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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual 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 Annual Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Adjust its Distribution Replacement Rider Charges.	)	Case No. 10-595-GA-RDR

COMMENTS ON VECTREN ENERGY DELIVERY OF OHIO'S APPLICATION
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC"), an intervenor in the above-captioned proceeding, hereby files these Comments in opposition to the Application filed by Vectren Energy Delivery of Ohio, Inc. ("Vectren" or "Company") to increase the rates customers pay for Vectren's replacement of cast iron and bare steel distribution mains and service lines and for the replacement of prone-to-failure risers that have a propensity for leaks. Vectren's proposal is in regards to its Distribution Replacement Rider ("DRR") Program. Pursuant to the Stipulation and Recommendation ("Stipulation") filed on September 8, 2008, in Case No. 07-1080-GA-AIR et al., and the Public Utilities Commission of Ohio's ("Commission" or "PUCO") Opinion and Order dated January 7, 2009, customers are subject to potential DRR increases in each of the years 2010 through

2014. Vectren has approximately 290,000 residential customers that would be asked to pay the rate increase requested in Vectren's Application.

On April 30, 2010, Vectren filed its Application for an adjustment to its DRR Rate. OCC filed its Motion to Intervene in these cases on May 19, 2010. On June 16, 2010, the Commission granted OCC's intervention, and established a procedural schedule. On July 23, Vectren supplemented its Application by filing supplemental testimony of two of its witnesses. OCC hereby files these Comments in accordance with the procedural schedule.

II. RESERVATION OF RIGHTS

At this time, OCC's Comments on the Application are preliminary in nature. OCC reserves the right to file additional comments and to file expert testimony on any matters not resolved by the Company by August 4, 2010, as set forth in the procedural schedule in the Attorney Examiner's Entry.[1]

III. BURDEN OF PROOF

The burden of proof regarding the Application rests upon Vectren. In a hearing regarding a proposal that involves an increase in rates, R.C. 4909.19[2] provides that, "[a]t any hearing involving rates or charges sought to be increased, the burden of proof to show that the increased rates or charges are just and reasonable shall be on the public utility." Inasmuch as the current case arose from Vectren's rate case, and Vectren is

[1] Entry at 2.

[2] See also R.C. 4909.18.

requesting an increase in rates, Vectren in this case bears the burden of proof.[3] Therefore, neither OCC nor any other intervenor bears any burden of proof in this case.

IV. COMMENTS

A. OCC Comments Impacting The DRR Rate

1. Vectren's Proposed O&M Cost Savings Pertaining To Service Lines Are Inadequate For Providing The Intended Benefit To Customers.

Vectren has proposed O&M cost savings pertaining to customer service lines, specifically service leaks and meter maintenance expense attributable to bare steel and cast iron ("BS/CI"). But Vectren has a unique twist for its customers -- customers will pay Vectren for a $26,581 adjustment to the DRR revenue requirement.[4] A negative savings adjustment (where Vectren, instead of customers, receives a payment) is backwards and an affront to the intention of the mains replacement program and should not be accepted by the Commission.

In the Dominion East Ohio Pipeline Infrastructure Replacement ("DEO PIR") Case, the Commission put into perspective the importance of the cost savings component of these accelerated infrastructure replacement programs. The Commission stated:

> In evaluating the arguments of the parties, the Commission is mindful of the goal, articulated in the [Dominion] Distribution Rate Case, of using the O&M baseline savings to reduce the fiscal year-end regulatory assets, which allows customers a more immediate benefit of the cost reductions achieved as a result of the PIR program (Staff Ex. 2 at 5). Moreover, the Commission agrees that, if O&M baseline savings are calculated using the methodology suggested by the company, it is possible that consumers will not realize any immediate savings as the result of

[3] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al. Stipulation at 12 (September 8, 2008). ("The Company 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 ***.)

[4] Application at Ex. No. JMB-S3, line 25 and footnote (5).

> the PIR program and could incur additional expenses. Because immediate customer savings were articulated as a goal of the PIR program, the Commission finds that, consistent with Staff's proposal, the O&M baseline savings should be calculated **using only the savings from each category of expenses**, such that O&M savings will total $554,300.64 for the PIR year under consideration in this proceeding.[5]

The Commission should apply the same reasoning and result to the Vectren DRR Application and allow only O&M cost savings that reflect decreases from the baseline in maintenance expenses attributable to BS/CI -- meaning Ohio customers will actually see an offset to the rates they're paying to account for savings. As the Commission concluded in the DEO PIR case, because immediate customer savings were articulated as a goal of the PIR program, the O&M baseline cost savings should be calculated using only the cost savings from each category of expense. Like DEO, Vectren originally presented testimony of witness Francis in its rate case where it proposed the DRR, to describe the savings concept as follows: "Once underway, as VEDO retires leaking pipes the Company will be able to reduce maintenance expenses."[6] Therefore, the Commission should take steps to provide consumers the immediate cost savings that were envisioned when the accelerated replacement program was approved for Vectren.

The Commission should at a minimum set the O&M cost savings component for customer service lines to $0, or more appropriately establish a minimum O&M cost savings amount that will balance the benefit the Company receives from these programs -- accelerated cost recovery for the Company -- with the quid pro quo that consumers are supposed to get and are entitled to -- accelerated and meaningful O&M cost savings.

[5] *In re Dominion East Ohio PIR Case,* Case No. 09-458-GA-RDR, Opinion and Order at 11 (December 16, 2009).

[6] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al., Direct Testimony of James M. Francis at page 12.

2. Vectren's Proposal To Collect Incremental Service Line Capital Costs From Customers Is Unjust And Unreasonable.

Vectren has proposed the recovery of incremental service line capital costs – recovery for the replacement of service lines not replaced as part of the mains replacement program -- for customer service lines through the DRR. Vectren's original Application included the recovery for incremental service line capital costs in the amount of $1,394,305.[7] Subsequently, Vectren supplemented its Application and included an amount for incremental service line capital costs in the amount of $1,041,750, which it proposes to collect from customers.[8]

Vectren's proposed recovery for this category of incremental service line capital costs is unjust and unreasonable for several reasons. First, Vectren initially based its calculation of the incremental capital costs on the average cost per service line replaced in 2009 ($4,954) compared to the 2007 baseline ($3,699).[9] This difference, $1,255, or 33.9 percent was then applied to the 1,111 customer service lines replaced to reach the $1,394,305 included in Vectren's Application.[10] Vectren has provided no explanation for the 33.9 percent increase in the average 2009 installation cost versus the 2007 baseline cost. This represents an unjust and unreasonable increase that should not be charged to Vectren's consumers through the DRR.

Further demonstrating the unreasonableness of the 2009 installation costs for the incremental customer service lines is the much lower average installation costs associated

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[7] Application at Ex. No. JMF-6. See also Ex. No. JMB-3, Line 4. (April 30, 2010).

[8] Application at Ex. No. JMB-S3, Line 4 (July 23, 2010). Although Vectren updated the amount proposed for recovery on JMB-S3, it did not update the supporting information contained in Ex. No. JMF-6.

[9] Application at Ex. No. JMF-6 (April 30, 2010). The Company replaced 896 lines in 2007 and 1,111 in 2009.

[10] Application at Ex. No. JMF-6 (April 30, 2010).

with each customer service line installed as part of the replacement of bare steel and cast iron mains. Vectren's Application shows that it spent $4,187,450 on customer service lines replaced in conjunction with its main replacement program.[11] The Testimony of Vectren witness James M. Francis, stated that Vectren replaced 1,722 bare steel service lines as part of the replacement program.[12] The average cost of the replacement of a service line coincident with the replacement program is $2,432.[13] The average cost of the installation of each customer service line in conjunction with the mains replacement program is $1,267 (or 34.3 percent) below the 2007 baseline for service line responsibility replacement cost,[14] and $2,522 (or 50.9 percent) below the 2009 average incremental service line responsibility replacement cost.[15] This comparison confirms the fact that the 2009 incremental service line capital cost is unjust and unreasonable.

Vectren has provided no justification for the increased average cost between 2007 and 2009. In addition, the installed customer service lines in conjunction with the replacement program have an average cost below the 2007 baseline. Thus the Commission should reduce the Company's recovery of incremental capital costs for 2009 customer service line installations not associated with main replacement activities through the DRR. Vectren's recovery of 2009 incremental service line capital cost, if

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[11] Application at Ex. No. JMB-3, Line 3.

[12] Direct Testimony of James M. Francis at 5, Lines 4-9 (April 30, 2010).

[13] $4,187,450 / 1,722 = $2,420.

[14] $3,699 - $2,432 = $1,267 / $3,699 x 100 = 34.3 percent.

[15] $4,954 - $2,432 = 2,522 / $4,954 x 100 = 50.9 percent.

any, should be limited to the actual number of service line installations for 2009,[16].based on the 2007 baseline average cost per service line of $3,699.

3. Vectren's Proposal For Collecting From Customers The Cost Of The Relocation Of Inside Meters To The Outside Should Be Eliminated From DRR Recovery.

Vectren has included in its Application the costs associated with the relocation of inside meters to the outside. Vectren's witness, James Francis stated:

> 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.[17]

Vectren has violated the Stipulation by including in its DRR Application a proposal for customers to pay for recovery of costs associated with the relocation of inside meters outside.

The Rate Case Stipulation established the following agreed upon components that Vectren would be permitted accelerated recovery through the DRR mechanism:

> The DRR, which will include a reconciliation of costs recoverable and costs actually recovered, shall recover the return of and on the 1) plant investment, * * * (estimated to be $16.8 million per year), 2) the actual deferred costs resulting from compliance with the Commission's riser investigation conducted in Case No. 05-463-GA-COI (estimated to be approximately $2.5 million as of July 31, 2008), 3) the incremental costs of assuming ownership and repair

[16] This number is unknown because the Company's Supplemental filings did not supplement Exhibit JMF-6.

[17] Application, Direct Testimony of James M. Francis at 6 (April 30, 2010).

> of customer service lines as described in the Company's Application in these proceedings (estimated to be $295,000 per year), and 4) the costs associated with the replacement of prone-to-fail risers over a five (5) year period (estimated to be in total $33.5 million).[18]

The Stipulation does not identify the recovery of costs associated with the relocation of inside meters to the outside.

The PUCO Staff, in the Staff Report, had challenged the inclusion of the costs associated with the meter relocation by stating:

> Staff questions whether Vectren's plan should also include the movement of inside meters to the outside of the customer's home. Given that such moves may not be necessary in all cases, and the complexity of undertaking such activity, Staff recommends that Vectren provide the staff, when It submits Its proposed work for the upcoming year, instances of where It proposes to do this; the cost, and the specific rationale for doing so.[19]

The Company did not in its Application provide Staff the costs associated with the meter relocation and any specific rationale for doing so as required by the Staff Report.[20] The Stipulation also did not provide for the recovery of these costs. Therefore, the Commission should order Vectren to exclude the costs associated with the relocation of inside meters to the outside from DRR recovery.

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[18] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al., Stipulation at 9-10 (September 8, 2008).

[19] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al., Staff Report at 40 (June 16, 2008).

[20] The Application does not detail the costs associated with the relocation of inside meters outside.

4. Vectren's Proposal To Collect From Customers The Cost Of The Replacement Of Plastic Pipe Should Be Exempted From DRR Recovery.

Vectren has included in the DRR Application recovery from customers for costs associated with the removal and replacement of plastic pipe. [21] That proposal is a violation of the Stipulation. The Stipulation states:

> The Parties agree and recommend that the Company be authorized to establish a Distribution Replacement Rider * * *, to enable the recovery of and return on investments made by the Company to accelerate implementation of a bare steel and cast iron pipeline replacement program * * *.[22]

There is no expectation of the Parties pursuant to the Stipulation that Vectren would recover the costs for the replacement of plastic mains through the DRR mechanism.

Vectren's testimony in this case states: 2,640 feet of plastic main has been replaced within the projects completed in 2009.[23] Vectren witness Francis further states

> 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.[24]

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[21] Direct Testimony of James M. Francis at 5-6 (April 30, 2010).

[22] *In re Vectren Rate Case*, Case No. 07-1080-GA-AIR, et al. Stipulation at 8 (September 8, 2008). See also Opinion and Order at 5 (January 7, 2009).

[23] Direct Testimony of James M. Francis at 5 (April 30, 2010).

[24] Direct Testimony of James M. Francis at 5-6 (April 30, 2010).

Vectren's arguments in support of recovery do not overcome the fact that the Stipulation did not contemplate the recovery of plastic main replacement costs through the DRR. Therefore, the Commission should disallow the costs of plastic main replacement.

In its Application, Vectren does not break out its mains and services by pipe composition (cast iron, bare steel, plastic, etc.). The removal of the costs of new plastic mains that replace the existing plastic mains from the DRR calculation impacts the total expense and annualized return on rate base that makes up the revenue requirement to be collected. OCC proposes reducing the revenue requirement associated with mains by $13,029[25] to exclude the costs of the replacement of existing plastic mains with new plastic mains. It is OCC's position that the DRR should not be the mechanism to collect from customers the costs of replacing old plastic with new plastic mains and services.

B. OCC Comments Not Immediately Impacting The DRR Rate

1. The Claimed Need For The DRR Program Is Illusory.

Vectren has in large part relied on safety and reliability as the basis for justifying the need for the DRR program.[26] Vectren's recent rate case included testimony which supports this contention. Vectren witness James M. Francis stated:

> Q. Is there a difference in the operational performance of bare steel and cast iron mains when compared to protected steel or plastic mains?
>
> A. Yes. Bare steel and cast iron mains have significantly higher leakage rates than do protected steel and plastic mains. This increased incidence of leakage results in higher

[25] Vectren replaced 2640 feet (1/2 mile) of plastic pipe. This equates to 2% of the total miles replaced (.5 mile / 24.5 miles). Applying 2% to the revenue requirement for mains yields $13,029 (2% x 651,463).

[26] For example see, *In re Vectren Rate Case*, Case No. 07-1080-GA-AIR, et al. Direct Testimony of James M. Francis at 6, 8, 9, 12, 14-15 (December 4, 2007).

> operating and maintenance expenses, greater line losses and safety and reliability risks. * * *.[27]
>
> Q. Does the increased likelihood of leakage on a bare steel or cast iron main create potentially serious issues for VEDO and its customers?
>
> A. When considering only those leaks repaired since 2003 that are directly attributable to bare steel or cast iron mains, 13% of those leaks were identified as being hazardous to public or employee safety, requiring immediate repair. Exhibit JMF-5 provides a count of the leaks repaired by hazard type. Approximately another 45% of the repaired leaks were under hard surface and thus are prone to migration into buildings or sewer systems, which can be problematic. * * *.[28]
>
> Q. Why does VEDO believe it is prudent to pursue the Program at this time?
>
> A. There are numerous benefits to the Program beyond the replacement of VEDO's most aged assets. First, the Program will replace the pipes that contribute most to system leaks. The resulting benefits to service reliability and safety are clear. * * *.[29]

At the time the DRR was proposed, safety and reliability factors played an important role in the justification of the program.

The Company proposed completing the program within twenty years, and stated in testimony that it could potentially shorten the program. Vectren witness James Francis stated:

> Q. Why is VEDO proposing a 20 year replacement program, rather than a shorter Program period?
>
> A. The 20 year program was developed when considering distribution system replacement needs throughout VUHI, not only the VEDO system. Vectren has proposed a similar program for its Indiana utilities. In total, the planned annual

[27] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al. Direct Testimony of James M. Francis at 7 (December 4, 2007).

[28] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al. Direct Testimony of James M. Francis at 8 (December 4, 2007).

[29] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al. Direct Testimony of James M. Francis at 12 (December 4, 2007).

> mileage to be replaced across Vectren service territories is approximately 90 miles. Additionally, there are a number of other utilities in the Midwest, including Duke Energy Ohio, who have in place a significant replacement program that will constrain construction resource availability for some time. The 20 year program reflects the amount of resources VEDO believes would be reasonably available to implement and execute the Program. However, VEDO would consider shortening the length of the Program if resources were to become available. * * *.[30]

It is noteworthy that throughout his testimony, Mr. Francis did not discuss or contemplate a DRR program lasting longer than 20 years. Yet, experience through the first two years of the DRR program demonstrates that Vectren is replacing significantly less pipeline than originally proposed; therefore, creating the very real probability that the program will extend well beyond the twenty years originally proposed.

In its Application, Vectren discussed the activity that would be required in order to complete the program in twenty years. Vectren witness James Francis stated:

> 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.[31]

Yet in 2009, Vectren replaced only 18 miles of bare steel mains and 6.5 miles of cast iron mains.[32] The 24.5 miles represents 70 percent of the 35 miles per year needed to complete the project in twenty years. Furthermore, Vectren has stated its plans to only replace 18 miles of bare steel and cast iron mains in 2010.[33] This planned replacement rate is less than 2009 replacements, and roughly one-half of the 35 miles projected by

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[30] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al. Direct Testimony of James M. Francis at 9-10 (December 4, 2007).

[31] Direct Testimony of James M. Francis at 4 (April 30, 2010).

[32] Direct Testimony of James M. Francis at 5 (April 30, 2010).

[33] Direct Testimony of James M. Francis at 10 (April 30, 2010).

Vectren at the time of the rate case. Thus after two years of the program, Vectren will have replaced only 42.5 miles of bare steel and cast iron pipeline instead of 70 -- a pace which will extend the DRR program well past its current projection of 20 years. Although this replacement rate is greater than the rate Vectren achieved during the five years prior to its 2008 rate case (10.5 miles of bare steel and cast iron pipeline per year)[34], it does not appear sufficient to meet the Company's 20 year completion target date.

Vectren has explained that the slower pace of pipeline replacement is in response to the economic downturn and the greater cost of capital necessary for such a large scale project.[35] But it should be pointed out that the DRR was designed in a manner to reduce Company risk and regulatory lag associated with pipeline investment. Despite this framework, cost apparently seems to be the impediment keeping the Company from meeting the projected pipeline replacement schedule.

Inasmuch as the pipeline replacement program was designed to permit Vectren to maintain a safe and reliable distribution system, and to do so in an accelerated manner, it now appears that cost concerns have become the over-riding factor, and not safety. If, in fact, cost has now become the over-riding factor in the pipeline replacement program, then the PUCO should re-evaluate the need for such a program and the annual DRR review.

The most troubling aspect to Vectren's under-achieving main replacement rate is the rationale that Vectren has provided in its testimony supporting its Application. Vectren witness James Francis stated:

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[34] See *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al. Direct Testimony of James M. Francis at 5 (December 4, 2007).

[35] Direct Testimony of James M. Francis at 11 (April 30, 2010).

> 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.**[36]

Vectren is constricting its main replacement rate not because it is experiencing unreasonable cost increases, but rather there is a potential that it may experience higher capital costs.

There are numerous problems with Vectren's rationale. First, if the program is necessary for the improvement of system safety and reliability, then Vectren's cost concerns do not adequately explain its delay. Second, Vectren has been given a very generous accelerated cost recovery mechanism designed to provide the Company with a return of and on the plant investment. The DRR recovery mechanism should more than adequately cover the risk of increased capital costs that worries Vectren. Finally, if the Company is indeed prioritizing accelerated cost recovery (from customers) ahead of accelerated main replacement (to benefit customers), then the Commission should recognize that the underpinnings used by Vectren to justify the DRR program -- safety and reliability -- are illusory, and the Commission should reevaluate the program.

Although two years may not be a sufficient time period to make a final judgment on Vectren's ability to complete the DRR program in the projected 20-year period, it is enough of a trend to raise the issue for closer review. OCC urges the PUCO to put Vecten on notice that the Company has the burden to prove, in future DRR proceedings, that its actions -- replacing less pipelines than projected -- are prudent under the

[36] Direct Testimony of James M. Francis at 11 (April 30, 2010) (emphasis added).

Stipulation in Case No. 07-1080-GA-AIR, et al. Furthermore, if it can be shown that the need for an accelerated pipeline replacement program has been superseded by a program to accelerate cost recovery from consumers, then the continuation of the DRR program could be in jeopardy.

2. The O&M Expense Cost Savings That Are Supposed To Be A Benefit And Offset To The Rates Customers Are Paying Are Jeopardized By The Company's Main Replacement Rate.

O&M cost savings pertaining to mains replacement could be impacted by the Company's decision to replace less cast iron and bare steel main than was projected. To the extent Vectren delays its replacement of distribution facilities, the potential exists that consumers will not receive the O&M cost savings that were envisioned at the time the DRR was approved. The Staff recognized the importance of achieving significant O&M cost savings through the DRR. The Staff stated:

> Staff has supported a similar program at Duke Energy Ohio (Duke) in its Accelerated Mains Replacement Program (AMRP). Staff supports Vectren Energy Delivery Company Case Nos. 07-1080-GA-AIR and 07-1081-GA-ALT Duke's ongoing AMRP for the replacement of all cast iron and bare steel pipeline and resulting improvement it has made to pipeline safety, and notes that customers have realized approximately $8.5 million in O&M savings to date that has been credited back through rider AMRP **Vectren also anticipates significant benefits from a reduced incidence in leak repair expenses, and like Duke, will credit savings in the avoided O&M costs to customers.**[37]

Vectren has not passed back significant O&M cost savings to its consumers, and if the trend continues and the replacement rate achieved falls below the Company's projections, then the Commission should consider establishing a minimum O&M cost savings amount to assure consumers are provided the benefit they were promised.

[37] *In re Vectren Rate Case,* Case No. 07-1080-GA-AIR, et al., Staff Report at 30-40 (June 16, 2008).

V. CONCLUSION

The Commission should reduce the DRR Rider rate that Vectren proposes in conformance with the above OCC recommendations.

Furthermore, because the present replacement rate is not in compliance with the rate that Vectren argued in the rate case as being necessary to maintain a safe and reliable system, the Commission should put Vectren on notice that the Company has the burden to prove, in future DRR proceedings, that its actions --replacing less pipelines than projected --are prudent under the Stipulation in Case No. 07-1080-GA-AIR, et al. Additionally, OCC is concerned that by virtue of the fact that the Company is replacing less pipe than projected, it reduces the O&M cost savings that are to be passed back to consumers. Finally, if it can be shown, in future DRR proceedings, that the need for an accelerated pipeline replacement program has been superseded by a program to accelerate cost recovery from consumers, then the continuation of the DRR program could be in jeopardy.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the Office of the Ohio Consumers' Counsel's *Comments* was provided to the persons listed below via first class U.S. Mail, postage prepaid, and via electronic service to certain parties that agreed to such service this 30th day of July 2010.

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