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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Service and Related Matters.	)))))	Case No. 07-1080-GA-AIR
In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Adjust its Distribution Replacement Rider Charges.	)))))	Case No. 10-595-GA-RDR

APPLICATION

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April 30, 2010

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APPLICATION

Vectren Energy Delivery of Ohio, Inc. ("VEDO" or "Company") respectfully requests that the Commission approve an adjustment to its Distribution Replacement Rider ("DRR") charges as described and supported herein. In support of this Application, VEDO states:

1. VEDO is an Ohio corporation engaged in the business of providing natural gas distribution service to approximately 315,000 customers in west central Ohio and is a public utility as defined by Section 4905.02 and 4905.03, Revised Code.

2. On January 7, 2009, in Case No. 07-1080-GA-AIR, the Commission approved, *inter alia*, a Stipulation and Recommendation ("Stipulation") filed on September 8, 2008 which authorized VEDO to establish a

DRR for the recovery of: (1) the return on and of plant investment, including capitalized interest, or post-in-service carrying cost charges ("PISCC"), along with incremental costs incurred under a multi-year program for the accelerated replacement and retirement of cast iron mains and bare steel mains and service lines, (2) deferred expenses incurred during Company's investigation of the installation, use, and performance of natural gas service risers, (3) all costs of replacement of prone-to-fail risers, (4) the incremental costs attributable to assuming ownership of service lines installed or replaced by Company, and (5) the incremental cost of assuming maintenance responsibility for all service lines, less the actual annual savings of certain Operations and Maintenance ("O&M") expenses from the baseline O&M of $1,192,953. Stipulation at 9-10.

3. Pursuant to the Stipulation, the initial DRR was set at a level designed to recover the actual deferred costs, as of July 2008, of the Commission-ordered riser investigation conducted in Case No. 05-463-GA-COI over a twelve-month period, the over- or under-recovery of which is to be included in the calculation for the rate applied for in this Application. Stipulation at 11. The initial DRR charges became effective on March 1, 2009 and were reset to zero effective March 1, 2010.

4. The Stipulation requires that by May 1 of each year for which the DRR is approved commencing with 2010, VEDO "shall make an application in this docket...to establish the DRR to be effective on the following September 1 for the subsequent twelve (12) month period." Stipulation at 11. The Stipulation

provides that this Application, which is to be served on the parties electronically, shall not be considered to be an application to increase rates and charges. *Id.*

5. As a part of the required May 1 application, VEDO is required to provide the following:

a. The return of and on the plant investment, inclusive of capitalized interest or post-in-service carrying costs charges ("PISCC"). PISCC shall be accrued and recovered at the rate of 7.02% for the accumulated infrastructure investment amounts in the DRR from the date that the applicable assets are placed in service until the effective date of the next subsequent DRR;

b. The incremental costs of the Program (as described in JMF Exhibit 6);

c. The actual deferred costs resulting from compliance with the PUCO riser investigation (Case No. 05-463-GA-COI);

d. The incremental costs of assuming ownership and repair of customer service lines as described in the rate case application;

e. The costs associated with the replacement of prone-to-fail risers over a five year period;

f. The incremental revenue requirement for the year and for each component of the DRR;

g. A summary of its construction plans for the next year, including expected investment, expected location of the infrastructure replacement work, and the expected miles to be replaced; and

h. The actual annual savings of O&M expenses.

Stipulation at 10 and 12.

6. With respect to this Application, the Stipulation provides that VEDO "...shall bear the burden of proof of demonstrating the justness and

reasonableness of the level of recovery proposed by the Company for the successor DRR charge; and, support the adjustment to the annual revenue requirement for increases or adjustments to the then existing DRR charge...." Stipulation at 12.

7. In order to demonstrate the justness and reasonableness of the level of recovery proposed for the DRR charges proposed herein and to support the proposed adjustment to the underlying annual revenue requirement, VEDO submits the following as attachments hereto:

a. Attachment A: Direct Testimony of James M. Francis (and included Exhibits);

b. Attachment B: Direct Testimony of Janice M. Barrett (and included Exhibits); and

c. Attachment C: Direct Testimony of Scott E. Albertson (and included Exhibits).

8. The Stipulation provides that "...[t]he monthly DRR charge in the first annual DRR application applicable to Residential and Group 1 General Service customers shall not exceed $1.00 per customer." Stipulation at 13.

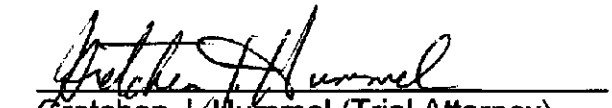
9. The data and information contained in the Application attachments enumerated above support revised DRR charges as follows:

Rate Schedule	$ Per Month	$ Per Ccf
310, 311 and 315	$0.66	
320, 321 and 325 (Group 1)	$0.66	
320, 321 and 325 (Group 2 and 3)		$0.00456
341	$3.33	
345		$0.00120
360		$0.00117

10. A revised tariff Sheet No. 45, Fourth Revised Page 2 of 2, which reflects the DRR charges in No. 9 above is included in the Direct Testimony of Scott E. Albertson as Exhibit No. SEA-2.

WHEREFORE, VEDO respectfully requests that the Commission approve the DRR charges shown on the proposed Sheet No. 45, Fourth Revised Page 2 of 2, included in the Direct Testimony of Scott E. Albertson as Exhibit No. SEA-2.

Respectfully submitted,



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Attorney for Vectren Energy Delivery of Ohio, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Application* has been sent electronically, this 30th day of April, 2010 to the following parties of record.

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ATTACHMENT A

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY

OF

JAMES M. FRANCIS

DIRECTOR OF ENGINEERING AND ASSET MANAGEMENT

ON BEHALF OF

VECTREN ENERGY DELIVERY OF OHIO, INC.

CASE NO. 07-1080-GA-AIR
CASE NO. 10-___-GA-RDR

APRIL 30, 2010

DIRECT TESTIMONY OF JAMES M. FRANCIS

INTRODUCTION

Q. Please state your name, business address and occupation.

A. My name is James M. Francis. My address is One Vectren Square, Evansville, Indiana, and I am Director of Engineering & Asset Management for Vectren Utility Holdings, Inc. ("VUHI"), the parent company of Vectren Energy Delivery of Ohio, Inc. ("VEDO" or "the Company").

Q. What are your duties in your present position?

A. I have responsibility for engineering and technical support for VEDO utility operations. My specific responsibilities include System Design and Planning, Corrosion Control, Project Engineering, Compliance, Standards, Asset Management, Pipeline Integrity Management, and Capital Planning and Management. Additionally, I am responsible for identifying and implementing many of VEDO's asset management programs.

Q. Please describe your work experience.

A. I have been employed by VEDO since April 8, 2004 when I became the Director of Technical Services. My title has subsequently been changed to Director of Engineering & Asset Management. Prior to my current position, I have been employed with VEDO since the purchase of the gas assets of the Dayton Power & Light Company in 2000. Immediately prior to my current position, I was the Regional Manager of the Troy Operating

Region with responsibility for field operations. I also held other positions at VEDO including Planning Manager and Measurement Supervisor. Prior to my employment with Vectren, in 1991, I became an employee of Dayton Power & Light since 1991, serving as a Project Engineer, System Planner and Measurement Supervisor.

Q. What is your educational background?

A. I received a Bachelor of Science in mechanical engineering from the University of Dayton in 1993. I received a Masters in Business Administration from The Ohio State University in 2000.

Q. Are you involved in any gas industry association activities?

A. Yes. I am active in the American Gas Association's ("AGA") Operating Section. I am currently a member of the AGA's Distribution and Transmission Engineering Committee.

Q. Have you previously testified before this Commission?

A. Yes. I testified in VEDO's most recent general rate case, Case No. 07-1080-GA-AIR ("Rate Case"), in support of the need for recovery of certain costs under the Distribution Replacement Rider ("DRR") proposed in that proceeding.

Q. What is the purpose of your testimony in this proceeding?

A. First, I will provide details on the progress of VEDO's accelerated bare steel and cast iron replacement program ("Replacement Program"). I will discuss the status of pipe replacement, the costs incurred and the benefits

identified in 2009. I will address certain other issues, such as meter relocations and plastic pipe retirements, and how these are addressed within the Replacement Program. I will discuss the processes used to assess and award the construction work associated with the Replacement Program. I will provide the 2010 replacement plan and discuss why recent and projected investments under the Replacement Program are less than contemplated in the Rate Case.

The second portion of my testimony will discuss VEDO's riser replacement program ("Riser Program"). I will detail the status of replacements and costs associated with the Riser Program through December 31, 2009. I will also discuss how the Riser Program work was awarded in 2009 and the plan for the replacement of the Company's remaining prone-to-fail risers.

The third portion of my testimony will discuss VEDO's experience with the change in service line ownership and responsibilities which took effect in 2009.

The final portion of my testimony will discuss identified savings resulting from the Replacement Program as well as the additional costs incurred by VEDO due to the change in service line responsibility.

Q. What Exhibits are you sponsoring in this proceeding?

A. I am sponsoring the following exhibits:

- Exhibit No. JMF-1- 2009 VEDO Bare Steel/Cast Iron ("BS/CI") Replacement Program Progress
- Exhibit No. JMF-2- VEDO BS/CI 2010 Replacement Plan
- Exhibit No. JMF-3- VEDO Riser Replacement Program 2009 Costs
- Exhibit No. JMF-4- VEDO 2009 BS/CI Maintenance Expense
- Exhibit No. JMF-5- VEDO Incremental Service Line Responsibility O&M Costs
- Exhibit No. JMF-6- VEDO Incremental Service Line Responsibility Capital Costs

Q. How is your testimony organized?

A. My testimony is organized in four sections:

I. Bare Steel and Cast Iron Replacement Program

II. Riser Replacement Program

III. Service Line Responsibility

IV. Maintenance Savings & Incremental Costs

I. <u>Bare Steel and Cast Iron Replacement Program</u>

Q. Please provide a brief description of VEDO's Replacement Program.

A. As of the end of 2008, VEDO had a total of 524 miles of bare steel and 172 miles of cast iron main remaining in its system. In its Rate Case, VEDO proposed to replace its remaining bare steel and cast iron infrastructure over a twenty year period, or approximately 35 miles per year. The Replacement Program, as approved by the Commission in that

case, includes the replacement of both mains and service lines. The existing bare steel and cast iron mains and service lines are being retired as part of the Replacement Program.

Q. How much infrastructure did VEDO replace in 2009 as part of the Replacement Program?

A. In 2009, VEDO retired 18 miles of bare steel and 6.5 miles of cast iron mains under the Replacement Program. Additionally, VEDO replaced 1722 bare steel service lines, retired 58 service lines and tied over an additional 74 service lines.

Q. How much did VEDO invest in the Replacement Program in 2009?

A. As identified by VEDO witness Janice M. Barrett, VEDO's Replacement Program investment in 2009 was $11,250,423. Exhibit No. JMF-1 provides a detailed list of the projects that comprised the 2009 replacement plan, the costs of those projects as of December 31, 2009, and the amount of main footage and number of service lines replaced. For some projects placed in service in 2009, additional costs will be incurred in 2010 for certain trailing charges (such as restoration costs). These costs will be included in future DRR filings.

Q. Did VEDO retire any plastic main as part of the Replacement Program in 2009?

A. Yes. VEDO retired 2,640 feet of plastic main within the projects completed in 2009. There were a number of reasons why plastic main

segments were retired, which were discussed in my testimony in the Rate Case. Some short segments of plastic main existed among the bare steel or cast iron infrastructure. It would have been more costly to try and salvage that main rather than replace it. There existed sections of plastic main at the ends of some distribution systems being retired wherein those segments no longer served any customers; therefore, there was no reason to replace and continue to maintain those segments. Finally, there were sections of existing plastic main that required additional pressure testing in order for them to be operated at the higher maximum allowable operating pressure ("MAOP") applicable to the replaced distribution system – and where during the test the main failed to hold the required pressure. Replacement was a more cost effective option than attempting to find and repair the deficiencies in the existing plastic main.

Q. Did VEDO move any meters outside as part of the Replacement Program?

A. Yes. VEDO moved 1,977 meters outside in 2009. Because the newly installed mains operate at a higher pressure (requiring the installation of a service regulator), the cost associated with moving the meters outside was less than if the meter remained inside and the necessary regulation was installed outside. In addition to better utilization of VEDO's capital, moving the meters outside should improve operational efficiency associated with future meter order work and eliminate the need for internal atmospheric corrosion inspections.

Q. Does VEDO believe that the Replacement Program is achieving or will achieve the expected benefits?

A. Yes. VEDO expects to experience improved service reliability and safety through the reduction of leakage and the replacement of the mains and service lines that contribute most to system leaks. Replacing this pipe, moving meters outside, and retiring the older assets will drive workforce efficiencies. The Company was able, in 2009, to achieve improved capital utilization by replacing the existing main infrastructure with fewer miles of new main. Customers and property owners should experience a reduction in the number and frequency of disturbances and inconveniences (such as leak repair, service interruptions, etc.) as the older sections of main are retired. The elimination of active leaks will result in a relatively lower level of lost and unaccounted for gas, although it is impractical to quantify a specific reduction. Finally, VEDO expects long term benefits in terms of reduced impacts on the communities where public infrastructure improvements may occur after these projects were completed.

Q. What operational benefits did VEDO achieve as a result of the Replacement Program in 2009?

A. There are a number of operational benefits that VEDO has achieved as a result of the Replacement Program. The replacement of these assets has reduced the number of active leaks in VEDO's system, will reduce the occurrence of future leaks and leak repair work, and will reduce interruptions, inconveniences and disturbances to customers. Specifically,

the replacement projects from 2009 have allowed VEDO to eliminate 79 active leaks, of which 21 would have required a more immediate and less efficient repair. VEDO should be able to reduce a number of asset condition related meter orders (Outside Gas Leak, Gas Emergency, Water in Line, and No Gas orders). The Company has experienced an average of 113 meter orders of these types on the assets that were replaced in 2009. VEDO moved 1,977 inside meters outside. This will eliminate the requirement for a separate atmospheric corrosion check. Certain system components that had been used to address issues associated with assets in poor condition have been eliminated, such as the 47 drips used to remove water from low pressure mains. Ultimately, these types of improvements provide reliability and safety benefits to VEDO's customers or property owners that live in the vicinity of the replacement projects.

Q. Did VEDO derive cost savings from the 2009 replacement projects?

A. Yes. VEDO has detailed the reduction of specific work items, assets and the estimated reduction of historically experienced work quantities, all of which allowed VEDO to achieve maintenance cost savings attributable to the Replacement Program (and specific to the assets that were retired). Quantification of the savings achieved in 2009 compared to the baseline amount of $1,192,953 will be discussed later in my testimony.

Q. Were the construction projects within the 2009 Replacement Program competitively bid?

A. Yes. VEDO competitively bid the construction work associated with the 2009 projects.

Q. How were the bid packages organized, bid and awarded?

A. Based on the geographical location of the projects, VEDO divided the planned 2009 projects into four bid packages. The bid packages contained both bare steel and cast iron replacement projects as well as riser replacement work. A contractor could bid on any of the four packages but was not required to bid on all packages. The contractors were also able to bid on the projects included in the Replacement Program only, the Riser Program only, or both. Each bid package was independently evaluated.

Six different construction contractors were invited to provide bids for the work. Two of the contractors elected not to bid due to resource constraints. Additional contractors expressed interest in the work either during or after the bid process had begun. Due to the need for those contractors to satisfy operator qualification requirements and the impact a delay would have on the completion of the 2009 projects, these contractors were not included in the bid process; however, they were informed that they would be provided opportunities to bid on work in subsequent years.

A pre-bid meeting was held with all of the contractors to provide direction and to answer questions with regard to the work to be performed and the

bids to be submitted. Each contractor was provided with copies of prints for all of the projects and given time to visit the project sites prior to submitting bids.

Bids were submitted based on unit pricing; that is, a fixed price for a given unit of work to be performed. VEDO used the unit prices and the estimated work units for each project to create comparative cost estimates. These comparative estimates were then summarized for each bid package. Each package was evaluated based on overall cost. Additionally, VEDO evaluated each contractor qualitatively based on either personal experience or through feedback on performance from other utilities to ensure that contractors awarded the work were able to meet our performance expectations and time requirements.

Due to the variability in bid prices for the riser replacement work, VEDO elected to award work under the Riser Program separately from the Replacement Program. Each bid package was evaluated independently and awarded accordingly.

Q. What is VEDO's replacement plan for 2010?

A. VEDO's planned replacement projects for 2010 are identified in Exhibit No. JMF-2. VEDO plans to spend approximately $11,000,000 under the Replacement Program, replacing approximately 18 miles of bare steel and cast iron main along with the bare steel service lines served from those mains. As was the case in 2009, VEDO reserves the right to modify the

plan as necessary to accommodate additional or different, higher priority projects as circumstances may change throughout the year.

Q. In the Rate Case, VEDO indicated an annual Replacement Program investment of $16,875,000. Why is the actual 2009, and planned 2010, level of investment less than this amount?

A. Based on the economic climate, in the near term VEDO has constrained its planned capital expenditures in an effort to reduce immediate capital needs and potential exposure to higher capital costs. This reduction in the number of capital projects completed in 2009 and planned for 2010 has occurred at each of VUHI's operating utilities. As a result, the investment in the Replacement Program in 2009 and 2010 is less than the level estimated in the Rate Case. On-going assessment of the economic impact on the Company's capital spending levels will continue and may impact the annual level of investment in the Replacement Program. Presented in the Rate Case as a 20 year program, changes in individual year expenditures can be accommodated. Moreover, program progress over time will impact the necessary level of investment in later years. VEDO remains committed to the Replacement Program, is making very good progress as evidenced by the 24.5 miles of pipe retired in 2009, and plans to continue to replace this older infrastructure on an accelerated basis as compared to historical replacement rates.

II. Riser Program

Q. Please describe the Riser Program.

A. As ordered by the PUCO, beginning in 2007 VEDO began conducting an inventory of customer owned service risers in its service territory. VEDO completed its inventory of risers in 2008. The cost for the riser inventory project was included in the initial DRR charge, per the Commission's order in the Rate Case.

In the inventory project, VEDO identified 77,890 field assembled or design-A type risers as "prone-to-failure" as defined by the PUCO. VEDO originally developed a program to replace its prone-to-fail risers over a five year period, beginning in 2009. Subsequently, VEDO determined that a riser type that had not been identified as "prone-to-fail" had been included in the total targeted replacements. As a result of this reassessment, VEDO will replace a total of 58,440 risers under the Riser Program.

Q. How many risers did VEDO replace in 2009?

A. VEDO replaced 16,003 prone-to-fail risers in 2009. The cost to replace these risers was $5,451,132 or $341 per riser. Exhibit No. JMF-3 provides a breakdown of the costs incurred under the Riser Program. VEDO plans to replace the remaining 42,437 "prone-to-fail" risers by the end of 2012.

Q. What methods did VEDO use to replace risers in 2009?

A. Where possible, VEDO used the Perfection Servi-Sert service head adaptor to replace the service riser head. Where the Servi-Sert was not able to be used, the entire riser was replaced.

Q. Was the riser replacement work in 2009 competitively bid?

A. Yes.

Q. How were the bid packages organized, bid and awarded?

A. The Riser Program bid packages were organized geographically into four packages, with the geographic regions matching those of the Replacement Program.

As was the case with the Replacement Program, six different construction contractors were invited to provide bids for the riser work. The same two contractors elected not to bid due to resource constraints.

A pre-bid meeting was held with all of the contractors to answer questions with regard to the work to be performed and the bid packages to be submitted. Each contractor was provided with a count of risers to be replaced by package.

Bids were submitted based on unit pricing for full replacements, service riser head replacements and any associated activities. VEDO used the unit prices to create comparative cost estimates for each package. Each

package was evaluated independently, much like the Replacement Program, and awarded accordingly.

Q. Was some of the riser replacement work completed by VEDO crews?

A. Yes. In addition to the contracted crews, VEDO used internal crews to complete a number of replacements.

Q. What is VEDO's riser replacement plan for 2010?

A. VEDO has used a similar process to bid the riser replacement work for 2010 and plans to replace approximately 17,000 risers. The work was once again divided into four geographical regions and each region was bid as a separate package.

III. Service Line Responsibility

Q. Are you able to assess how VEDO's transition to service line responsibility has progressed?

A. VEDO continues to view the transfer of service line responsibility to the Company as a positive for both the Company and its customers. As a result of the change, new policies, processes and procedures for installation, replacement, and repair of service lines and meter settings were developed and implemented. Changes in internal resources and crew make-up were necessary, as were additional contract resources, to perform some of the additional work. VEDO implemented communication programs to ensure all parties affected by this change, including customers, plumbers, material suppliers, contractors and internal

personnel were well informed. VEDO worked with the Dayton Area Home Builders Association to understand builders' needs and concerns with this new process along with educating the home building industry about these changes. Additional education on municipality house line inspection and requirements was provided.

In general, VEDO's assumption of service line responsibility has been a benefit to its customers. Customers no longer are required to schedule the services of a plumber to repair or replace their service line, minimizing inconvenience and out of pocket costs for customers. VEDO's response times to leak calls and its repair activities have reduced the amount of time customers have been out of service. The Company's ability to adjust to an ever changing schedule to meet the needs of customers has also been a benefit. Also, confusion over customer responsibility for the service line has been essentially eliminated because there is now a clear delineation of responsibility between the customer and VEDO.

Q. What are some of the challenges VEDO continues to face as a result of the change in service line responsibility?

A. The scheduling of internal and contractor resources, to deal with the more immediate and changing customer demands, has been a challenge. Obtaining accurate site readiness, customer need dates, or house line inspection information continues to be a challenge, as VEDO will often find that a site is not ready by the requested date and then its resources must be redirected. VEDO is continuing to refine its processes in an effort to

obtain more accurate information from customers. An additional challenge has been the volume of service line replacements beyond those included in the planned projects under the Replacement Program. Because VEDO (and its customers) have a significant number of aged service line assets, the amount of service line replacements has been significant. However, VEDO does expect that as the Replacement Program matures, over time this activity will be reduced.

Q. How have VEDO's customers benefited from the change in how service lines are operated and maintained?

A. VEDO has replaced or relocated a number of service lines. Those customers would have incurred an out-of-pocket expense for repairs or replacement absent the change in service line responsibility. When VEDO does replace a service line and completes a relight of customer appliances, the Company is able to assess the condition of the customer appliance(s) prior to completing the relight while it is conducting an atmospheric safety check.

Q. Has VEDO experienced any incremental O&M expenses as a result of assuming service line responsibility?

A. Yes. VEDO has had to repair a number of gas leaks on the portion of the buried service line and the above ground meter setting that was previously maintained by the customer. As a result of this change, VEDO has seen both an increase in capital replacements and operations and maintenance expenses to repair these leaks. In 2009, VEDO spent $242,524 on

service line leak repairs. This represents a 67% increase over the baseline expense amount of $145,655 experienced in 2007.

IV. Maintenance Savings and Incremental Costs

Q. Did VEDO achieve maintenance savings in 2009 compared to the baseline amount of $1,192,953?

A. Yes. VEDO calculated its maintenance expenses incurred in 2009 by the same method it used to calculate the baseline maintenance expense amount of $1,192,953. The actual comparable maintenance expenses in 2009 were $871,769, resulting in a variance against the baseline of $321,184. Exhibit No. JMF-4 provides the actual 2009 maintenance expenses and a comparison against the baseline expense amount.

Q. Are the maintenance savings fully attributable to the Replacement Program?

A. No. While certainly the elimination of the bare steel and cast iron infrastructure would have driven some of the cost reductions, the change in service line responsibilities also led to some of the savings. The reason for this is that VEDO completed a significant number of service line replacements that would have formerly been at the customer's expense. The resources that previously had been conducting more leak repairs instead completed service line replacements, which are capital expenditures. As such, the maintenance expenses identified in 2009 are not necessarily indicative of the ongoing level of O&M. Rather, they are

indicative of the work VEDO actually performed in a single year (2009). As such, the actual maintenance savings as compared to the baseline will change year over year.

Q. Has VEDO experienced any incremental O&M expenses as a result of assuming service line responsibility?

A. Yes. As discussed earlier, VEDO has had to repair a number of gas leaks on the portion of the buried service line and the above ground meter setting that was previously maintained by the customer, resulting in an increase in operations and maintenance expenses. In 2009, VEDO spent $242,524 on leak maintenance of service lines. This represents an incremental cost of $96,869. $25,144 of these incremental costs are reflected in the total maintenance expenses for 2009 attributable to the bare steel and cast iron infrastructure ($871,769). The remaining $71,725 is the expense that VEDO incurred for service lines that are not associated with bare steel or cast iron infrastructure. Exhibit No. JMF-5 provides the calculation of the incremental expenses.

Q. Has VEDO experienced any incremental capital investment as a result of assuming service line responsibility?

A. Yes. VEDO has had to replace a number of service lines in order to eliminate gas leaks on the portion of the buried service line and the above ground meter setting that was previously maintained by the customer. As a result of this change, VEDO has seen an increase in capital costs. In 2009, VEDO spent, on average, $4,953 per service line replaced. This

represents an incremental investment of $1,255 per service line replaced over that experienced during the baseline period of 2007. The incremental investment includes the cost for the incremental length of curb to meter service line and meter setting that was formerly installed and maintained by the customer. In 2009, VEDO replaced 1,111 service lines that were not associated with the Replacement Program. This equated to an incremental capital investment of $1,394,305 for service line replacements as a result of the assumption of this responsibility for service lines. Exhibit No. JMF-6 provides the calculation of the incremental investment.

Q. Does this conclude your testimony?

A. Yes.

2009 VEDO BS/CI Replacement Program Progress
Actual Install & Retirement

Completion Date	Group Number	City	Total Expenditures	Steel Main Installed	Plastic Main Installed	Total BS Footage Retired	Total CI Footage Retired	Total Retired Main	Total Services Installed	Total Services Retired
11/19/2009	**09-13**	Dayton	$ 450,837		2,998	1,620	5,017	6,637	71	0
10/23/2009	**09-14**	Dayton	$ 1,568,269		6,590	3,605	3,092	6,697	190	6
11/16/2009	**09-15**	Dayton	$ 995,773		6,224	1,781	7,180	9,173	150	0
11/20/2009	**09-17**	Dayton	$ 1,259,983		10,465	9,697	0	9,697	207	0
10/23/2009	**09-28**	Germantown	$ 308,312		2,631	2,709	0	2,709	48	0
12/11/2009	**09-09**	Dayton	$ 1,241,332		10,930	6,161	8,970	15,651	113	12
10/7/2009	**09-20**	Eaton	$ 393,975		3,541	4,026	0	4,801	62	0
9/14/2009	**09-34**	Lewisburg	$ 510,392		6,011	5,679	0	5,679	103	2
11/9/2009	**09-38**	Dayton	$ 706,750		6,808	4,741	1,272	6,459	105	0
11/19/2009	**09-39**	Dayton	$ 709,570		9,144	9,617	8,547	18,217	84	23
10/27/2009	**09-02**	Washington CH	$ 235,194		2,440	2,405	0	2,405	25	0
11/19/2009	**09-23**	Cedarville	$ 348,571		5,229	6,376	0	6,462	77	0
10/27/2009	**09-27**	Xenia	$ 136,103		1,286	2,519	0	2,519	25	0
10/15/2009	**09-36**	Faribom	$ 227,909		1,886	2,585	0	2,653	37	1
11/10/2009	**09-37**	Yellow Springs	$ 313,880	4775		2,445	0	2,445	6	0
11/17/2009	**09-01**	Vandalia	$ 81,139		1,833	2,680	0	2,680	14	0
11/12/2009	**09-03**	Troy	$ 165,846		938	2,430	0	2,430	52	0
9/18/2009	**09-18**	Sidney	$ 361,658		4,813	6,519	0	6,519	70	8
8/14/2009	**09-29**	Piqua	$ 698,750		7,830	8,094	0	8,094	190	1
11/19/2009	**09-31**	Bradford	$ 165,598		2,665	2,718	0	3,198	50	4
10/29/2009	**09-33**	Bellefontaine	$ 370,582		5,457	6,739	0	6,739	117	1
		TOTAL	**$ 11,250,423**	**4,775**	**99,719**	**95,146**	**34,078**	**131,864**	**1,796**	**58**

Note: VEDO Retired 2640 Feet of Plastic Main in 2009

VEDO Bare Steel / Cast Iron Replacement Program
Calendar Year 2010

Project Group #	Operating Center	City	Street	Estimated			Estimated Project Cost
				Install Footage	Retire Footage	Project Services	
10-01	Troy	Greenville	N. Broadway,E. Lincoln Dr.,W. Harmon Dr.,E. Harmon Dr.,W. Maple Dr.,W. Maple Dr.,W. Meeker Ave.,N. Broadway,E. Main	4,063	5,058	98	$567,735
10-02	Dayton West	Dayton	Deeds Ave., Maryland Ave.,Ray Ave.,S. Ohio St. (west side),Queen St.,E. Mound St.,S. Main St.(west side),E. Dallas St.,E.	3,820	4,147	161	$772,520
10-03	Troy	Sidney	Park Ave.,Forrer Rd.,Hadley Rd.,Park Rd.,Fells Rd.,Coolidge Dr.,Grandon Rd.,Southwood Ln.,Coolidge Dr.,Monteray Ave.,	11,587	12,000	209	$1,204,568
10-06	Dayton West	Dayton	Grafton Ave.,W. Grand Ave.,North & Grand Ave.,Wroe Ave.,Neal Ave.,Five Oaks Ave.,Homewood Ave.	8,349	9,387	219	$1,077,789
10-13	Centerville	Dayton	Harmon Ave.,Park Ave,Forrer Rd.,Hadley Rd.,Fells Rd.,Coolidge Dr.,Grandon Rd.,Southwood Ln.,Monteray Ave.	9,455	11,438	127	$805,559
10-15	Fairborn	Xenia	E. Second St.,Harbison Ave.,E. Third St.,Sims Drive,Mitchell St.,S. Leach St.	6,479	8,297	145	$770,703
10-16	Centerville	Dayton	Anderson St.,Kratochwill,Medford Ave.,Jessie St.,Stewart St.,Irving Ave.	6,316	6,726	206	$882,693
10-27	Troy	Bellefontaine	Erie St.,Huron Ave.,Colton Ave.,Ontario St.,E. Lake Ave,Ludlow St.,Spring Ave.	6,700	7,240	144	$911,040
10-33	Fairborn	Greenfield	S Sixth St.,Mckell Ave.,S. Seventh St.,South St.,Mirabeau St.,Ninth St.,Eight St.,Tenth St.,Wilson St.,Jefferson St.,Lafayette	7,980	7,705	176	$923,305
10-34	Fairborn	Xenia	Church St.,N. Columbus St.,Wilson Dr.,Sutton Drive,N. Columbus St.,N. Monroe St.	1,140	4,456	60	$345,388
10-38	Dayton West	Dayton	Carol Ave, Adair St.,Riverside Dr.Ashwood Ave.,Theodore Ave.,Kathleen Ave.,Malvern Ave.,Fairview Ave,Eastview Ave.	4,335	5,675	102	$426,730
10-39	Centerville	Dayton	King Ave.,King Ave.,Watervliet Ave.,Pursell Ave.,Taggart Ave.,Brookline Ave.,Elliot Ave.,	7,993	8,174	312	$1,303,320
10-40	Dayton West	Dayton	Salem Ave.,Malvern Ave.,Syracuse Ave.,Ridge Ave.,Riverside Dr.,Oakley Ct.,Marathon Ave.	3,845	4,025	130	$702,853
10-43	Troy	Piqua	Ash St.,Manning St.,	2,696	2,309	45	$305,595
				84,758	96,637	2,134	$10,999,798

VEDO Riser Replacement Program
2009 Costs

Expense Category		Expense
Contract Labor	$	2,507,109
Materials	$	1,412,218
Labor	$	524,697
Other Expenses	$	166,124
Overheads	$	840,984
Total	**$**	**5,451,132**
# Risers		**16,003**
Cost per Riser	**$**	**341**

VEDO Maintenance Expense - BS/CI

Meter Order Management		
Meter Orders	**Baseline**	**2009**
Outside Leaks	3467	3411
Investigate Gas Emergency	937	782
No Gas	1831	1651
Water in Service	11	36
Total	6246	5880
% Allocated to BS/CI Facilities	48%	48%
Orders applicable to BS/CI	2998	2822
Maintenance Expenses	**Baseline**	**2009**
Total Meter Orders	122091	122748
Meter Order Mgmt Actuals	$ 3,542,248	$ 3,814,255
Average Cost per Order	29.01	31.07
Average cost per Asset Condition based Order	58.03	62.15
* Leak Investigation order averages approximately 2x's longer than average meter order		
Maintenance Expenses Reduction Opportunity	**Baseline**	**2009**
Orders Applicable to BS/CI x Average Order Cost per Asset Condition based Order	**$ 173,968**	**$ 175,406**

Leak Repair & Management		
Service Leaks Maintenance Expenses	**Baseline**	**2009**
Service Leak Repair Actuals	$ 145,655	$ 242,524
% of Service BS/CI Leak Repairs	56%	44%
Service O&M Expenses attributable to BS/CI	$ 81,567	$ 106,711
Main Leaks Maintenance Expenses	**Baseline**	**2009**
Total Main Leak Repair Actuals	$ 1,610,684	$ 1,060,527
Cost Associated with Soft Surface Repairs	$ 644,274	$ 477,237
% of Soft Surface Repairs on BS/CI Main Leaks	39%	49%
Cost Associated with Hard Surface Repairs	$ 966,410	$ 583,290
% of Hard Surface Repairs on BS/CI Main Leaks	71%	61%
Main O&M Expenses attributable to BS/CI	$ 937,418	$ 589,653
O&M Expenses Reduction Opportunity	**Baseline**	**2009**
Total Main Leak Reduction Opportunity	**$ 1,018,985**	**$ 696,364**

TOTAL BS/CI MAINTENANCE EXPENSES	**$ 1,192,953**	**$ 871,769**

NET MAINTENANCE EXPENSE REDUCTION		**$ 321,184**

VEDO Incremental Service Line Responsibility O&M Costs

Service Leaks Maintenance Expenses	Baseline	2009	Incremental over Baseline
Service Leak Repair Actuals	$ 145,655	$ 242,524	$ 96,869
Service O&M Expenses attributable to BS/CI*	$ 81,567	$ 106,711	$ 25,144
Service O&M Expenses Attributable to All other Assets	$ 64,088	$ 135,813	**$ 71,725**

* Expense amounts included in 2009 BS/CI maintenance expenses (see JMF-4)

VEDO Incremental Service Line Responsibility Capital Costs

	Baseline	2009	Incremental over Baseline
Service Line Replacements Costs	$ 3,313,867	$ 5,503,748	
Count of Service Lines Replaced	896	1,111	
Average Cost per Service Line Replaced	$ 3,699	$ 4,954	**$ 1,255**

	Incremental Cost per Service	Quantity Replaced	Total Incremental Capital Cost
Total Incremental Capital Investment for Service Line Replacement	$ 1,255	1,111	**$ 1,394,305**

ATTACHMENT B

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY

OF

JANICE M. BARRETT

DIRECTOR OF REGULATORY AND PLANT ACCOUNTING

ON BEHALF OF

VECTREN ENERGY DELIVERY OF OHIO, INC.

CASE NO. 07 1080-GA-AIR
CASE NO. 10-___-GA-RDR

APRIL 30, 2010

DIRECT TESTIMONY OF JANICE M. BARRETT

INTRODUCTION

Q. Please state your name and business address.

A. Janice M. Barrett. One Vectren Square, Evansville, Indiana 47708.

Q. What position do you hold with Vectren Energy Delivery of Ohio, Inc. ("VEDO" or "the Company")?

A. I am Director of Regulatory and Plant Accounting for Vectren Utility Holdings, Inc. ("VUHI"), the immediate parent company of VEDO. I hold the same position with two other utility subsidiaries of VUHI -- Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South") and Indiana Gas Company, Inc. d/b/a/ Vectren Energy Delivery of Indiana, Inc. ("Vectren North").

Q. Please describe your educational background.

A. I am a 1993 graduate of The Ohio State University with a Bachelor of Science Degree in Agriculture. I continued my education at Louisiana State University and Miami University of Ohio and obtained my public accounting certification in 1998. I am a Certified Public Accountant in the State of Indiana.

Q. Please describe your professional experience.

A. From 1996 to 1998, I was employed by KPMG Peat Marwick, LLP first as a staff auditor and ultimately promoted to Supervising Senior. From 1998 to

2001, I was employed by Prime Succession, Inc. where I served as Director of Internal Audit. Since 2001, I have been employed by VUHI and have held various Corporate Accounting positions. In March 2008, I was promoted to Director of Regulatory and Plant Accounting.

Q. What are your present duties and responsibilities as Director of Regulatory and Plant Accounting?

A. I am responsible for and oversee all regulatory and plant accounting functions for VEDO (and VUHI's other utility subsidiaries).

Q. Are you familiar with the books, records, and accounting procedures of VEDO?

A. Yes, I am.

Q. Are VEDO's books and records maintained in accordance with the Uniform System of Accounts ("USoA") and generally accepted accounting principles?

A. Yes.

Q. Have you previously testified before this Commission?

A. No.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony in this proceeding will provide an explanation of the calculation of the revenue requirement for VEDO's Distribution Replacement Rider ("DRR"), which includes the bare steel and cast iron

pipe replacement program ("Replacement Program"), natural gas riser replacement program ("Riser Program") and incremental costs associated with the Company's assumption of service line responsibility. I will also provide an explanation of the accounting procedures the Company uses to record and segregate the costs associated with the DRR.

Q. What exhibits are attached to your testimony?

A. The following exhibits are attached to my testimony:

Exhibit No. JMB-1 - Summary of DRR Revenue Requirement

Exhibit No. JMB-2 – Revenue Requirement for Main Replacement Program

Exhibit No. JMB-2a – Annualized Property Tax Expense for Main Replacement Program

Exhibit No. JMB-2b – Deferred Taxes on Liberalized Depreciation for Main Replacement Program

Exhibit No. JMB-3 – Revenue Requirement for Service Line and Riser Replacement Programs

Exhibit No. JMB-3a – Annualized Property Tax Expense for Service Line and Riser Replacement Programs

Exhibit No. JMB-3b – Deferred Taxes on Liberalized Depreciation for Service Line and Riser Replacement Programs

Exhibit No. JMB-4 – DRR Variance of Deferred Natural Gas Riser Investigation and Replacement Expenses

ACCOUNTING PROCEDURES

Q. Please explain the work order process that VEDO utilizes to segregate and record the capital costs of the replacement program, riser program and service line responsibility (collectively "Programs") while the projects are under construction ("Program Construction Costs").

A. To ensure proper accumulation and segregation of Program Construction Costs, a project number is assigned to each capital work order. All Program Construction Costs, as incurred, are recorded to the assigned project number and are maintained in the Company's Financial Information System ("FIS") Projects Accounting ("PA") module. The project number is required for the recording of all Program Construction Costs into any of the FIS feeder systems. Each of the feeder systems, which include payroll, accounts payable, and material inventory, interface with the PA module. Total incurred Program Construction Costs can be viewed and/or reported by the project number at any time as the Programs progress.

Q. What types of costs did VEDO include in the value of the property under construction for purposes of the DRR?

A. The DRR includes the construction costs of the Programs, as well as engineering and project management, permitting, consulting services, site preparation, equipment and installation, cost of retirement, allowance for funds used during construction ("AFUDC"), an allocation of administrative overhead, and other related expenses.

Q. How is AFUDC recorded as a cost of the Program Construction Costs?

A. AFUDC is recorded as part of the Program Construction Costs in accordance with USoA and at the AFUDC rate used for all other VEDO construction projects, currently 8.55%.

Q. *When does VEDO discontinue recording* AFUDC *on* the Program Construction Costs?

A. VEDO ceases the accrual of AFUDC when work orders are placed in service and, at the same time, begins accruing post in service carrying costs ("PISCC") at an annual rate of 7.02%, as provided for in the order in Case No. 07-1080-GA-AIR. The PISCC deferred as of December 31, 2009 has been reflected on Exhibit No. JMB-2, Line 11 for mains and Exhibit No. JMB-3, Line 14 for service lines.

Q. Please explain PISCC and how it works.

A. PISCC is an allocation of interest cost on the investment made in the Replacement Program and is accumulated from the in service date through the date the Replacement Program costs are included for recovery in the DRR or in base rates. The PISCC is recorded at a rate of 7.02% as ordered in Case No. 07-1080-GA-AIR.

Q. Does the Replacement Program include retirements and cost of removal of utility plant assets?

A. Yes. Existing bare steel and cast iron mains and service lines are being retired as part of the Replacement Program. VEDO discontinued the installation of bare steel and cast iron for mains in the 1950's; therefore any retirements of these types of mains and service lines represent fully depreciated plant in service. As the retirements are performed, VEDO is also recording the cost to retire or remove the bare steel and cast iron assets as part of the Replacement Program.

Q. How did VEDO account for the asset retirements and associated cost of removal?

A. In accordance with the USoA, the retirement of utility assets, at original cost, and the retirement's related cost of removal made necessary by the Replacement Program were charged to the associated depreciation reserve(s). The Replacement Program's original cost retirements are reflected on Exhibit No. JMB-2, Lines 4 and 9 for mains, and on Exhibit No. JMB-3, Lines 6 and 12 for service lines, and cost of removal is reflected on Exhibit No. JMB-2, Line 8 for mains and Exhibit No. JMB -3, Line 11 for service lines.

Q. What operating expenses are included in the DRR revenue requirement calculation?

A. VEDO has reflected the annualized property tax (Exhibit No. JMB-2, Line 18 (mains) and Exhibit No. JMB-3, Line 21 (service lines and risers)) and annualized depreciation expense (Exhibit No. 2, Line 19 (mains) and Exhibit No. JMB-3, Line 22 (service lines and risers)) based on the net

additions to plant in service as shown on Exhibit No. JMB-2, Line 5, mains, and Exhibit No. JMB-3, Line 7, service lines. The annualized depreciation expense was calculated using the depreciation rates approved in VEDO's base rate case, Case No. 04-0571-GA-AIR, and property tax expense is supported by Exhibit Nos. JMB-2a, mains, and JMB-3a, service lines and risers.

VEDO has also included the incremental cost associated with assuming responsibility for service lines. This expense is reflected on Exhibit No. JMB-2, Line 23. VEDO witness Francis provides the support for the incremental expense on Exhibit No. JMF-5.

Q. Are there maintenance expense adjustments associated with the Programs?

A. Yes. As described by VEDO witness Francis, the maintenance expense adjustments are measured by comparing actual maintenance expenses for leak (mains and services) and meter maintenance for the twelve months ended December 31, 2009 to baseline maintenance expense of $1,192,953 as defined in VEDO's last base rate case, Case No. 07-1080-GA-AIR. VEDO witness Francis' Exhibit No. JMF-4 provides the actual to baseline comparison and defines the adjustments applicable to this filing, which are reflected in the revenue requirement on Exhibit No. JMB-2, Line 20 for mains and Exhibit No. JMB-3, Line 24 for service lines.

EXPLANATION OF EXHIBITS

Q. Please explain Exhibit No. JMB-1.

A. Exhibit No. JMB-1 summarizes the annual DRR revenue requirement, which is supported by Exhibit Nos. JMB-2 through JMB-4.

Q. Please explain Exhibit No. JMB-2 and Exhibit No. JMB-3.

A. Exhibit Nos. JMB-2 and JMB-3 represent the revenue requirement calculation for VEDO's DRR based on net rate base at December 31, 2009 inclusive of post in service carrying costs ("PISCC") and deferred taxes related to depreciation and PISCC. Exhibit No. JMB-2 represents the revenue requirement calculation for the main replacement program and Exhibit No. JMB-3 represents the revenue requirement calculation for service line and riser replacements.

Q. Please explain Exhibit No. JMB-2a and Exhibit No. JMB-3a.

A. Exhibit Nos. JMB-2a and JMB-3a provide the calculation of the annualized property tax expense based on the net additions (mains, service lines and risers) to Plant In-Service from the Programs. This calculation follows the process used in VEDO's Annual Report to the Ohio Department of Taxation to determine the Net Property Valuation and uses the latest known average property tax rate. Exhibit No. JMB-2a provides information for the net main additions and Exhibit No. JMB-3a provides information for the net service line and riser additions.

Q. Please explain Exhibit No. JMB-2b and Exhibit No. JMB-3b.

A. Exhibit Nos. JMB-2b (mains) and JMB-3b (service lines/risers) provide the calculation of deferred taxes on depreciation for the Programs' capital investments placed in service during 2009.

Q. Please explain Exhibit No. JMB-4.

A. Exhibit No. JMB-4 provides the calculation of the DRR variance for the 12 months ended February 28, 2010. This variance relates to the deferred expenses associated with VEDO's natural gas riser investigation and replacements.

Q. Does this conclude your direct testimony?

A. Yes.

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
SUMMARY OF DRR REVENUE REQUIREMENT

Line	Description	Amount	Reference
1	Mains Revenue Requirement	$ 650,164	Exhibit No. JMB-2, Line 23
2	Service Lines Revenue Requirement	2,225,847	Exhibit No. JMB-3, Line 27
3	**Annual DRR Revenue Requirement**	**$ 2,876,011**	**Line 1 + Line 2**

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
ANNUAL REVENUE REQUIREMENT - MAINS

Line	Description		Amount	Reference
1	Return on Investment:			
2	Plant In-Service at December 31, 2009			
3	Additions - Main Replacements	$	7,062,973	
4	Original Cost - Retired Mains		(174,052)	
5	Total Plant In-Service	$	6,888,921	Line 3 + Line 4
6	Less: Accumulated Depreciation at December 31, 2009			
7	Depreciation Expense - Mains	$	(33,881)	
8	Cost of Removal - Mains		407,719	
9	Original Cost - Retired Mains		174,052	Line 4
10	Total Accumulated Depreciation	$	547,890	Sum of Lines 7 - 9
11	Post In-Service Carrying Costs (PISCC)	$	98,323	(3)
12	Net Deferred Tax Balance - PISCC	$	(34,413)	Line 11 x 35%
13	Deferred Taxes on Depreciation	$	(1,286,263)	Exhibit No. JMB-2b, Line 14
14	Net Rate Base	$	6,215,458	Sum of Lines 5 and 10-13
15	Pre-Tax Rate of Return		11.67%	Case No. 07-1080-GA-AIR
16	**Annualized Return on Rate Base - Mains**	$	725,344	Line 14 * Line 15
17	Operations and Maintenance Expenses			
18	Annualized Property Tax Expense	$	150,651	Exhibit No. JMB-2a, Line 15
19	Annualized Depreciation Expense	$	121,934	Line 5 x 1.77% (1)
20	Annualized Maintenance Adjustment	$	(347,765)	(2)
21	**Total Incremental Operating Expenses - Mains**	$	(75,180)	Sum of Lines 18-20
22	**Variance**	$	-	(4)
23	**Total Annual Revenue Requirement - Mains**	$	650,164	Line 16 + Line 21 + Line 22

(To Exhibit No. JMB-1 and Exhibit No. SEA-1, page 1 of 6)

(1) FERC Account 676 depreciation rate approved in Case No. 04-0571-GA-AIR.
(2) Support provided by VEDO Witness James Francis, Exhibit No. JMF-4, Main Leaks Maintenance Expense 2009 expense less Baseline expense attributable to Bare Steel/Cast Iron.
(3) PISCC is accrued at an annual rate of 7.02% from the in service date until investments are reflected in the DRR rate.
(4) Not applicable as this represents Vectren Energy Delivery Ohio, Inc.'s first annual DRR filing.

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
ANNUALIZED PROPERTY TAX EXPENSE - MAIN REPLACEMENTS

Line	Description	Amount	Reference
1	Mains Replacements - Book Value	$ 7,062,973	Exhibit No. JMB-2, Line 3
2	% Good	98.3%	
3	Tax Value	$ 6,942,902	Line 1 x Line 2
4	x 25%	25.0%	
5	Taxable Value/Assessment	$ 1,735,726	Line 3 x Line 4
6	VEDO's Average 2010 Property Tax Rate	8.76%	
7	**Annual Property Tax Expense - Main Replacements**	**$ 152,050**	Line 5 x Line 6
8	Mains Retired - Book Value	$ (174,052)	Exhibit No. JMB-2, Line 4
9	% Good	36.7%	
10	Tax Value	$ (63,877)	Line 8 x Line 9
11	x 25%	25.0%	
12	Taxable Value/Assessment	$ (15,969)	Line 10 x Line 11
13	VEDO's Average 2010 Property Tax Rate	8.76%	
14	**Annual Property Tax Reduction - Main Retirements**	**$ (1,399)**	Line 12 x Line 13
15	**Annualized Property Tax Expense - Mains**	**$ 150,651**	Line 7 + Line 14

(To Exhibit No. JMB-2, Line 18)

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
DEFERRED TAXES ON LIBERALIZED DEPRECIATION - MAINS

Line	Description	Amount	Reference
1	**Plant in Service at December 31, 2009:**		
2	Mains - Bare Steel/Cast Iron Replacements	$ 7,062,973	Exhibit No. JMB-2, Line 3
3	Book to Tax Basis Adjustment - Capitalized Interest	$ (3,810)	
4	Book to Tax Basis Adjustment - Bonus Depreciation	(3,529,582)	(Line 2+Line 3) * 50%
5	Total Income Tax MACRS Depreciation Base	$ 3,529,581	Sum of Lines 2-4
6	**Tax Depreciation:**		
7	MACRS - 15 Year	$ 176,479	Line 5 * 5%
8	Bonus Depreciation	3,529,582	Line 4
9	Total Tax Depreciation	$ 3,706,061	Line 7 + Line 8
10	**Book Depreciation:**		
11	Mains	$ 33,881	Exhibit No. JMB-2, Line 7
12	Tax Depreciation in Excess of Book Depreciation	$ (3,672,180)	Line 11 - Line 9
13	Federal Deferred Taxes at 35%	35%	
14	**Deferred Tax Balance at December 31, 2009 - Mains**	**$ (1,285,263)**	Line 12 * Line 13
		(To Exhibit No. JMB-2, Line 13)	

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
ANNUAL REVENUE REQUIREMENT - SERVICE LINES

Line	Description		Amount	Reference
1	**Return on Investment:**			
2	Plant In-Service at December 31, 2009			
3	Additions - Services Replacements (Bare Steel/Cast Iron)	$	4,187,450	
4	Additions - Services Replacements (Service Line Responsibility)		1,394,305	(5)
5	Additions - Risers		5,451,132	
6	Original Cost - Retired Services		(30,202)	
7	Total Plant In-Service	$	11,002,685	Sum of Lines 3 - 6
8	Less: Accumulated Depreciation at December 31, 2009			
9	Depreciation Expense - Services	$	(93,255)	
10	Depreciation Expense - Risers		(89,392)	
11	Cost of Removal - Services		319,526	
12	Original Cost - Retired		30,202	Line 6
13	Total Accumulated Depreciation	$	167,081	Sum of Lines 9 - 12
14	Post In-Service Carrying Costs (PISCC)	$	57,709	(3)
15	Net Deferred Tax Balance - PISCC	$	(20,198)	Line 14 x 35%
16	Deferred Taxes on Depreciation	$	(1,962,946)	Exhibit No. JMB-3b, Line 19
17	Net Rate Base	$	9,244,331	Sum of Lines 7 and 13-16
18	Pre-Tax Rate of Return		11.67%	Case No. 07-1080-GA-AIR
19	**Annualized Return on Rate Base -Service Lines**	$	1,078,813	Line 17 * Line 18
20	**Operations and Maintenance Expenses**			
21	Annualized Property Tax Expense	$	237,269	Exhibit No. JMB-3a, Line 22
22	Annualized Depreciation Expense	$	578,741	Line 7 x 5.26% (1)
23	Incremental O&M - Service Line Responsibility	$	71,725	(2)
24	Annualized Maintenance Adjustment	$	26,581	(5)
25	**Total Incremental Operating Expenses - Service Lines**	$	914,316	Sum of Lines 21-24
26	**Variance** (4)	$	232,718	Exhibit No. JMB-4, Line 5
27	**Total Revenue Requirement - Service Lines**	$	2,225,847	Line 19 + Line 25 + Line 26

(To Exhibit No. JMB-1 and Exhibit No. SEA-1, page 1 of 5)

(1) FERC Account 680 depreciation rate approved in Case No. 04-0571-GA-AIR.
(2) Support provided by VEDO Witness James Francis, Exhibit No. JMF-5.
(3) PISCC is accrued at an annual rate of 7.02% from the in service date until investments are reflected in the DRR rate.
(4) Variance represents the initial DRR charge associated with deferred natural gas riser investigation *and replacement expenses.*
(5) Support provided by VEDO Witness James Francis, Exhibit No. JMF-4, Service Leaks and Meter Maintenance Expense. 2009 expense less Baseline expense attributable to Bare Steel/Cast Iron.
(6) Support provided by VEDO Witness James Francis, Exhibit No. JMF-6.

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
ANNUALIZED PROPERTY TAX EXPENSE - SERVICE LINES

Line	Description	Amount	Reference
1	Service Replacements - Book Value	$ 5,581,755	Exhibit No. JMB-3, Line 3 & Line 4
2	% Good	98.3%	
3	Tax Value	$ 5,488,865	Line 1 x Line 2
4	x 25%	25.0%	
5	Taxable Value / Assessment	$ 1,371,716	Line 3 x Line 4
6	VEDO Average 2010 Property Tax Rate	8.76%	
7	**Annual Property Tax Expense - Service Line Replacements**	**$ 120,162**	Line 5 x Line 6
8	Services Retired - Book Value	$ (30,202)	Exhibit No. JMB-3, Line 6
9	% Good	36.7%	
10	Tax Value	$ (11,084)	Line 8 x Line 10
11	x 25%	25.0%	
12	Taxable Value / Assessment	$ (2,771)	Line 10 x Line 11
13	*VEDO Average 2010 Property Tax Rate*	8.76%	
14	**Annual Property Tax Reduction - Service Line Retirements**	**$ (243)**	Line 12 x Line 13
15	Risers Replacements - Book Value	$ 5,451,132	Exhibit No. JMB-3, Line 5
16	% Good	98.3%	
17	Tax Value	$ 5,358,463	Line 15 x Line 16
18	x 25%	25.0%	
19	Taxable Value / Assessment	$ 1,339,616	Line 17 x Line 18
20	VEDO Average 2010 Property Tax Rate	8.76%	
21	**Annual Property Tax Expense - Natural Gas Risers**	**$ 117,350**	Line 19 x Line 20
22	**Annualized Property Tax Expense - Service Lines**	**$ 237,269**	Line 7+ Line 14 + Line 21

(To Exhibit No. JMB-3, Line 21)

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
DEFERRED TAXES ON LIBERALIZED DEPRECIATION - SERVICE LINES

Line	Description	Amount	Reference
1	**Plant In Service at December 31, 2009:**		
2	Service Additions - Bare Steel/Cast Iron Replacements	$ 4,187,450	Exhibit No. JMB-3, Line 3
3	Service Additions - Service Line Ownership	1,394,305	Exhibit No. JMB-3, Line 4
4	Additions of Natural Gas Risers	5,451,132	Exhibit No. JMB-3, Line 5
5	Total Plant In Service	$ 11,032,887	
6	Book to Tax Basis Adjustment - Capitalized Interest	$ (2,287)	
7	Book to Tax Basis Adjustment - Bonus Depreciation	(5,515,300)	(Line 2+Line 3+Line 4+Line 6) * 50%
8	Total Income Tax MACRS Depreciation Base	$ 5,515,300	Sum Lines 5-8
9	**Tax Depreciation:**		
10	MACRS - 15 Year	$ 275,765	Line 8 * 5%
11	Bonus Depreciation	5,515,300	Line 8
12	Total Tax Depreciation	$ 5,791,065	Line 10 + Line 11
13	**Book Depreciation:**		
14	Services	$ 93,255	Exhibit No. JMB-3, Line 9
15	Natural Gas Risers	89,392	Exhibit No. JMB-3, Line 10
16	Total Book Depreciation	$ 182,647	Line 14 + Line 15
17	Tax Depreciation in Excess of Book Depreciation	$ (5,608,418)	Line 16 - Line 12
18	Federal Deferred Taxes at 35%	35%	
19	**Deferred Tax Balance at December 31, 2009 - Service Lines**	$ (1,962,946)	Line 17 * Line 18
		(To Exhibit No. JMB-3, Line 16)	

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
DRR VARIANCE - INITIAL DRR CHARGE AND RISER INVESTIGATION AND REPLACEMENT

Line	Description	Amount	Reference
1	Deferred Natural Gas Riser Investigation and Replacement Expense at July 31, 2008	$ 2,510,057	(1)
2	Less: DRR Recoveries March 2009 through February 2010	(2,532,112)	Line 21
3	Initial DRR Charge Variance - Over Recovery	$ (22,055)	Line 1 + Line 2
4	Natural Gas Riser Investigation and Replacement Expenses Deferred from August 1, 2008 - February 28, 2009	$ 254,773	
5	*Total DRR Variance*	**$ 232,718**	Line 3 + Line 4
		(To Exhibit No. JMB-3, Line 26)	

6 **DRR Recoveries by Month:**

		Revenue - $
7		
8	March 2009	$ 156,410
9	April 2009	263,233
10	May 2009	196,018
11	June 2009	194,840
12	July 2009	196,769
13	August 2009	185,543
14	September 2009	193,516
15	October 2009	195,593
16	November 2009	207,534
17	December 2009	218,993
18	January 2010	248,420
19	February 2010	230,945
20	March 2010	44,298
21	**Total DRR Recoveries**	**$ 2,532,112**

(1) Included in initial DRR charge as approved in Case No. 07-1080-GA-AIR.

ATTACHMENT C

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

DIRECT TESTIMONY

OF

SCOTT E. ALBERTSON

DIRECTOR OF REGULATORY AFFAIRS

ON BEHALF OF

VECTREN ENERGY DELIVERY OF OHIO, INC.

CASE NO. 07-1080-GA-AIR
CASE NO. 10-___-GA-RDR

APRIL 30, 2010

DIRECT TESTIMONY OF SCOTT E. ALBERTSON

INTRODUCTION

Q. Please state your name and business address.

A. Scott E. Albertson
One Vectren Square
Evansville, Indiana 47708

Q. What position do you hold with Applicant Vectren Energy Delivery of Ohio, Inc. ("VEDO" or "the Company")?

A. I am Director of Regulatory Affairs for Vectren Utility Holdings, Inc. ("VUHI"), the immediate parent company of VEDO. I hold the same position with two other utility subsidiaries of VUHI -- Southern Indiana Gas and Electric Company d/b/a/ Vectren Energy Delivery of Indiana ("Vectren South") and Indiana Gas Company, Inc. d/b/a/ Vectren Energy Delivery of Indiana ("Vectren North").

Q. Please describe your educational background.

A. I received a Bachelor of Science degree in mechanical engineering from Rose-Hulman Institute of Technology in 1984.

Q. Are you a Registered Professional Engineer?

A. Yes. I have been a professional engineer in Indiana since 1990 (registration number 900464).

Q. Please describe your professional experience.

A. I have over 25 years' experience in the utility industry, primarily in the operations and engineering areas. I began my career with Ohio Valley Gas Corporation in a project engineering position. I have worked at VUHI and its predecessor companies since 1987 in a variety of positions including Operations Staff Manager, Assistant Chief Engineer, Director of Engineering Projects, and Director of Engineering. Prior to assuming my current role in 2004, I was Director of Technical Services with responsibility for engineering and technical support for all VUHI utility operations.

Q. What are your present duties and responsibilities as Director of Regulatory Affairs?

A. I have responsibility for regulatory matters of the regulated utilities within VUHI, including proceedings before the Indiana and Ohio utility regulatory commissions.

Q. Have you previously testified before this Commission?

A. Yes. I filed testimony in the Company's most recent general rate case, Case No. 07-1080-GA-AIR; its Merchant Function Exit proceeding, Case No. 07-1285-GA-EXM; and in a number of other proceedings.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony in this proceeding supports the proposed Distribution Replacement Rider ("DRR") charges, as well as the proposed tariff sheet, and associated bill impacts.

Q. What exhibits are attached to your testimony?

A. The following exhibits which have been prepared by me or under my supervision are attached to my testimony:

Exhibit No. SEA-1, Pages 1 through 5 – DRR – Derivation of Charges;

Exhibit No. SEA-2, Page 1 of 1 – DRR – Tariff Sheet; and

Exhibit No. SEA-3, Page 1 of 1 – DRR – Annual Residential Customer Bill Impact.

BACKGROUND

Q. What is the DRR?

A. The Public Utilities Commission of Ohio ("Commission") approved a Stipulation and Recommendation in VEDO's last general rate case, Case No. 07-1080-GA-AIR ("Approved Stipulation"). The DRR was part of the Approved Stipulation, and recovers

- a return on and of investments made by the Company under an accelerated bare steel and cast iron pipeline replacement program ("Replacement Program"), inclusive of capitalized interest (or post-in-service carrying costs ("PISCC")) associated with the Replacement Program,
- the actual deferred costs resulting from compliance with the Commission-ordered riser investigation in Case No. 05-463-GA-COI,
- the costs associated with the replacement of prone-to-fail risers over

a five year period ("Riser Program"), and

- the incremental costs of assuming responsibility for service lines.

Savings of certain Operation and Maintenance ("O&M") expenses are also included as a credit in the derivation of the DRR revenue requirement.

Q. How will VEDO's customers benefit from the DRR?

A. As more fully described in VEDO witness Francis' testimony, VEDO customers will realize significant benefits as a direct result of the Replacement and Riser Programs and the DRR mechanism. Because the Company is provided an opportunity to more quickly recover its investments under the programs, VEDO's customers will more quickly realize enhanced service reliability levels than would be realized under a more traditional regulatory paradigm. Customers will also benefit from a diminution of O&M costs. Moreover, the elimination of active leaks achieved by replacement of bare steel and cast iron pipelines in a given year will result in O&M savings reflected in the DRR and/or base rates prospectively. Finally, customers are no longer required to directly bear the out-of-pocket cost of service line repair or replacement since the Company has assumed that responsibility.

PROPOSED DRR

Q. Please describe the DRR proposed herein.

A. VEDO has proposed a DRR based upon Replacement Program and Riser

Program costs for all projects placed in service as of December 31, 2009. The DRR revenue requirement proposed by VEDO witness Barrett, which also includes the other cost components described previously, is used to derive the DRR charges which are presented in the attached Exhibit No. SEA-1, Pages 1 through 5.

Q. Please describe the components of Exhibit No. SEA-1.

A. Exhibit No. SEA-1 contains the associated filing schedules to support the Company's proposed DRR.

Exhibit No. SEA-1, Page 1 of 5 shows the derivation of the DRR revenue requirement and charges by rate schedule. The rate schedule allocation factors from page 2 of 5 (described below) are multiplied by the total revenue requirement (from Exhibit No. JMB-1) to determine the allocated revenue requirement by rate schedule. For residential (Rates 310, 311 and 315), small general service (Group 1 customers under Rates 320, 321 and 325; hereinafter referred to as "Group 1 Customers"), and Rate 341 customers, the allocated revenue requirement for each rate schedule is then divided by the number of customers in each rate schedule, and then divided by 12, to determine the monthly DRR charge applicable to customers in those rate schedules. For larger customers (Group 2 and Group 3 customers under Rates 320, 321 and 325, hereinafter referred to as "Group 2 and Group 3 Customers") and all customers receiving service under Rates 345 and 360, the allocated revenue requirement for each rate schedule is divided by the projected annual throughput for each rate

schedule to determine the DRR charge per Ccf applicable to those rate schedules.

Exhibit No. SEA-1, Page 2 of 5 lists the rate schedule distribution mains and service lines allocation factors from Case No. 07-1080-GA-AIR. These allocation factors are used to allocate the mains and service lines revenue requirements to the various rate schedules.

Exhibit No. SEA-1, Page 3 of 5 shows how the general service customer revenue requirement allocation is determined. Due to the similarity in facilities required to serve Group 1 Customers and those required to serve residential customers, and consistent with the Commission's order in Case No. 07-1080-GA-AIR, VEDO presents a DRR charge to Group 1 Customers equal to the DRR charge applicable to residential customers. The residential DRR charge is multiplied by the number of Group 1 Customers, with that result multiplied by 12 to determine the annual DRR revenue requirement to be recovered from Group 1 Customers. The Group 1 Customer revenue requirement is then subtracted from the total revenue requirement allocated to Rates 320, 321 and 325. The resulting amount is then divided by the projected annual throughput for Group 2 and Group 3 Customers to determine the DRR charge per Ccf applicable to those customers.

Exhibit No. SEA-1, Page 4 of 5 shows the impact of the proposed DRR on each rate schedule.

Exhibit No. SEA-1, Page 5 of 5 identifies the recoveries applicable to the periods September 2010 through December 2010 and January 2011 through August 2011. These are the twelve months during which the proposed DRR is projected to be in effect. The purpose of this schedule is to provide the basis for determining the revenue requirement recovery variance applicable to the period of September through December 2010, since in the next annual DRR filing VEDO will reconcile actual costs and actual recoveries through December 2010. The variance determined on that schedule (in the next filing) will then be allocated to mains and services based upon the approved revenue requirement in this proceeding, and the allocated variances will be added to the revenue requirements for mains and services, respectively, for investments made in 2011. Likewise, in the 2012 DRR filing the variance applicable to the period of January through August 2011 will be based upon the recoveries for that period as identified on Page 5. My testimony in Case No. 07-1080-GA-AIR supported this methodology.

Q. Please describe Exhibit No. SEA-2.

A. Exhibit No. SEA-2, Page 1 of 1 illustrates the proposed DRR tariff sheet containing the proposed DRR charges. Tariff Sheet No. 45, Fourth Revised Page 2 of 2 will replace the currently effective Third Revised Page 2 of 2.

Q. Please describe Exhibit No. SEA-3.

A. The annual impact of the proposed DRR on a residential customer is shown on Exhibit No. SEA-3, Page 1 of 1.

Q. In your opinion, has the Company met all requirements set forth in the Approved Stipulation filed in Case No. 07-1080-GA-AIR?

A. Yes, the Company has filed an application for approval of the successor DRR charge. The application has been served electronically on the Parties to the Approved Stipulation and includes all supporting information for the costs incurred in calendar year 2009. As contained in VEDO witness Francis' testimony, the Company is providing a summary of its construction plans for 2010 including expected investment, expected location of the infrastructure replacement work and the expected miles of pipe to be replaced. Finally, the Company has not exceeded the cap on DRR charges consistent with the Approved Stipulation.

Q. Please elaborate on the approved cap.

A. As per the Approved Stipulation, the monthly DRR charge applicable to Residential and Group 1 Customers in the first annual DRR application shall not exceed $1.00 per customer. The cap for successor DRR charges applicable to Residential and Group 1 Customers may increase in increments of $1.00 per year, beginning with the DRR charge proposed by the Company in the May 1, 2011 filing. Since the DRR charge for Residential and Group 1 Customers proposed herein is less than $1.00 per

customer per month, the Company has complied with the Approved Stipulation in this regard.

Q. Has VEDO recovered all costs associated with the Commission-ordered riser investigation?

A. VEDO implemented initial DRR charges on March 1, 2009 which were designed to recover deferred expenses through July 2008 associated with the Commission-ordered riser investigation. In compliance with the Approved Stipulation, all DRR charges were removed from the tariff (i.e. reset to zero) after 12 months, and the remaining variance has been included in the determination of the DRR revenue requirement proposed in this proceeding and sponsored by VEDO witness Barrett.

Q. Does this conclude your direct testimony?

A. Yes, at this time.

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DERIVATION OF CHARGES

Line	Rate Schedule	(A) Mains Allocated DRR Revenue Requirement (b)	(B) Service Lines Allocated DRR Revenue Requirement (b)	(C) Total DRR Revenue Requirement (A) + (B)	(D) Customer Count (c)	(E) Proposed DRR per Customer Per Month (C)/(D)/12	(F) Annual Volumes (d)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	$399,718	$1,896,063	$2,295,781	287,775	$0.66		
2	320/321/325	$152,070	$315,632	$467,702				
3	Group 1			$127,623 (e)	16,114	$0.66		
4	Group 2 & 3			$340,079 (e)			74,512,297	$0.00456
5	341	$30	$50	$80	2	$3.33		
6	345	$39,921	$9,775	$49,696			41,357,001	$0.00120
7	360	$58,425	$4,327	$62,752			53,763,331	$0.00117
8	Total (a)	$650,164	$2,225,847	$2,876,011				

(a) Revenue requirement from Exhibit No. JMB-1
(b) Reflects revenue requirement multiplied by allocation factors found on Exhibit No. SEA-1, Page 2
(c) Average customer count for CY 2009
(d) 2010 Budget Volumes
(e) From Exhibit No. SEA-1, Page 3

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
RATE SCHEDULE ALLOCATION FACTORS

Line	Rate Schedule	Description	Mains Allocation Factors (a) (%)	Service Line Allocation Factors (b) (%)
1	310/311/315	Residential DSS/SCO/Transportation	61.480%	85.184%
2	320/321/325	General Service DSS/SCO/Transportation	23.390%	14.180%
3	341	Dual Fuel	0.005%	0.002%
4	345	Large General Transportation	6.140%	0.439%
5	360	Large Volume Transportation	8.986%	0.194%
6		Total	100.000%	100.000%

(a) Mains Allocation Factor as presented in Case No. 07-1080-GA-AIR
(b) Service Lines Allocation Factor as presented in Case No. 07-1080-GA-AIR

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
ALLOCATION OF REVENUE REQUIREMENT - RATES 320, 321 AND 325

Line	Description	Amount		Source
1	Proposed DRR - Rate 310/311/315	$0.66	Per Month	Exhibit No. SEA-1, Page 1
2	Proposed DRR - Rate 320/321/325 - Group 1	$0.66	Per Month	Line [1]
3	Customer Count - Group 1	16,114		Exhibit No. SEA-1, Page 1
4	Revenue Requirement - Group 1 (1)	$127,623		Line [2] x Line [3] x 12
5	Revenue Requirement - Total 320/321/325	$467,702		Exhibit No. SEA-1, Page 1
6	Revenue Requirement - Group 2 & 3 (1)	$340,079		Line [5] - Line [4]

Notes:
(1) to Exhibit No. SEA-1, Page 1

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
RATE SCHEDULE BILL IMPACTS

Line	Rate Schedule	(A) Present Revenue (a)	(B) Previous DRR Revenue Requirement	(C) Current DRR Revenue Requirement (c)	(D) Incremental DRR Revenue Requirement (C)-(B)	(E) % Increase (D)/(A)	
1	310/311	$173,803,267	$0	$1,609,779	$1,609,779	0.93%	(d)
2	315	$24,340,895	$0	$686,002	$686,002	2.82%	(b) (d)
3	320/321	$63,209,467	$0	$328,241	$328,241	0.52%	(d)
4	325	$7,096,433	$0	$139,462	$139,462	1.97%	(b) (d)
5	341	$20,339	$0	$80	$80	0.39%	
6	345	$7,684,911	$0	$49,696	$49,696	0.65%	(b) (e)
7	360	$6,593,932	$0	$62,752	$62,752	0.95%	(b) (e)
8	Total	$282,749,244	$0	$2,876,011	$2,876,011	1.02%	

(a) Twelve months ending December 31, 2009
(b) Does not include gas costs
(c) From Exhibit No. SEA-1, Page 2
(d) Current revenues calculated as unit rate times Number of customers
(e) Present revenues include allocation of former Rate 330 revenues

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DETERMINATION OF APPROVED RECOVERIES
BY CALENDAR MONTH

Line	(A) Month	(B) Allocation Factor (1)	(C) Approved Recoveries (2)
1	September-10	7.31%	$210,253
2	October-10	7.87%	$226,470
3	November-10	8.66%	$249,013
4	December-10	9.72%	$279,469
5	Subtotal (To Second Annual DRR Filing)		$965,206
6	January-11	10.23%	$294,320
7	February-11	9.57%	$275,164
8	March-11	9.12%	$262,422
9	April-11	7.96%	$228,906
10	May-11	7.56%	$217,443
11	June-11	7.35%	$211,505
12	July-11	7.33%	$210,708
13	August-11	7.31%	$210,337
14	Subtotal (To Third Annual DRR Filing)		$1,910,805

(1) Based on monthly volumes / customer count (as applicable) as a percentage of annual, in 2010 Budget.
(2) Allocation Factor in Column B times total revenue requirement.

VECTREN ENERGY DELIVERY OF OHIO, INC.
Tariff for Gas Service
P.U.C.O. No. 3

Sheet No. 45
Fourth Revised Page 2 of 2
Cancels Third Revised Page 2 of 2

DISTRIBUTION REPLACEMENT RIDER

DISTRIBUTION REPLACEMENT RIDER CHARGE

The charges for the respective Rate Schedules are:

Rate Schedule	$ Per Month	$ Per Ccf
310, 311 and 315	$0.66	
320, 321 and 325 (Group 1)	$0.66	
320, 321 and 325 (Group 2 and 3)		$0.00456
341	$3.33	
345		$0.00120
360		$0.00117

Filed pursuant to the Finding and Order dated _____ in Case No. _____ of the Public Utilities Commission of Ohio.

Issued: _____ Issued by: Jerrold L. Ulrey, Vice President Effective: _____

VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
ANNUAL RESIDENTIAL CUSTOMER BILL IMPACT

Line		
1	Proposed Residential DRR Per Customer Per Month	$0.66
2	Months	12
3	Annual Bill Impact	$7.92