we can depose
17 Mr. Overcast on this prior to him taking the stand
18 and submitting the testimony on the record.

19 ATTORNEY EXAMINER: Mr. Randazzo.

20 MR. RANDAZZO: Your Honor, first of all,
21 let me deal with the claim that testimony is patently
22 unfair. The Office of Consumers' Counsel raised the
23 issue regarding the relationship between income and
24 usage for customers. Having raised the issue we

1 discussed the subject and felt that it would be
2 appropriate for the Commission to have the best
3 information possible and Mr. Overcast describes the
4 process that was undertaken in order to obtain that
5 information.

6 There is nothing unfair about rebuttal
7 testimony. It is part of the process. You do not
8 have -- as the moving party, we have the right to go
9 last. And simply because somebody files testimony
10 directed at a claim that you make as a party and that
11 testimony is rebuttal -- rebuttal testimony does not
12 give you the opportunity then to go do additional
13 discovery. A discovery cutoff line occurred sometime
14 ago. This issue is hardly a surprise issue. What we
15 have added to the record is incremental information
16 based upon actual data from VEDO's billing system,
17 and Mr. Overcast explains that in his testimony.
18 We've not heard anything about these problems prior
19 to coming here today. Mr. Overcast is -- was
20 scheduled to be here today and if there is an
21 unfairness, it is waiting until 10 o'clock in the
22 morning on the day of the scheduled testimony for OCC
23 to explain that it now has problems with the
24 testimony that we distributed mid-day on Friday. Had

1 there been a problem and they had communicated the
2 problem, we might be having a different discussion
3 here, but I -- we are prepared to go forward, and I
4 believe Mr. Serio's motion is inappropriate and
5 should be overruled.

6 ATTORNEY EXAMINER: Mr. Serio.

7 MR. SERIO: Your Honor, we are not
8 disputing that the company has the right to file
9 rebuttal testimony. All we are saying is if rebuttal
10 testimony is going to include new information that we
11 haven't seen previously, we should have the right to
12 explore that information through the discovery
13 process prior to having to take the witness live on
14 the stand. We did a lot of discovery in this
15 proceeding asking about a lot of the kind of data
16 that appears to be data that now Mr. Overcast is
17 testifying to. We were told during the discovery
18 process that the company hadn't done any of these
19 type of studies.

20 Now, to get this at this late date when
21 we were under the impression that the company hadn't
22 done any of this information puts us at a very unfair
23 situation. You know, at the very least the company
24 then should have supplemented their discovery and

1 provided us the background information here. We
2 don't know how he did what he did. And that would be
3 the purpose of either discovery or deposition is to
4 find out what he did, how he did it, and then to
5 determine how much, if any, of that information we
6 want to bring into the hearing room and put on the
7 stand. That's the whole idea.

8 ATTORNEY EXAMINER: You stated earlier
9 you noticed him for deposition. Are you saying you
10 did or did not do the deposition?

11 MR. SERIO: We submitted a notice on
12 June 27, and he was previously deposed regarding his
13 direct testimony that we had access to as we would
14 do, but we couldn't depose him on information that we
15 didn't get until Friday.

16 ATTORNEY EXAMINER: I don't think it's --
17 I don't think it's all that unusual to not have a
18 chance to do a deposition of rebuttal witnesses
19 before we put them on. I will try to give you some
20 leeway in asking him questions, but it's not out of
21 the ordinary for a Commission proceeding whatsoever.

22 MR. RANDAZZO: Your Honor, if I might, as
23 is sometimes the case in the course of argument,
24 parties make recommendations about -- that suggest

1 either by directly or innuendo that another party may
2 not have been completely responsive to discovery
3 requests. As your Honor noted early in this process,
4 you have not had any discovery disputes in this
5 proceeding, and it's largely because we have done our
6 very best to be responsive to OCC's request. If
7 there is something that OCC believes that we did not
8 properly supplement, I think we need to have that
9 allegation addressed specifically as opposed to
10 having a general cloud placed over that subject area.
11 So if you have something, Mr. Serio, I would be glad
12 to take it up with you individually.

13 MR. SERIO: And, your Honor, I put what
14 time I had into going through the testimony. I have
15 assigned someone internally to look at the discovery
16 log and that would have been the basis of some of the
17 things that we would have brought up either through
18 written discovery or through a deposition, so I am
19 not in a position to do it now because had I spent
20 time doing that I would be even less prepared to have
21 to cross-examine a witness on something that I
22 haven't had sufficient time to review.

23 ATTORNEY EXAMINER: We are going to hear
24 Mr. Overcast today, so I am not sure if you are

1 making a motion or objection.

2 MR. SERIO: I am simply responding, your
3 Honor.

4 ATTORNEY EXAMINER: I understand. I
5 understand.

6 Anything else before we take our first
7 witness?

8 Let us begin then.

9 MR. RANDAZZO: Your Honor, we would ask
10 that H. Edwin Overcast be recalled to the stand as a
11 witness in this proceeding. I believe he was
12 previously sworn, your Honor.

13 ATTORNEY EXAMINER: Mr. Overcast. As
14 Mr. Randazzo noted, I will remind you you are still
15 under oath.

16 THE WITNESS: Yes, sir.

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

19 THE WITNESS: My name is H. Edwin
20 Overcast. My business address is P.O. Box 2946,
21 McDonough, Georgia 30253.

22 ATTORNEY EXAMINER: Please proceed,
23 Mr. Randazzo.

24 - - -

1 H. EDWIN OVERCAST

2 being previously duly sworn, as prescribed by law,
3 was examined and testified further as follows:

4 DIRECT EXAMINATION

5 By Mr. Randazzo:

6 Q. Since you have previously been introduced
7 to this proceeding I will not go through the
8 preliminary questions. Like your business address
9 and the nature of your employment.

10 Mr. Overcast, were you requested to
11 prepare rebuttal testimony for purposes of this
12 proceeding?

13 A. Yes, I was.

14 MR. RANDAZZO: Your Honor, I would ask
15 that the rebuttal testimony which was circulated
16 Friday mid-day titled "Rebuttal Testimony of H. Edwin
17 Overcast on Behalf of Vectren Energy Delivery of
18 Ohio, Inc.," be identified as Company Exhibit 8a.

19 ATTORNEY EXAMINER: So marked.

20 (EXHIBIT MARKED FOR IDENTIFICATION.)

21 Q. Mr. Overcast, do you have before you what
22 has been marked for identification purposes as
23 Company Exhibit 8a?

24 A. Yes, I do.

1 Q. Was that rebuttal testimony prepared by
2 you or under your supervision?

3 A. Yes, it was.

4 Q. Do you have any changes or corrections
5 that you would like to make in that testimony at this
6 time?

7 A. None that I am aware of.

8 Q. If I were to ask you the questions that
9 are set forth in Company Exhibit 8a, would the
10 answers you would give here live today on the stand
11 be as set forth in Company Exhibit 8a?

12 A. They would.

13 MR. RANDAZZO: Your Honor, I would move
14 the admission of Company Exhibit 8a and offer
15 Mr. Overcast for any cross-examination that the
16 parties may have.

17 ATTORNEY EXAMINER: Thank you.

18 Mr. Rinebolt, cross?

19 MR. RINEBOLT: Yes, your Honor.

20 - - -

21 CROSS-EXAMINATION

22 By Mr. Rinebolt:

23 Q. Good morning, Mr. Overton.

24 A. Good morning.

1 ATTORNEY EXAMINER: Overcast.

2 Q. All right. Let's turn to page 3 of your
3 testimony, if we could, please. Specifically at line
4 17 you begin a discussion of the fact that modern,
5 larger homes are -- use less than smaller, older
6 homes. Is the energy intensity of which you speak
7 based on a per square foot basis?

8 A. No. It's an absolute total.

9 Q. It's an absolute total. So you are
10 saying a 2,500 square foot house that's built to
11 modern energy codes is overall more efficient than a
12 1,000 square foot house?

13 A. Assuming you have the same number of
14 residents and that sort of thing, it would not be
15 uncommon for that larger house to use less energy
16 than the smaller, older home.

17 Q. And what data do you -- would you cite to
18 support that conclusion?

19 A. I'm basing that on having done this for
20 longer than I care to admit, but basically if you
21 look at an older home, the furnace is probably --
22 when it was installed, it was 65 percent efficient.
23 It's probably in the '50s. Currently the newer home
24 would be 92, 93 percent efficient. Water heaters,

1 new water heaters are much more efficient than the
2 existing appliance stop. You would typically find a
3 new home built to a much higher building code
4 standards with respect to insulation, particularly in
5 the walls and in the ceiling. They would have more
6 insulation under the floor. The newer home would
7 probably be built with thermal pane windows. It
8 would be sealed tighter. And the older home would
9 probably not be as tight nor have as much insulation,
10 and all those factors impact the usage for heating
11 and water heating.

12 So it's -- it's conceivable that larger
13 homes could, in fact, use less energy than smaller
14 homes, and plus I just moved four years ago into a
15 new home from a 20-year-old home. My new home is
16 maybe twice as big as the old home, and I use less
17 gas now in the new home than I do in the older home.

18 Q. Well, that will certainly be helpful this
19 winter. What is the market penetration of high
20 efficiency 90 plus furnaces in the VEDO service
21 territory?

22 A. I don't know.

23 Q. All right. And are those furnaces
24 exclusively in larger homes, or could you have those

1 furnaces in lower -- in smaller homes?

2 A. You could have them in smaller homes,
3 newer, smaller homes. You may even have some
4 retrofit that would be in older homes. Even with the
5 retrofit though you would still have the issue of
6 insulation and that sort of thing that impacts the
7 usage in the older home.

8 Q. Now, in Ohio the building code updates
9 every two years based on the international code. At
10 what point was the building code updated to the point
11 that a large house would be more efficient than a
12 small house?

13 A. I can't answer that question.

14 Q. Okay. What percentage of homes in the
15 Vectren service territory are of a vintage that would
16 achieve the level of efficiency to allow a much
17 larger home to be more efficient than a smaller home?

18 A. I don't have that information.

19 Q. Did you survey the average usage of
20 houses per age on either a square foot basis or
21 overall?

22 A. No.

23 Q. All right. Sorry about that. On the
24 next page of your testimony you note that the author

1 of the NRR study found that there were different
2 aspects other than housing size that affected
3 consumption. Is the family size of -- of customers
4 in a large new house generally equivalent to the
5 family size of customers in small homes?

6 A. I haven't done any research on that. I
7 don't know the answer.

8 Q. Okay. Let me see, do you know the
9 average age of the housing stock in the Vectren
10 service territory?

11 A. No, I don't.

12 Q. And so the conclusory statement of
13 Mr. Boonin's that the quality of the housing stock
14 would affect the energy consumption, we can't really
15 say what the quality of the housing stock is across
16 the Vectren service territory, can we?

17 A. No. I can't say what the quality of the
18 housing stock is, but I do have subsequent testimony
19 that shows the consumption by income level, and it
20 demonstrates that these conclusions are reasonable.

21 Q. The quote notes that owners versus
22 renters and that there's a -- there's a question in
23 effect whether the renter pays the electric bill
24 directly. This involves gas rates, doesn't it?

1 A. Yes, it does.

2 Q. Now, other than a water heater and a
3 furnace, what other appliances in the efficiency
4 of -- what other appliances affect gas consumption?

5 A. Well, gas cooking would be one. Gas
6 drying would be another. You could have gas logs.

7 Q. And you would assume then that in the
8 final clause the age of the householders, that an
9 older person would use more gas, you know, would heat
10 their home hotter than a younger family?

11 A. In general you would think that older --
12 older people, particularly those who are on
13 medications like blood thinners and things like that,
14 would heat their home higher than a young family but
15 that doesn't necessarily mean they would use more gas
16 because a young family has children going in and out
17 the door and the number of -- the number of times
18 that door opens that's a heat exchange and so that
19 would affect the consumption there.

20 Q. Oh, believe me, I know that, Mr. Overton.

21 MR. RANDAZZO: It's Overcast.

22 Q. Overcast, I'm sorry. I'm sorry. One
23 last question for you, sir. Now, in a smaller home
24 or a -- where there is a smaller family, wouldn't

1 they tend to use less hot water than a larger family?

2 A. Yes.

3 Q. And so as a result, they could have a
4 smaller water tank, couldn't they?

5 A. They could have a smaller water tank
6 potentially, yes.

7 MR. RINEBOLT: Okay. Thank you very
8 much, your Honor.

9 Thank you, Mr. Overcast.

10 ATTORNEY EXAMINER: Thank you.

11 Mr. Serio.

12 MR. SERIO: Thank you, your Honor.

13 - - -

14 CROSS-EXAMINATION

15 By Mr. Serio:

16 Q. Good morning, Mr. Overcast.

17 A. Good morning.

18 Q. Top of page 4 of your testimony you
19 indicate "Mr. Colton concludes, that living in a
20 smaller home means lower energy use or a lower
21 heating demand." Can you tell me specifically where
22 Mr. Colton makes that conclusion?

23 A. I don't have his testimony in front of
24 me. I would be happy to look at it, but I believe

1 what he says is that because lower income customers
2 live in smaller homes they will use a lower amount of
3 energy.

4 MR. SERIO: Does counsel have a copy of
5 Mr. Colton's testimony?

6 MR. RANDAZZO: I do. I have a copy of
7 the testimony.

8 May I approach the witness, your Honor?

9 ATTORNEY EXAMINER: You may.

10 Q. If you could look through that and give
11 me a specific page cite.

12 MR. RANDAZZO: Might we go off the
13 record, your Honor?

14 ATTORNEY EXAMINER: Let's go off the
15 record.

16 (Discussion off the record.)

17 ATTORNEY EXAMINER: Back on the record.

18 A. Okay. We will start with page 10 where
19 he concludes there is a direct relationship between
20 income and natural gas consumption. That's at lines
21 1, 2, and 3. Then he has a question on page 16 about
22 the significance of different building types. He
23 says the data supports the conclusion that low income
24 households have lower natural gas consumption and

1 that given the --

2 Q. Excuse me. Is that lines 11 and 12?

3 A. Well, yeah. There is a lot in that
4 question where he talks about that relationship.
5 Then he talks about still in that same question but
6 over on the next page load and density considerations
7 that enter into the rate design. Then on the next
8 page he says that -- question 25 he talks about
9 income progressively increases so too does natural
10 gas consumption. In the argument that he makes on
11 page 19 concerning everything else equal he says that
12 real cost differences are based on housing size and
13 income and that low usage is associated with higher
14 density buildings and, therefore, lower use. Those
15 are some examples. There may be others.

16 Q. All right. Let me take them one at a
17 time. Well, first, let me ask you this, on page 4,
18 question 13, you say "Mr. Colton also concludes that
19 living in a smaller home means low income customers
20 'make less of a contribution.'" Is that the same
21 reference as on line 1 of your page 4, or are you
22 referring to two different areas there?

23 A. What?

24 Q. If you go to your page 4, line 1.

1 A. Okay.

2 Q. And your page 4, line 13, where you say
3 "Mr. Colton also concludes," are you referencing the
4 same spot in his testimony or do these two different
5 points in your testimony refer to different points in
6 his testimony?

7 A. They are the same point.

8 Q. And then also on page 5 of your
9 testimony, line 16, is that the same as the two
10 previous areas where you are saying Mr. Colton
11 concludes?

12 A. No. Those two are not necessarily the
13 same.

14 Q. Okay. So page 4 is different than page
15 5.

16 A. Yes.

17 Q. Let's take page 4 then. Now, you pointed
18 to page 10, lines 1 through 3, of Mr. Colton's
19 testimony where he says -- concludes that a direct
20 relationship exists between income and natural gas
21 consumption, "as income increases, natural gas usage
22 and expenditures increases as well as a variety of
23 data supports this conclusion," and you are pointing
24 to that to support your statement that he concluded

1 that living in a smaller home means lower energy or
2 lower heating demand.

3 A. Well, because he also says that lower
4 income people live in smaller homes. You have to
5 look at the whole context of his testimony.

6 Q. Well, I understand, but my specific
7 question was on page 4 two places you say he makes a
8 conclusion, and I asked you to show me where in his
9 testimony where he specifically makes the conclusion.
10 You pointed to page 10, lines 1 through 3, and I
11 don't see anything in lines 1 through 3 that says
12 that living in a smaller home means lower energy
13 consumption.

14 A. No. What he says is low income
15 customers -- I mean, it's just the logic of his
16 testimony. Lower income customers live in smaller
17 homes and smaller homes use less energy and lower
18 income customers use less energy, then it follows
19 that he is making that claim.

20 Q. But you can't point to a specific point
21 in his testimony that says that, can you?

22 A. Well, I pointed to several other places
23 in his testimony as well.

24 Q. All right. So we are taking them one at

1 a time, so you agree with me there is nothing on
2 lines 1 through 3 of page 10 that says living in a
3 smaller home means lower energy usage.

4 A. Well, it doesn't say that at that point
5 but that's -- the whole key here is he says very
6 clearly that lower income means lower use. Later on
7 he says lower income means smaller homes. It follows
8 directly from those two things.

9 Q. Now, on page 16, I believe that was your
10 second reference, you said lines 11 and 12?

11 A. Yes.

12 Q. Okay. And I am correct your specific
13 reference there has to do with the sentence that
14 begins "First, this data further supports"? That's
15 the specific cite you were referring to?

16 A. Yeah, and you have to know what this data
17 refers to. This data refers to house size.

18 Q. And that's the data that's in his
19 schedule RDC-11?

20 A. That's what he says.

21 Q. Okay. And you are saying that the data
22 in RDC-11 is inaccurate?

23 A. I'm not making any claim at all about the
24 data in RDC-11. RDC-11 is data on household size and

1 income. I'm assuming it's correct.

2 Q. Now, your third reference was on page 17
3 and I think you referenced -- and I don't want to put
4 words in your mouth, I think it was lines 4 and 5; is
5 that correct?

6 A. Well, no. It was actually 5 through 7
7 where he talks about load and density.

8 Q. Is it the sentence that begins "despite
9 these stark differences" on line 5?

10 A. Yes. Load being the operative word
11 there.

12 Q. Okay. And the word you are referring to
13 on line 6?

14 A. Yes.

15 Q. I think the next one you reference is
16 page 18. Is that the sentence that begins on line 6,
17 "my conclusion"?

18 A. Yes.

19 Q. And is it your position then that his
20 statement that "as income progressively increases, so
21 does natural gas consumption" that that's incorrect?

22 A. The actual data shows that to be
23 incorrect, yes.

24 Q. And then the last reference you gave me

1 was on page 19 and can you tell me specifically which
2 line you are referring to there?

3 A. In line -- starts in line 10, "the data I
4 examined documents small units are not simply
5 associated with lower consumption but with increased
6 density," so he is specifically saying there that
7 smaller units use less gas.

8 Q. Do you agree that -- do you have any
9 knowledge as to whether smaller units are more dense
10 than larger units, housing units?

11 A. I would assume they are, yes.

12 Q. Now, you said on page 5 where you say on
13 line 16 "does Mr. Colton's conclusion" that that
14 conclusion was different than the two cites on page
15 4. Can you tell me where in his testimony you are
16 referring to with your question on line 16, page 5?

17 A. Yes. That has to do with the density
18 issue as well.

19 Q. So was it all the same cites that you had
20 previously?

21 A. No. This one is very specific. He says
22 that density would mean lower costs.

23 Q. And can you tell me what page in his
24 testimony you are referring to?

1 A. Well, the first reference is that page 19
2 reference. And then on page 20, line 22, he talks
3 about distribution cost decreases, housing density
4 increases and, therefore, they impose lower
5 distribution costs on the company.

6 Q. And that's the two specifically that you
7 were referring to there?

8 A. Yes.

9 Q. On page 4 of your testimony you reference
10 a National Regulatory Research Institute report. Do
11 you see that?

12 A. Yes.

13 Q. That was a report on the electric usage,
14 correct?

15 A. Yes.

16 Q. And it had to do with low carbon
17 electricity resources regarding energy efficiency and
18 greenhouse gasses on the electric side of the
19 business, correct?

20 A. That was a part of it, yes.

21 Q. Did the NRR study have to do with natural
22 gas usage or energy efficiency in the gas section
23 segment?

24 A. No, it did not. But as it correctly

1 points out, these are the factors that influence
2 energy use for heating and cooking and appliance
3 efficiency, so it applies to gas and electric.

4 Q. So you are saying that according to the
5 NRR report, income and usage is important, correct?

6 A. Income is one of a number of variables
7 that you would include in estimating the demand for
8 electricity or natural gas.

9 Q. And to the extent that they are talking
10 about renters versus home ownership, would that get
11 to the point of density also?

12 A. It could get to the point of density, but
13 it could also be with respect to the capital
14 investments made to -- to make the dwelling more
15 efficient.

16 Q. Do you have a copy of the NRR study with
17 you?

18 A. No, I do not.

19 MR. SERIO: May I approach, your Honor?

20 ATTORNEY EXAMINER: You may.

21 Q. I am handing you a copy titled National
22 Regulatory Research Institute a Rate Design to
23 Encourage Energy Efficiency and Reduce Revenue
24 Requirements by David Magnus Boonin dated July, 2008.

1 A. Yes.

2 Q. Do you see that?

3 A. Yes.

4 Q. That's the NRR study that you are
5 referring to?

6 A. Yes.

7 Q. Can you show me where in the NRR study it
8 talks about that other factor that you just mentioned
9 with natural gas usage?

10 A. It doesn't specifically mention natural
11 gas usage.

12 MR. SERIO: Could I get the answer to two
13 questions ago reread, please, your Honor?

14 ATTORNEY EXAMINER: You may.

15 (Record read.)

16 Q. Mr. Overcast, to the extent you
17 referenced "capital investment," can you show me
18 anywhere in the NRR study that they talk about that?

19 A. I don't know that they talk about that.

20 Q. So to the extent that you are saying
21 that's another possibility, that's not a possibility
22 that was discussed in the NRR study, was it?

23 A. No, but it's a fact. It's a fact.
24 Everyone knows that there is this bias against

1 capital investment in rental property.

2 MR. SERIO: Your Honor, move to strike.

3 I asked a specific question about whether it was in
4 the study, and he is telling me it's a fact without
5 pointing to any documents to support it.

6 ATTORNEY EXAMINER: Overruled.

7 Q. But it wasn't anywhere -- the fact that
8 you say that is known it is nowhere in the NRR study,
9 correct?

10 A. Not to my knowledge.

11 Q. The bottom of page 4 of your testimony
12 you refer to a Missouri Commission carryover to the
13 top of page 5.

14 A. Yes.

15 Q. That's Missouri Public Utilities
16 Commission, I assume?

17 A. I believe it's Public Service Commission.

18 Q. Public Service Commission. And to the
19 extent that you are saying that they concluded, is
20 that referencing an order that the Commission issued?

21 A. Yes.

22 Q. And that's a legal conclusion that the
23 Commission made?

24 A. Yes.

1 Q. Are you an attorney, sir?

2 A. No.

3 Q. Do you know when the Commission issued
4 that order?

5 A. I don't know the date right off the top
6 of my head.

7 Q. Do you know the case No. or case name?

8 A. I believe we provided you copies of two
9 cases, one was an Atmos case and the other one was an
10 Aquila case, I believe, but I am not sure on the
11 second one.

12 ATTORNEY EXAMINER: The case you are
13 referring to is one of those cases?

14 THE WITNESS: I believe in both orders
15 they say that the costs are the same.

16 ATTORNEY EXAMINER: Thank you.

17 Q. The Atmos case, that's a gas company?

18 A. Yes.

19 Q. Do you know how large the gas company is,
20 how many customers they have?

21 A. Atmos has -- it's one of the largest gas
22 companies in the whole country, but I don't know how
23 many customers they have in each of their
24 jurisdictions.

1 Q. So you don't know what size the Atmos
2 company in Missouri is?

3 A. No, I don't, not right off the top of my
4 head.

5 Q. And the Aquila?

6 A. I am not sure if it was Aquila. I am
7 trying to remember. We provided those two orders but
8 I just --

9 Q. To the best of your knowledge, is Aquila
10 a water company?

11 A. Aquila, no.

12 Q. It's a gas company also?

13 A. Gas and electric, I believe.

14 Q. And do you know how many customers they
15 might have in Missouri?

16 A. No.

17 Q. Now, do you know, did the Commission make
18 that finding for those particular cases, or did they
19 make a generic finding for all gas companies in
20 Missouri?

21 A. My recollection is that those are the
22 only two cases that they have had before them in
23 order to make that conclusion and since they began to
24 adopt that position.

1 Q. Do you know, has the Ohio Commission made
2 any kind of conclusion similar to that?

3 A. Not to my knowledge but the Ohio
4 Commission staff has concluded in this case and filed
5 testimony that says the costs are the same.

6 Q. Are you talking about a particular piece
7 of testimony by the PUCO staff?

8 A. Yes. I don't remember -- I believe it
9 was Mr. Puican. Is that his name? I am terrible on
10 pronouncing names so.

11 MR. RANDAZZO: You got it correct.

12 THE WITNESS: Oh, okay.

13 Q. You have pronounced it correctly if we
14 are referring to the Steve Puican?

15 A. Yes.

16 Q. Do you know if it was his direct
17 testimony or his supplemental testimony?

18 A. Don't remember which one. I think I have
19 referenced it in here somewhere.

20 ATTORNEY EXAMINER: Mr. Serio, has
21 Mr. Puican filed supplemental testimony at this time?

22 MR. SERIO: I'm sorry. I am confused
23 with the other case.

24 MS. GRADY: It's hard to keep track.

1 MR. SERIO: I apologize. I thought he
2 had filed two pieces in this case.

3 ATTORNEY EXAMINER: Not yet.

4 MR. SERIO: I was drawing reference to a
5 second piece of testimony of Mr. Puican that hasn't
6 occurred to date.

7 A. I believe there is a reference to his
8 testimony on page 16 of my rebuttal citing that same
9 conclusion.

10 Q. Okay. So you are citing Mr. Puican's
11 testimony at page 4?

12 A. Yes.

13 Q. Okay. Thank you. Now, on page 8 of your
14 testimony you indicate you are talking about that at
15 your request the company provided a cost of sample of
16 low density suburban main and service line project
17 costs and a sample of high density urban main and
18 service line project costs?

19 A. Yes.

20 Q. Can you tell me when you made that
21 request?

22 A. Not precisely but sometime in the last
23 week or 10 days.

24 Q. And when you say that you wanted a

1 sample, how did you determine -- how many samples did
2 you get?

3 A. I would have to go back and look at my
4 notes to know exactly but there were six or eight of
5 each one.

6 Q. Do you know how many total projects the
7 company had done that you got a total of six or eight
8 from?

9 A. No, I don't.

10 Q. Do you know over what period of time was
11 covered in the six to eight samples that you got?

12 A. I believe they were all current year
13 projects.

14 Q. Okay. So current year you mean calendar
15 year or?

16 A. I believe current budget year, and I
17 don't know exactly what difference that is, whether
18 it's calendar or.

19 Q. So you got a total of 6 or 8 out of the
20 total projects for a year, and you don't know if that
21 represents 6 out of 60 or 6 out of 600, correct?

22 A. No, I do not.

23 Q. And that would apply to both the low
24 density and the high density, correct?

1 A. Yes.

2 Q. You got a total of six high and six low
3 or total of six combining high and low density?

4 A. There was six or eight of each.

5 Q. Okay. And you don't know how the company
6 determined which samples that you would get, do you?

7 A. No, I don't.

8 Q. You didn't give the company any
9 restrictions on which ones they would give you?

10 A. No, I did not.

11 Q. So you don't know --

12 A. Just sample projects just based on where
13 the project was concluded, either in a urban area or
14 suburban area.

15 Q. You don't know if the number that you
16 got, the six to eight, was a statistically valid
17 number based on how many actual projects had been
18 done, do you?

19 A. Did not do that analysis, no, but I am
20 comfortable with the results because they -- based on
21 my experience they are consistent with the facts that
22 underlie working in an urban area as opposed to
23 working in suburban areas.

24 Q. So because the sample that you got gave

1 you the results that you expected, you considered it
2 to be statistically valid?

3 A. I didn't consider it to be statistically
4 valid. I considered it to be an example that
5 would -- that would demonstrate this concept.

6 Q. On page 9 of your testimony you make a
7 statement on line 16 that "lower income residential
8 customers who use gas exclusively for space heating
9 typically are more weather sensitive than the typical
10 residential customer. What did you mean there by
11 "typical residential customer"?

12 A. Essentially the fact that lower income
13 customers, if you are to analyze their usage pattern,
14 you would find them using more gas per heating degree
15 day for heating than you would for other residential
16 customers, nonlow income customers.

17 Q. So where you say "typical residential" at
18 the end of the sentence you are referring to any
19 residential that's not a low income?

20 A. I'm looking at sort of the average of the
21 nonlow income customers.

22 Q. And for low income you are using what
23 cutoff?

24 A. In this example I am using low income as

1 specified by HHS.

2 Q. And can you tell me what HHS is?

3 A. Health and Human Services.

4 Q. That's a federal agency?

5 A. Yes.

6 Q. And what is the cutoff for low income
7 that HHS has identified?

8 A. They have a whole series of cutoffs.
9 It's based on household size.

10 Q. Okay. Which particular one were you
11 referring to in your answer on line 16?

12 A. I was not referring to any specific one
13 but to the class of low income.

14 Q. Okay. I think we are kind of passing
15 each other. How do you define -- what is your
16 definition of low income on line 16 -- or lower
17 income? I'm sorry.

18 A. Lower income customers here refers to
19 people who would be at or below the poverty level.

20 Q. Okay. And the poverty level is
21 approximately \$20,000, I believe?

22 A. No. That's not correct.

23 ATTORNEY EXAMINER: Poverty level varies
24 from household size.

1 THE WITNESS: It certainly does, and it
2 starts at something like, don't hold me to these
3 numbers, I haven't looked at them in a day or two,
4 but it starts at something like 12,000 or something
5 like that, and it goes all the way up into the over
6 30,000 range depending on how big the household is.

7 Q. Okay. And you are saying regardless of
8 which particular income level, if it's poverty level
9 in general, it's your -- it's your belief that those
10 low income customers are more weather sensitive,
11 correct?

12 A. Yes.

13 Q. And what data do you have that supports
14 this conclusion?

15 A. I have the -- I have the data that was in
16 my prefiled testimony on the PIPP customers. I have
17 data that shows that customers whose income is under
18 20,000 use more on average than the average for the
19 system. And I have conducted studies of this type in
20 the past beginning as far back as the 1970s that have
21 shown among other things that these customers tend to
22 be more weather sensitive.

23 Q. Any of those starting with your third
24 category, these other studies that you have done,

1 were any of them done for any Ohio companies?

2 A. No.

3 Q. Were any of those studies for midwest gas
4 companies?

5 A. What do you mean by midwest?

6 Q. I think the midwest is defined Ohio,
7 Indiana, Illinois, Pennsylvania, Missouri, the
8 general middle part of the United States.

9 A. Kansas?

10 Q. Is Kansas one of the states you've done?

11 A. Kansas is one of the studies I have
12 reviewed. I didn't do the study myself, but it is a
13 study I have reviewed.

14 Q. Are any of the studies that you did or
15 studies that you reviewed done for states any closer
16 to Ohio than Kansas?

17 A. No. I don't think so.

18 Q. Page 10 of your testimony you indicate
19 here you had some discussions with -- well, it says
20 "based on discussions with the person responsible."
21 Who was the person responsible for data collection in
22 Ohio?

23 A. I did not personally speak to that
24 person. I got this information from the company.

1 MR. SERIO: Your Honor, I would make a
2 motion to strike starting on line 16 of page 10
3 "based on discussions" through line 20 "monthly." I
4 mean, it's double hearsay. It's information that he
5 got from someone at the company who talked to
6 somebody else, and it's offered for the truth of the
7 matter asserted. It's clearly hearsay and should not
8 be allowed.

9 A. It's also --

10 ATTORNEY EXAMINER: Hold on. You don't
11 get to respond. Mr. Randazzo gets to respond but not
12 you.

13 Mr. Randazzo.

14 MR. RANDAZZO: We had this difficulty
15 with Mr. Colton previously who relied on the American
16 Community Survey, and we are not offering this
17 information for the truth of the matter asserted but
18 the fact that we did -- we were able to talk with
19 folks there at the American Community Survey Census
20 Bureau and this is the information they provided to
21 us. I -- if we are going to now rule out hearsay,
22 then Mr. Colton's testimony in its entirety needs to
23 go out but this is just a limited piece of
24 information that we felt would be useful to the

1 Commission.

2 MR. SERIO: Well, your Honor, there is a
3 difference between Mr. Colton who works with that
4 information on a regular basis as an analyst and
5 talks to those people directly and Mr. Overcast here
6 who is getting the information from the company and
7 then he is testifying as to what the company told him
8 that these people told the company.

9 ATTORNEY EXAMINER: You are going to have
10 to explain to me why double hearsay is worse than
11 just straight run of the mill hearsay.

12 MR. SERIO: Your Honor, it's not
13 hearsay --

14 ATTORNEY EXAMINER: No, Mr. Serio. You
15 said he talks to those people and then explained to
16 us on the stand what they said. That is hearsay.
17 The fact that he -- it's not double hearsay makes it
18 no less reliable than his double hearsay.

19 MR. SERIO: Your Honor, to the extent
20 Mr. Colton indicated he works with that data on a
21 daily basis and he analyzes the data firsthand, any
22 discussions he has with the people that collect the
23 data are directly related to what he does on a
24 firsthand basis.

1 ATTORNEY EXAMINER: That doesn't make it
2 not hearsay. It's still hearsay, Mr. Serio.

3 MR. SERIO: Well, it's a question of
4 reliability then, your Honor. At least that's data
5 that he works with on a daily basis versus something
6 someone told him.

7 ATTORNEY EXAMINER: Mr. Randazzo.

8 MR. RANDAZZO: Your Honor, this is the
9 area that I tried to describe earlier in some of our
10 discussion about hearsay. Here is a situation where
11 we have prefiled information that reflects our
12 understanding of the number of surveys that are sent
13 to the state of Ohio. Based upon our effort to try
14 and find that information out to the extent that it
15 is unreliable, OCC could have placed a telephone call
16 to the folks at the American Community Survey and
17 attempted to get its own version of what they are
18 saying.

19 The point here is not related to
20 reliability or the truthfulness of this information.
21 It's an indication of what we think to be the case
22 which is that there are 1,500 surveys sent to the
23 state of Ohio. Now, technically it may be --
24 somebody may call it hearsay. The problem with

1 hearsay, however, is related to the inability of the
2 parties to go after the truth based upon the report
3 of information. We don't have that problem when you
4 have prefiled testimony. So if Mr. Serio wants to
5 ask the questions of this witness whether he has any
6 direct personal knowledge whether it's 1,500 or
7 1,600, I think that's fair game. You said you are
8 going to give him some leeway, but I think we need to
9 get beyond this.

10 ATTORNEY EXAMINER: Mr. Serio --
11 Mr. Serio, we're done. Your motion to strike as I
12 understand it beginning at lines -- line 13 on page
13 10 beginning with "the data for Ohio" --

14 MR. SERIO: Your Honor, I actually was
15 more specific. I was starting on line 16. Not to be
16 taking a potential gift horse in the mouth, I am
17 going to stick with what I had initially indicated
18 was the sentence "based on discussions with the
19 person responsible."

20 ATTORNEY EXAMINER: Your motion to strike
21 will be granted at this time. It is, in fact,
22 hearsay. It is offered for the truth of the matter
23 asserted. And you are ending it --

24 MR. SERIO: At line 20 "addresses monthly

1 period."

2 Thank you, your Honor.

3 Q. (By Mr. Serio) Mr. Overcast, if you could
4 turn to page 12 of your testimony. Now, as I
5 understand it, figure 2 is representative of some
6 studies or analysis that you directed the company to
7 do to come to the conclusion that low income --
8 non-PIPP, low income customers use more gas than
9 average customers; is that correct?

10 A. This is all low income customers, not
11 just PIPP.

12 Q. Okay. So PIPP is included in this
13 analysis?

14 A. Yes.

15 Q. Okay. Now, it shows -- here on your
16 figure 2 it shows income categories and it shows
17 usage level. And I assume that that usage number,
18 the 904, 818, so on, that's in Ccf or is that Mcf?

19 A. That's Ccf.

20 Q. Now, how many actual customers fell in
21 the less than 20,000 category?

22 A. I don't have that data in front of me,
23 and I don't -- I don't remember exactly how many
24 there were.

1 Q. Okay. Do you know in the universe how
2 many total customers you looked at covered by figure
3 2?

4 A. This is the population. This is the
5 entire population of customers who have 12 months of
6 bills for Vectren, and I believe the number was 220
7 some odd thousand customers.

8 Q. Do you know how many total residential
9 customers VEDO has?

10 A. I believe it's about 260,000.

11 Q. So what's the difference between the
12 260,000 and the 225,000?

13 A. Customers who didn't have 12 months of
14 bills.

15 Q. And to the extent that customers don't
16 have 12 months of bills, why don't they have 12
17 months of bills?

18 A. Well, there could be any number of
19 reasons.

20 Q. Could it be because they might have been
21 disconnected during some part of the season, of the
22 year?

23 A. That is possible, yes.

24 Q. And would you agree with me --

1 A. They could have also moved. They could
2 have also had misreads, all kinds of reasons.

3 Q. Would you agree with me generally low
4 income customers have more disconnects than higher
5 income customers?

6 A. You would expect that to be true, yes.

7 ATTORNEY EXAMINER: Can you -- can you
8 ask -- Mr. Serio, can you ask the question more
9 specifically? Are you saying voluntary versus
10 involuntary disconnects?

11 Q. Well, I am assuming that generally
12 disconnect is -- let's look at disconnects on
13 voluntary versus involuntary. A voluntary disconnect
14 would be you are generally moving from one residence
15 to another, correct?

16 A. Yes.

17 Q. The only other reason I can think of for
18 a voluntary disconnect I am not using gas; I have
19 changed to electric appliances. Can you think of any
20 other reason for a voluntary disconnect?

21 ATTORNEY EXAMINER: Mr. Overcast, if you
22 were a part-time resident of the state of Ohio, would
23 that not be a situation where it would be a voluntary
24 disconnect?

1 THE WITNESS: That could be a situation,
2 yes.

3 ATTORNEY EXAMINER: Thank you.

4 Q. (By Mr. Serio) Can you think of any other
5 situations where it would be voluntary?

6 A. Not right off the top of my head.

7 Q. And would you agree with me when we talk
8 about an involuntary disconnect, we are generally
9 talking about somebody being disconnected because
10 they didn't pay their bill?

11 A. That is one example of an involuntary
12 disconnect. It's not the only one.

13 Q. Would you agree with me that that's the
14 majority of involuntary disconnections are are for
15 nonpayment?

16 A. That would be my guess, yes.

17 Q. And to the extent there was a difference
18 between the 200 I think you said 60 thousand and 220
19 something thousand, do you know how many of those
20 might have been low income versus higher income
21 customers?

22 A. No, no basis for knowing what that --
23 what that is.

24 Q. And you don't know how many of the

1 roughly 40,000 customers that were not included here,
2 how many of them might be low income then, correct?

3 A. No, I can't say that but what I can say
4 is we did look at would this same data pattern exist
5 if you use just winter bills and the same data
6 pattern exists if you use just a single month in the
7 winter.

8 Q. Now --

9 ATTORNEY EXAMINER: Just a second,
10 Mr. Serio, please.

11 Mr. Overcast, if somebody moved within
12 the service territory, would they be in the pool of
13 information for the 12 months of data that was
14 available, or would they be outside of the pool?

15 THE WITNESS: They would be outside this
16 pool because that would be -- this is 12 months of
17 bills at the same meter location because the meter
18 location was used to determine the households that
19 fell in the specific income range.

20 ATTORNEY EXAMINER: Thank you.

21 Q. So anybody that moved during that
22 12-month period regardless of income level was not
23 included here, correct?

24 A. That would be true, yes.

1 Q. Now, you indicate on figure 2 that it's
2 "average consumption by median HH income." What do
3 you mean by "median" and then define "HH" for me,
4 please.

5 A. HH is household income. And median is
6 the -- is the statistical definition of median which
7 is the middle observation in a group.

8 Q. It's not an average number, correct?

9 A. No, it's not an average.

10 Q. So you can't tell me specifically how
11 many customers fell in any of these discrete
12 categories of less than 20,000, 20 to 29, 30 to 39?

13 A. I can't tell you off the top of my head.
14 The data is available to do that.

15 Q. It's not anywhere in your testimony
16 though, correct?

17 A. No.

18 Q. Now, on page 13 of your testimony, middle
19 of the page there, your question 8, answer 8, I think
20 this is where you are describing the analysis that
21 you did for figure 2; is that correct?

22 A. The analysis that underlies figure 2,
23 yes.

24 Q. Okay. If you could walk me through this

1 step by step, it says you took customer usage data
2 from calendar year 2007. So my previous questions
3 about -- strike that.

4 And you took the calendar year 2007 data
5 from the billing system, correct?

6 A. Correct.

7 Q. And that meant that you were using
8 customers that you had 12 months' worth of data for,
9 correct?

10 A. Correct.

11 Q. Now, you say that the "median household
12 income, as reported by the U.S. Census at the block
13 group level, was appended to each customer using
14 Global Positioning System technology." Can you
15 explain to me exactly how the GPS factored into
16 figuring out how much gas usage customers use?

17 A. Okay. The block groups are defined by
18 longitude and latitude, the block group being the
19 smallest level at which the census reports income
20 data. And they report median income data for each
21 block group. Okay. Vectren has the GPS location of
22 each of the meters on their system. Those -- that
23 GPS location is also in longitude and latitude so you
24 match up the location of the meter with the location

1 of a particular block group.

2 Q. And the block group data comes from the
3 Census Bureau, correct?

4 A. Yes.

5 Q. So you took -- you had block group data
6 for between 600 and 3,000 customers and then you look
7 at GPS of the meters to verify that the customers
8 were actually in that block group?

9 A. You have -- you have a description of the
10 block group based on GPS data, GPS coordinates, and
11 then you match that with the GPS coordinates of the
12 people, the households that would have a meter in
13 that area.

14 Q. What kind of definitions are there for
15 the block groups? You said you have a definition.

16 A. Longitude and latitude.

17 Q. So it's just a geographic block group.

18 A. Geographic block group, I mean, it's the
19 equivalent of saying I have got somebody that lives
20 between Third Avenue and Fifth Avenue on one side and
21 between Eighth Street and Seventh Street on the other
22 side and then just -- I mean, in the old days when we
23 didn't have all this fancy stuff, you would try to
24 match customers up on that kind of a basis by looking

1 for addresses within that group.

2 Q. So when you look at median household
3 income for a block group of 600 to 3,000, the median
4 income level is the one that's in the middle
5 numerically, correct?

6 A. Right.

7 Q. And the median household income in the
8 census block group and the average income in a census
9 block group are two distinctly different numbers,
10 correct?

11 A. Well, you have to understand that the
12 median and the average could actually be the same.
13 Typically if the incomes were evenly distributed,
14 they would be identical, so I can't answer that
15 question except that way.

16 Q. Do you know if any of the block groups
17 that you looked at had situations where the median
18 and the average household income were the same?

19 A. No. I can't tell you that.

20 Q. Would you expect to find distribution in
21 each census block to follow a pattern such that
22 median and average income were the same?

23 A. Just intuitively I would expect not.

24 ATTORNEY EXAMINER: Can you explain why

1 you would say not?

2 THE WITNESS: Well, because -- because
3 the only way the median and the mean would be the
4 same is if they were normally distributed, and I
5 wouldn't expect distributions to be perfectly normal.

6 ATTORNEY EXAMINER: Okay. Let me ask a
7 different question. As the geographic area gets
8 smaller down to the block group, would you expect at
9 that point the distribution to become more normal and
10 the average and the median to start to approach each
11 other as opposed to using a larger geographic area?

12 THE WITNESS: I would think that you
13 would -- you would have a much more narrow
14 distribution the smaller the group gets and,
15 therefore, it would tend to be closer to normal than
16 it would be if you picked --

17 ATTORNEY EXAMINER: The state.

18 THE WITNESS: -- the state.

19 ATTORNEY EXAMINER: Country. Thank you.

20 Thank you.

21 Q. (By Mr. Serio) Would you agree with me
22 that the the revenue distribution for Vectren service
23 territory is different than the revenue distribution
24 for any of these individual census blocks?

1 MR. RANDAZZO: Could I have that
2 question --

3 ATTORNEY EXAMINER: Could you rephrase?
4 You used the word "revenue distribution," and I don't
5 think that.

6 Q. Oh, I'm sorry. The median household
7 income as distributed across Vectren's service
8 territory versus the median household income as
9 distributed across individual block groups, do you
10 understand the two different things I am looking at?
11 Is there a relationship between the two as one
12 similar to the other?

13 A. Well, obviously they are very different
14 numbers because when you get down to a block group,
15 you are typically getting down to a small enough
16 group of households that they are -- they are likely
17 to be more similar than they would be if you took a
18 larger area. I mean, as you increase the area, I
19 mean, after all, we are talking about a median of
20 20,000 for some set of customers, and the median
21 income for the whole Vectren service area isn't going
22 to be much higher than that, so you are going to have
23 a different kind of distribution.

24 Q. Because what happens is with the

1 individual block groups you generally tend to have
2 folks that are probably closer in income level in a
3 block group versus what you have as a cross-section
4 for the entire service territory?

5 A. I would think that's true, yes.

6 Q. On page 14 of your testimony you
7 indicate, I think it's about line 6, "it is also
8 reasonable to assume that VEDO's residential
9 customers with incomes near but above;" do you see
10 that reference?

11 A. Yes.

12 Q. It says here that they would use more
13 than the average for their respective group because
14 of the size of the household. Wouldn't you agree
15 with me that the larger household could also result
16 in other costs increasing everything else equal?

17 A. What I am referring to here is that,
18 remember, in looking at the poverty level you have
19 got poverty level is based on size of the household.
20 And as I pointed out on the previous page, families
21 of four, they are under \$20,000 roughly, it's 20,650
22 so that's close enough to 20,000 we will just call it
23 20,000, and then as households -- low income
24 households get larger than 4, 5, 6, 7, 8, 9, 10

1 people in the family, that income level goes up and
2 my point here is that as that income level goes up to
3 be below the poverty level and you have got more
4 people in the household, you would expect to see more
5 use not less. And so in the -- if you look, for
6 example, at the average use for customers between 20
7 and 29,999 and you see 818, that number is going to
8 be composed of young families that, you know, man and
9 his wife living in a small apartment and they are not
10 low income by definition of HH because there's only
11 two of them and you would expect them to use less
12 than a -- let's say an eight family -- eight that's a
13 low income family and so that number there even
14 though it's higher than all but the last three
15 groups, if you were to extract the pure low income
16 customers from there, I would expect that to be
17 higher than that number just because the family size
18 effect.

19 MR. SERIO: I need a second to let that
20 sink in, your Honor. I am not sure I am clear.

21 Q. Let me ask a question this way, on your
22 figure 2, the less than 20,000, that household is for
23 two adults, correct? Less than 20,000 or is that
24 less than four? What category is that?

1 A. That is the category of all customers,
2 all customers who live in a block group that has a
3 household income to the block group -- a median of
4 \$20,000 or less.

5 Q. And you are not -- you have no way of
6 knowing how many people would be in that household,
7 correct?

8 A. I have no way of knowing how many people
9 are in that household.

10 ATTORNEY EXAMINER: Mr. Overcast, I am
11 going to attempt to make sure that I understand your
12 figure 2 correctly. You took the median incomes of
13 all the block groups and you broke them out into
14 these discrete categories, less than 20,000, 20,000
15 to 29,999 and then that's how you came -- you took
16 the customers within those block groups and it came
17 up with the average residential consumption; is that
18 correct?

19 THE WITNESS: Correct.

20 Q. Is it possible that if someone fell in
21 the less than 20,000 using 904 Ccf, that they were
22 not a low income customer?

23 A. It is possible.

24 ATTORNEY EXAMINER: Low income defined

1 as?

2 THE WITNESS: Defined as the HHH -- HHS
3 definition based on household size.

4 ATTORNEY EXAMINER: Thank you.

5 THE WITNESS: And the number varies, you
6 know. It's like I said, I don't remember the exact
7 numbers. I think if you are a one person household,
8 it's under 12,000 or something, and then it just goes
9 up.

10 Q. Then is it also possible you could
11 have -- looking at the 50 to 59 thousand, that you
12 could have a household large enough that someone
13 could be in that category and be a low income
14 customer?

15 A. I don't believe so but only because the
16 realistic size of the household would have to be
17 something on the order of 20 or 25 people or
18 something like that in a household. The table goes,
19 I believe, to households with eight, and I don't
20 think I have the table with me but. And then from
21 there it goes up based on a certain increment of
22 dollars as you go to 9, 10, 11, but really the 8
23 terminates at, I believe, about 36,000 or something,
24 so to get to 50 you would have to add.

1 Q. Okay. So basically for there to be a low
2 income customer on figure 2, it would probably have
3 to fall into one of the first three categories there
4 based on your understanding of income to size of
5 household?

6 A. Realistically, yes.

7 Q. But based on your previous answer, there
8 could be nonlow income in those first three blocks
9 also, correct?

10 A. There could be, yes.

11 Q. And we don't know how many would actually
12 be low income and how many would be nonlow income?

13 A. It's reasonable to assume for our
14 purposes and for all purposes really then the less
15 than 20,000 most of those customers are low income.

16 Q. And are you basing that on any
17 statistical analysis?

18 A. Just basing it on the range of what a
19 family of four goes up to 20,000 so somewhere in
20 there you have the -- I would assume the bulk of the
21 low income customers, and you would have very few low
22 income customers in those income ranges.

23 Q. But you could have a significant number
24 of singles earning less than 20,000 and that would

1 not be a low income, correct?

2 A. Well, that's right, if they were earning
3 above whatever the single cutoff is for low income.

4 ATTORNEY EXAMINER: But having said that
5 they are still living in a block group -- you are
6 still talking about a customer that's living in a
7 block group whose median household income is under
8 \$20,000.

9 THE WITNESS: That's right and you would
10 expect them to be --

11 ATTORNEY EXAMINER: When you say low
12 income, you are only using the HHS definition of
13 poverty.

14 THE WITNESS: Yes.

15 Q. If we took a block group around the
16 University of Dayton and we had households of
17 individual students, they could fall under the
18 20,000, would they be considered low income? Where
19 would they fall in your categories here?

20 A. I believe that it would depend on where
21 they are living. Are you talking about living in an
22 institutional arrangement like a dormitory?

23 Q. Off campus.

24 A. They are in apartments off campus. Well,

1 they wouldn't be low income but they would be living
2 there but on the other hand it's one person and the
3 fact that you have one-person households in this and
4 the average is still 904, a one-person household
5 isn't going to use as much gas as a four-person
6 household all other things being equal.

7 ATTORNEY EXAMINER: But, Mr. Overcast,
8 just so the record is clear, people in figure 2 are
9 people for whom you have 12 months' consumption data
10 so students living around the University of Dayton
11 would have had to have stayed in the same apartment
12 for 12 months and not moved an intra-territory move
13 in order to be included?

14 THE WITNESS: That's right, and the
15 highest rate of seasonal turn offs and turn ons is in
16 college towns.

17 Q. Do you consider Dayton a college town?

18 A. College portion of the town, that's where
19 you have the highest turnover because students go --
20 they are there from September to June. They leave
21 and they don't necessarily come back to the same
22 place.

23 Q. Do you know how many students we are
24 talking about here for Dayton?

1 A. No, I don't. All I know they are the
2 Fliers.

3 ATTORNEY EXAMINER: Do we have any
4 University of Dayton graduates in the room?

5 MS. GRADY: Yes, and they do live there
6 year round, summer quarter.

7 Q. On page 15 of your testimony on line 16
8 there you have a discussion and then on line 19 you
9 talk about an alternative test gathering data. Is
10 this discussion related to what you did to come up
11 with the information on figure 2?

12 A. Yes.

13 Q. On page 19 in your testimony your figure
14 3 that's exclusively electric cooperatives, correct?

15 A. Yes, it is.

16 Q. There is no gas cooperatives listed
17 there?

18 A. There are no gas cooperatives listed
19 there.

20 Q. On page 20 of your testimony the sentence
21 right after the carryover figure 3, do you see that?

22 A. Yes.

23 Q. It says "since customer related costs for
24 electric distribution service are lower per customer

1 than for natural gas LDCs," what do you base that on?

2 A. Having done cost of service studies for
3 both gas and electric companies for about almost 30
4 years.

5 Q. Did you do one for VEDO, cost of service
6 study?

7 A. No, I did not.

8 Q. And did you do any cost of service study
9 for any of these electric cooperatives listed in
10 figure 3?

11 A. No, I have not. But the conclusion is
12 based on the fact that a meter in service for a gas
13 customer is probably -- meter service regulator is
14 probably \$600, meter in service for an electric
15 customer is probably \$250 on average. I mean, I have
16 been doing these numbers for so long.

17 Q. Do you know how those numbers relate to
18 any Ohio specific numbers?

19 A. I would expect they are fairly consistent
20 because the cost of the meter is the same. Cost of
21 the service line is the same. Difference is labor
22 costs, and labor costs in Ohio, I would assume, are a
23 little higher than other parts of the country and a
24 little lower than some of the other parts as well, so

1 it just depends.

2 Q. But that's an assumption you are making;
3 it is not based on any studies you have done for this
4 case.

5 A. I have looked at the cost of study for
6 VEDO that was prepared by Mr. Heid and have some
7 reason to believe those numbers are reasonable.

8 Q. On page 24 carrying over to page 25 of
9 your testimony you reference "customers often seek
10 price certainty." Do you see that?

11 A. Yes.

12 Q. You do know Vectren offers budget
13 billing, correct?

14 A. Yes, they do.

15 Q. Do you know how many Vectren customers
16 are eligible for budget billing?

17 A. Eligible?

18 Q. Eligible.

19 A. I don't know what the criteria for
20 eligibility is other than being a customer.

21 Q. Do you know how many Vectren customers
22 actually sign up for budget billing?

23 A. No, I don't.

24 Q. Do you know if customers that are not

1 current on their payments are eligible for budget
2 billing?

3 A. It seems to me I read something about
4 that. I don't know exactly the terms. You can ask
5 Mr. Ulrey about that.

6 Q. And you talk about locking into fixed
7 commodity prices for competitive offers for
8 marketers. Do you see that?

9 A. Yes.

10 Q. Do you know what percentage of eligible
11 customers have signed up for fixed commodity prices
12 from competitive marketers in the Vectren territory?

13 A. No, I do not.

14 Q. Do you know if more than half of the
15 eligible customers in the Vectren territory have
16 signed up for budget billing?

17 A. No, I don't know.

18 Q. You don't know if more than half of the
19 eligible customers have signed up for competitive
20 choice?

21 A. No, I do not.

22 MR. SERIO: If I could have a minute,
23 your Honor.

24 ATTORNEY EXAMINER: You may.

1 MR. SERIO: Your Honor, that's all I
2 have.

3 Thank you, Mr. Overcast.

4 ATTORNEY EXAMINER: Thank you.

5 Mr. Margard?

6 MR. MARGARD: Thank you, your Honor. No
7 questions.

8 ATTORNEY EXAMINER: Mr. Randazzo?

9 MR. RANDAZZO: We have no redirect.

10 ATTORNEY EXAMINER: Thank you. I think I
11 have interspersed all my questions during cross, so
12 you are excused. Thank you.

13 MR. RANDAZZO: Thank you, Mr. Overcast.

14 ATTORNEY EXAMINER: At this time we have
15 a pending motion for the admission of Exhibit 8a.
16 Any objections to Company Exhibit 8a?

17 MR. SERIO: None other than the
18 objections I raised previously.

19 ATTORNEY EXAMINER: To which not
20 surprisingly my ruling will be consistent. At this
21 time 8a will be admitted.

22 (EXHIBIT ADMITTED INTO EVIDENCE.)

23 ATTORNEY EXAMINER: Let's go off the
24 record, please.

1 (Discussion off the record.)

2 ATTORNEY EXAMINER: Let's take a lunch

3 break until 12:30.

4 Thank you all.

5 (At 11:36 a.m., a lunch recess was taken

6 until 12:30 p.m.)

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1 Tuesday Afternoon Session,
2 September 2, 2008.

3 - - -

4 ATTORNEY EXAMINER: Let's go back on the
5 record.

6 MR. RANDAZZO: Your Honor, at this time
7 the company would like to recall to the stand Jerrold
8 L. Ulrey.

9 ATTORNEY EXAMINER: Mr. Ulrey, at this
10 time I will remind you you are still under oath in
11 your previous testimony.

12 THE WITNESS: Yes.

13 ATTORNEY EXAMINER: Please state your
14 name and business address again for the record.

15 THE WITNESS: My name is Jerrold L.
16 Ulrey. My business address is One Vectren Square,
17 Evansville, Indiana.

18 ATTORNEY EXAMINER: Please proceed,
19 Mr. Randazzo.

20 MR. RANDAZZO: Thank you, your Honor. At
21 this time, your Honor, I would like to have marked
22 for identification purposes the Prefiled Rebuttal
23 Testimony of Jerrold L. Ulrey which was filed with
24 the Commission last Friday. I would like to have

1 that marked for identification purposes as Exhibit
2 9b.

3 ATTORNEY EXAMINER: So marked.

4 (EXHIBIT MARKED FOR IDENTIFICATION.)

5 - - -

6 JERROLD L. ULREY

7 being previously duly sworn, as prescribed by law,
8 was examined and testified further as follows:

9 DIRECT EXAMINATION

10 By Mr. Randazzo:

11 Q. Mr. Ulrey, do you have before you what
12 has been marked for identification purposes as
13 Exhibit 9b?

14 A. I do.

15 Q. Would you please describe what that is,
16 please.

17 A. It is my rebuttal testimony in this
18 proceeding.

19 Q. Okay. Mr. Ulrey, in your rebuttal
20 testimony, you reference to an agreement in principle
21 and reference an agreement throughout your testimony.
22 You are there referencing the letter that was filed
23 with the Commission last Friday; is that correct?

24 A. That is correct.

1 Q. Mr. Ulrey, do you have any changes or
2 corrections that you would like to add to your
3 testimony?

4 A. I do not.

5 Q. If I were to ask you the questions that
6 are set forth in Company Exhibit 9b, would the
7 answers you give here today be the same as set forth
8 in that exhibit?

9 A. They would.

10 MR. RANDAZZO: Your Honor, I would move
11 the admission of Exhibit 9b and offer Mr. Ulrey for
12 any cross-examination that the parties may have.

13 ATTORNEY EXAMINER: Thank you. I will
14 defer ruling on 9b at this time.

15 Mr. Rinebolt, cross-examination.

16 MR. RINEBOLT: Thank you, your Honor.

17 - - -

18 CROSS-EXAMINATION

19 By Mr. Rinebolt:

20 Q. Good afternoon, Mr. Ulrey.

21 A. Good afternoon.

22 Q. Let's refer to page 8 of your testimony,
23 line 14.

24 A. Yes.

1 Q. In your point No. 5 you indicate that
2 this rate design makes it easier for residential
3 customers to understand their gas bill. Did you
4 conduct any surveys of Vectren customers to ascertain
5 whether that was true?

6 A. No, I did not.

7 Q. Did you consult any studies in the three
8 other jurisdictions where the straight fixed variable
9 has been applied?

10 A. No, I did not conduct any studies.

11 Q. Then moving to parenthetical 6, the next
12 phrase, basically the same questions, Mr. Ulrey, did
13 you do any surveys or consult any surveys that
14 residential customers -- that indicated that
15 residential customers had better, more reliable
16 knowledge?

17 A. No.

18 Q. All righty. On page 10 of your
19 testimony, you indicate that variable charges, the
20 gas charges and the various riders, will make up 75
21 to 80 percent of the total bill -- strike that.
22 Strike that. I don't need that question.

23 At the top of the next page, page 11,
24 Mr. Ulrey, you indicate that a full SFV residential

1 rate design would not produce the monthly customer
2 charge that is unusual. How many natural gas
3 companies have the straight fixed variable rate
4 design currently, if you know?

5 A. We're -- I am familiar with four
6 utilities that have straight fixed variable rate
7 design.

8 Q. If you know, how many natural gas
9 distribution companies are there in the country?

10 A. I don't know for sure. There's a couple
11 hundred.

12 Q. So the four companies that use --
13 utilizing this rate design, that's actually an
14 extremely small percentage of distribution -- natural
15 gas distribution companies; is that correct?

16 A. The four that I am aware of is a small
17 percentage of the total distribution companies.

18 MR. RINEBOLT: Thank you very much,
19 Mr. Ulrey. I have no more questions.

20 THE WITNESS: You're welcome.

21 ATTORNEY EXAMINER: Consumers' Counsel.

22 MR. SERIO: Thank you, your Honor.

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CROSS-EXAMINATION

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By Mr. Serio:

Q. Good afternoon, Mr. Ulrey.

A. Good afternoon.

MR. SERIO: Your Honor, I had a couple of preliminary questions, and then I will have a motion.

Q. Mr. Ulrey, when the company engages in the settlement discussions, you generally participate in those, correct?

A. That is correct. In this case, yes.

Q. And is it your understanding that settlement discussions are confidential?

MR. RANDAZZO: We will stipulate to that, your Honor.

A. Yes.

Q. And in addition it's your understanding that it's inappropriate that any settlement discussions be made public prior to any kind of agreement of the parties, correct? I am not asking you legally. I am asking from your understanding as the company's representative to these discussions.

A. And the question was it's inappropriate to make any of that information available?

Q. Public, yes.

1 A. That's my understanding.

2 MR. SERIO: Your Honor, I understand that
3 the company filed this letter. However, on page 2 of
4 Mr. Ulrey's testimony he states on line 6 "more
5 specifically, the purpose of my testimony is to
6 provide information" and then later in that he talks
7 about information from "the parties are recommending
8 in the Agreement in Principal."

9 To the extent that there is no agreement
10 in principle filed and docketed with the Commission
11 today, it would seem to me that the entirety of
12 Mr. Ulrey's testimony as he specifies here is
13 inappropriate and premature disclosure of any
14 discussions that are occurring between Vectren and
15 any other parties.

16 In addition to the extent that the letter
17 says about three quarters of the way through "we
18 expect that other parties will support or not oppose
19 the stipulation and recommendation," until that
20 actually occurs it's premature to state that and it's
21 taking information that's supposed to be confidential
22 and part of the settlement process and making it
23 public for purposes of advancing the company's
24 litigation position and that's inappropriate.

1 ATTORNEY EXAMINER: Mr. Randazzo.

2 MR. RANDAZZO: Your Honor, Mr. Serio, the
3 purpose of his testimony was to illustrate we very
4 clearly indicate in the letter that was filed last
5 Friday that we have an agreement in principle and we
6 named the party with whom that occurs and other
7 parties that have indicated that they would not
8 object to that agreement in principle.

9 We also very clearly indicated that as
10 you know discussions with other parties would
11 continue. Where we are in this case is that we have
12 an opportunity through this witness to illustrate the
13 effects assuming that the agreement in principle is
14 forthcoming all the numbers that are indicated in
15 that document upon the rate design issues that have
16 been identified in this proceeding. We have
17 witnesses who have testified that gradualism is a
18 significant issue.

19 And what this testimony does is show how
20 based upon the agreement in principle that that
21 consideration ought not to illustrate full straight
22 fixed variable. The testimony in its entirety deals
23 with the question of how rapid and how completely you
24 can go to straight fixed variable rate design based

1 upon the concerns that have been identified by the
2 OCC witnesses as well as other witnesses in the
3 proceeding, so we think it's appropriate rebuttal.

4 We also think the information helps to
5 frame the issues that are in contention in this
6 proceeding with numerical values that will help the
7 Commission as well as other parties understand the
8 implications of straight fixed variable rates.

9 ATTORNEY EXAMINER: Mr. Serio.

10 MR. SERIO: Your Honor, if there is a
11 stipulation and the witness takes the stand and says
12 the stipulation is reasonable, we have the
13 opportunity to cross-examine the witness about the
14 end result. What we have here is an agreement in
15 principle that hasn't been docketed with the
16 Commission, so I don't have a document that I can
17 cross-examine the witness on to the extent that he is
18 saying these things are reasonable. Now, if he wants
19 to testify about the reasonableness of the position
20 and there is a stipulation that it's supporting once
21 the stipulation actually gets filed, that would be
22 appropriate and some of this testimony might be
23 appropriate once there is, in fact, an agreement in
24 principle reduced to writing signed by parties and

1 docketed with the Commission.

2 But our position would be that to the
3 extent he is saying his testimony is to provide this
4 information, it's premature at this point, and it's
5 inappropriate rebuttal testimony until that document
6 has actually been filed with the Commission.

7 ATTORNEY EXAMINER: Mr. Randazzo.

8 MR. RANDAZZO: Your Honor, I think
9 Mr. Serio misapprehends the purpose of the testimony.
10 The purpose of the testimony was to illustrate the
11 effect of moving to straight fixed variable rate
12 design. It used the numerical values that are in the
13 settlement -- the letter. It could have just as well
14 used OCC's proposed revenue increase to make the
15 point.

16 The point that is made in the testimony
17 is that as the Commission resolving the revenue
18 requirement issues, you need to take a look at the
19 claims that are being made by various parties in
20 conjunction with Mr. Overcast's testimony to evaluate
21 the extent to which the principal of gradualism ought
22 to be a factor that works negatively against full
23 introduction of straight fixed variable.

24 ATTORNEY EXAMINER: Let's go off the

1 record.

2 (Discussion off the record.)

3 ATTORNEY EXAMINER: Back on the record.

4 MR. RANDAZZO: Your Honor, if I might,
5 before cross-examining of Mr. Ulrey commences, what
6 we request of the Bench and the parties is that we
7 defer any cross-examination of Mr. Ulrey. It appears
8 from the discussion we have had off the record we are
9 going to need to come back on Tuesday of next week,
10 and I would propose to take Mr. Ulrey's
11 cross-examination of -- at that time and hopefully
12 any additional witnesses that there may be in this
13 proceeding, but we will cross that bridge when we
14 come to it.

15 I assume that is okay with the parties
16 based upon the off-the-record discussion that we had,
17 but I would ask that they specifically indicate for
18 themselves.

19 ATTORNEY EXAMINER: Mr. Serio?

20 MR. SERIO: Yes, that is correct, your
21 Honor.

22 ATTORNEY EXAMINER: Mr. Rinebolt?

23 MR. RINEBOLT: Yes, your Honor.

24 ATTORNEY EXAMINER: Mr. Margard?

1 MR. MARGARD: That is correct, your
2 Honor.

3 ATTORNEY EXAMINER: We will adjourn our
4 hearing until Tuesday, September 9, 9 o'clock.

5 Thank you all.

6 (Thereupon, the hearing was adjourned at
7 1:04 p.m.)

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CERTIFICATE

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I do hereby certify that the foregoing is
a true and correct transcript of the proceedings
taken by me in this matter on Tuesday, September 2,
2008, and carefully compared with my original
stenographic notes.

Karen Sue Gibson, Registered
Merit Reporter.

(KSG-4965)

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