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82

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Adjust its Distribution Replacement Rider Charges.	))))	Case No. 11-2116-GA-RDR

APPLICATION

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April 29, 2011

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BEFORE
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In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. for Authority to Adjust its Distribution Replacement Rider Charges.	))))	Case No. 11-____-GA-RDR

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, Ohio Revised Code.

2. On January 7, 2009, in Case No. 07-1080-GA-AIR, the Commission approved, *inter alia*, a Stipulation and Recommendation ("*2008 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 as compared to a baseline level of O&M of $1,192,953. *2008 Stipulation* at 9-10.

3. Pursuant to the Stipulation, in its Opinion and Order ("*2010 Order*") in Case No. 10-595-GA-RDR, the Commission approved a Stipulation and Recommendation ("*2010 Stipulation*") which established the current DRR charges which became effective on September 22, 2010.

4. The *2008 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." *2008 Stipulation* at 11. The *2008 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.* In its *2010 Order*, the Commission ordered VEDO to file its annual DRR applications in an RDR docket. *2010 Order* at 8.

5. As a part of the required May 1 application, VEDO is required to provide support for 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;

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.

2008 Stipulation at 9-12.

6. With respect to this Application, the *2008 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... ." *2008 Stipulation* at 12.

7. Consistent with the *2010 Stipulation*, VEDO consulted with Staff prior to this filing in order to include sufficiently detailed schedules in this Application.

8. In order to demonstrate the justness and reasonableness of the level of recovery sought 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).

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	$1.27	
320, 321 and 325 (Group 1)	$1.27	
320, 321 and 325 (Group 2 and 3)		$0.00986
341	$6.69	
345		$0.00269
360		$0.00167

10. A revised tariff Sheet No. 45, Fifth 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, Fifth 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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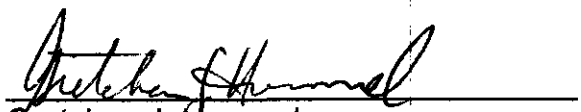
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Application* has been sent electronically, this 29th day of April, 2011 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. 11-____-GA-RDR

APRIL 29, 2011

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 immediate 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 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. I also testified in VEDO's 2010 DRR case, Case No. 10-0595-GA-RDR.

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 2010. I will discuss 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, and will provide the 2011 replacement plan.

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 in 2010. I will also discuss how the Riser Program work was awarded in 2010 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- 2010 VEDO BS/CI Replacement Program Progress
- Exhibit No. JMF-2- VEDO BS/CI 2011 Replacement Plan
- Exhibit No. JMF-3- VEDO Riser Replacement Program 2010 Costs

- Exhibit No. JMF-4- VEDO 2010 BS/CI Maintenance Expense
- Exhibit No. JMF-5- 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 and 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 2009, VEDO had a total of 506 miles of bare steel and 165.5 miles of cast iron main remaining in its system. In the 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 the Rate Case, includes the replacement of both mains and service lines. Existing bare steel and cast iron mains and service lines are being retired as part of the Replacement Program.

Q. How much bare steel and cast iron infrastructure did VEDO retire in 2010 as part of the Replacement Program?

A. In 2010, VEDO retired 14 miles of bare steel and 3.5 miles of cast iron mains under the Replacement Program. Additionally, VEDO retired 2,027 bare steel service lines, with 1,900 of those being replaced.

Q. How much did VEDO invest in the Replacement Program in 2010?

A. As identified by VEDO witness Janice M. Barrett, VEDO's Replacement Program investment for projects placed in service in 2010 was $9,691,967. Exhibit No. JMF-1 provides a detailed list of the projects placed in service under the Replacement Program in 2010, the costs of each project as of December 31, 2010, and the amount of pipe (main footage and number of service lines) retired and replaced. For some projects placed in service in 2010, additional trailing charges (such as restoration costs) will be incurred in 2011. These costs will be included in future DRR filings.

Q. Did VEDO retire any plastic main as part of the Replacement Program in 2010?

A. Yes. VEDO retired a total of 1,542 feet of plastic main within the projects placed in service in 2010. 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 within the bare steel or cast iron systems. It would have been more costly to try and salvage that main rather than replace it. Also, 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 continue to maintain those segments at this time.

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

A. Yes. VEDO moved 1,847 meters outside in 2010. 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 service regulator 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. VEDO has employed this meter move-out approach since the Replacement Program was first implemented.

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 2010, to achieve improved capital utilization by retiring more existing main infrastructure than it was necessary to replace. 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 2010?

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, is expected to reduce the occurrence of future leaks and leak repair work, and will reduce interruptions, inconveniences and disturbances to customers. Specifically, the replacement projects from 2010 have allowed VEDO to eliminate 97 active leaks, of which 11 would have required a more immediate and less efficient repair.
- The Company has experienced an average of 102 asset condition related meter orders on the types of assets that were replaced in 2010. VEDO should be able to reduce a number of these meter orders (Outside Gas Leak, Gas Emergency, Water in Line, and No

Gas orders) through the retirement of bare steel and cast iron infrastructure.

- VEDO moved 1,847 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 31 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 2010 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) in 2010. Quantification of the savings achieved in 2010 compared to the baseline amount of $1,192,953 established in the Rate Case will be discussed later in my testimony.

Q. Were the construction projects within the 2010 Replacement Program competitively bid?

A. Yes. VEDO competitively bid the construction work associated with the 2010 projects.

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

A. Based on the geographical location of the projects, VEDO divided the planned 2010 projects into four bid packages. Separate bid packages were prepared for the bare steel and cast iron replacement projects and the riser replacement work. A contractor could bid on any of the four packages but was not required to bid on all packages. Each bid package was independently evaluated.

Ten (10) different construction contractors were invited to provide bids for the work. 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 safety performance and diversity. These factors, along with cost, were used to score each bid and identify an overall bid award winner.

Q. What is VEDO's replacement plan for 2011?

A. VEDO's planned replacement projects for 2011 are identified in Exhibit No. JMF-2. VEDO plans, in 2011, to spend approximately $17,000,000 under the Replacement Program, replacing approximately 37.5 miles of bare steel and cast iron main along with the bare steel service lines served from those mains. As was the case in 2010, 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.

II. Riser Program

Q. Please describe the Riser Program.

A. As ordered by the PUCO, in 2007 VEDO began conducting an inventory of customer owned service risers in its service territory. VEDO completed its inventory of risers in 2008. VEDO began replacing the risers identified as "prone-to-fail" in 2009 and further refined the list of risers to be replaced. As of the end of 2009, VEDO had 35,983 remaining prone-to-fail risers to replace.

Q. How many risers did VEDO replace in 2010?

A. VEDO replaced 18,828 prone-to-fail risers in 2010. The cost to replace these risers was $6,340,363 or approximately $337 per riser. Exhibit No. JMF-3 provides a breakdown of the costs incurred under the Riser Program. VEDO plans to replace the remaining 17,155 prone-to-fail risers by the end of 2011, at an estimated cost of approximately $5,850,000.

Q. What is the estimated total Riser Program cost after completion at the end of 2011?

A. The estimated total Riser Program cost at the end of 2011 is approximately $17,642,000, which consists of the 2009 Riser Program cost of $5,451,132, the 2010 Riser Program cost of $6,340,363 and the estimated cost for 2011 of $5,850,000. This total estimated cost is less than the $33 million projected spend identified during the Rate Case due to a reduction of the number of risers to be replaced and the Company's use of alternative replacement methods, as described below.

Q. What methods did VEDO use to replace risers in 2010?

A. Where possible, VEDO used the Perfection Servi-Sert service head adaptor to replace the service riser head. In 2010, Perfection developed a 1 ¼" Servi-Sert service head adaptor which allowed VEDO to complete additional replacements using this method. Where the Servi-Sert was not able to be used, the entire riser was replaced.

Q. Was the riser replacement work in 2010 competitively bid?

A. Yes.

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

A. The Riser Program bid packages were organized geographically into two (2) packages.

Twelve (12) different construction contractors were invited to provide bids for the riser work, of which six (6) provided bids. 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 2011?

A. VEDO has used a similar process to bid the riser replacement work for 2011 and plans to replace all of its remaining prone-to-fail risers (approximately 17,000). The work was once again divided into two (2) 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. 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 reduce the amount of time customers have to be 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. Because VEDO (and its customers) have a significant number of aged service line assets, the amount of service line replacements is significant. VEDO has responded to numerous leak calls, many on bare steel service lines, that have required replacement. VEDO does expect that as the Replacement Program matures and as individual service lines are replaced, over time this leak call activity will be reduced.

Q. Has VEDO experienced any incremental costs 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. Incremental capital replacement costs

related to service line responsibility are included in Witness Barrett's DRR revenue requirement. The incremental O&M expenses will be discussed later in my testimony.

IV. Maintenance Savings and Incremental Costs

Q. Did VEDO achieve maintenance savings in 2010 compared to the baseline amount of $1,192,953?

A. Yes. VEDO calculated its maintenance expenses incurred in 2010 by the same method it used to calculate the baseline maintenance expense amount of $1,192,953. The actual comparable maintenance expenses in 2010 were $935,245, resulting in a savings against the baseline of $257,708. This amount is broken into expense reductions attributable to mains of $286,033 and expense increases from service line ownership of $28,325 for a net savings of $257,708. Additionally, VEDO experienced an increase in maintenance expenses of $53,647 for those service lines that are not bare steel. Exhibit No. JMF-4 provides the actual 2010 maintenance expenses and a comparison against the baseline expense amount. Additionally, this exhibit provides a breakdown of the maintenance expenses between mains and services.

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 2010 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 (2010). 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 repaired 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. As identified previously, in 2010 VEDO realized an incremental increase in service line operations and maintenance expenses of $28,325.

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

A. Yes. VEDO has replaced 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 2010, VEDO spent, on average, $4,533 per service line replaced. Of the 1,342 service lines that were replaced (but not part of the formal Replacement Program), 534 were on bare steel service lines. Additionally, VEDO replaced 808 plastic or non-bare steel service lines in 2010. The incremental cost of the curb-to-meter portion of the service line is approximately $834 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 2010, VEDO replaced 1,342 service lines that were not associated with the formal Replacement Program. This equated to an incremental capital investment of $1,119,228 for service line replacements as a result of the assumption of this responsibility for service lines. Exhibit No. JMF-5 provides the calculation of the incremental investment.

Q. Does this conclude your testimony?

A. Yes.

2010 VEDO BS/CI REPLACEMENT PROGRAM PROGRESS
Actual Install and Retirement

				Mains					Services		Meter Move-Outs
A	B	C	D	E	F	G	H	I = F+G+H	J	K	L
Group Number	City	Work Order Number	Utility Plant Additions in 2010	Plastic Installed (Feet)	Total BS Retired (Feet)	Total CI Retired (Feet)	Total PL Retired (Feet)	Total Main Retired (Feet)	Total # Services Retired (Count)	Total # Services Installed (Count)	Total # Meter Move-Outs
V-10-01	Greenville	09048152530	$ 428,974	5,629	6,630	-	230	6,860	100	1	94
V-10-02	Dayton	09046852533	727,041	4,329	1,388	3,457	81	4,926	132	10	145
V-10-03	Sidney	09048152532	800,095	11,379	12,121	-	305	12,426	200	3	226
V-10-06	Dayton	09046852535	935,343	8,562	3,433	5,573	366	9,372	165	30	192
V-10-15	Xenia	09046652528	505,763	6,604	8,777	-	-	8,777	113	8	46
V-10-16	Dayton	09046952531	1,341,992	7,490	1,355	5,075	-	6,430	201	1	198
V-10-27	Bellefontaine	09048252526	523,291	6,769	7,819	105	50	7,974	137	6	120
V-10-33	Greenfield	09046752525	768,452	9,410	8,091	-	221	8,312	189	10	77
V-10-34	Xenia	09046652530	250,002	1,221	5,266	-	75	5,341	52	8	42
V-10-38	Dayton	09046852541	438,771	4,607	4,888	230	170	5,288	104	5	94
V-10-39	Dayton	09046952534	1,601,061	7,455	7,665	-	-	7,665	290	2	371
V-10-40	Dayton	09046852538	718,982	3,884	492	3,314	-	3,806	93	35	111
V-10-43	Piqua	09048152533	207,430	2,839	2,765	-	44	2,829	35	-	32
V-10-44	Dayton	10046803052011	444,770	3,253	2,811	475	-	3,286	89	8	99
	TOTAL		$ 9,691,967	83,431	73,521	18,229	1,542	93,292	1,900	127	1,847

Note:

(1) Column D reflects the utility plant additions for bare steel/cast iron work orders completed in 2010. Utility plant additions are reflected in the DRR revenue requirement by asset type (i.e. main or service). Please note Column D does not include 2010 trailing charge activity for 2009 work orders; $70,766 of trailing charges were recorded in 2010 and are included in the 2011 DRR filing revenue requirement.

VECTREN

VEDO BS / CI 2011 Replacement Program

Calendar Year 2011

Project Group #	Operating Center	City	Street	Estimated			Estimated Project Cost
				Install Footage	Retire Footage	Project Services	
V-110	Troy	ARCANUM	George St., West St., High St.	3494	3360	61	$267,968
V-455	Troy	ARCANUM	Park St., Main St., Invester Ln.	4074	5058	69	$317,488
V-108	Troy	BELLEFONTAINE	Garfield St., Walker St., Walnut St.	3825	3860	59	$268,979
V-109	Troy	BELLEFONTAINE	Main St., Reynolds Ave.	2380	5320	60	$271,334
V-449	Troy	BELLEFONTAINE	Arlington Rd.	2039	1742	9	$96,993
V-454	Troy	BELLEFONTAINE	Brown Ave., Park st., High St.	5535	5350	125	$538,203
V-106	Troy	COVINGTON	Main St., Park St., Adams St.	5150	5240	99	$460,008
V-107	Troy	COVINGTON	Wright St., Pearl St., Grant St.	3840	4535	90	$385,231
V-447	Troy	COVINGTON	Wall St., Grant St., University St.	2940	3845	31	$257,318
V-10-05	Dayton West	DAYTON	Fountain Ave., Richmond Ave., Ferndale	9249	9170	298	$1,284,438
V-10-18	Dayton West	DAYTON	Greenlawn Ave., Livingston ave., Huffman	10873	10971	305	$1,293,515
V-10-20	Dayton West	DAYTON	Fifth St., Harbine Ave., Hedge Ave.	9174	10994	299	$1,163,479
V-10-35	Dayton West	DAYTON	Five Oaks Ave., Rockwood Ave., Belmont	5240	7072	110	$719,621
V-104	Centerville	DAYTON	Danner Ave., Stewart St., Euclid Ave.	1336	3165	44	$216,817
V-10-41	Centerville	DAYTON	Rosemont Blvd., Cleveland Ave.	5074	2851	107	$420,307
V-10-42	Dayton West	DAYTON	Ray Ave., Troy St., Edmund St.	5760	9420	192	$965,129
V-211	Centerville	DAYTON	Carr Ave., Gilmore Ave., Pontiac Ave.	3935	6760	75	$401,398
V-358	Dayton West	DAYTON	Lorenze Ave., Anna St., Gramont Ave.	3094	4844	182	$347,270
V-361	Dayton West	DAYTON	Otterbein Ave., Auburn Ave., Tennyson	5349	5445	119	$325,215
V-114	Fairborn	FAIRBORN	Broad st., Koogler dr., Ohio St.	4190	5410	63	$330,965
V-09-32	Troy	GREENVILLE	E. Main st., Fifth St., Centeral Ave.	2436	2457	32	$281,135
V-124	Troy	GREENVILLE	Harrison St., Cypress St., Wayne Ave.	9425	10060	170	$940,473
V-113	Fairborn	JAMESTOWN	Limestone St., Xenia St.	630	1475	28	$123,687
V-451	Fairborn	JAMESTOWN	Maxon St., Xenia St., Homestead St.	4374	6882	94	$510,290
V-352	Centerville	MIAMISBURG	First St., Riverview Ave., Pearl St.	2425	5175	95	$394,460
V-453	Centerville	MIAMISBURG	Maple Ave., Fourth St., Seventh St.	4376	4907	106	$454,080
V-112	Fairborn	NEW CARTISLE	Lake St., Madison St.,	320	1305	16	$72,692
V-10-13	Centerville	OAKWOOD	Harmon Ave., Park Ave., Forrer Rd., Fells	9465	11490	131	$805,559
V-10-19	Centerville	W CARROLLTON	Walnut St., Pease Ave., Miami Ave.	5467	7167	168	$922,284
V-102	Fairborn	WASHINGTON CH	Dayton Ave., Paint st., Briar Ave.	3301	3326	71	$371,374
V-103	Fairborn	WASHINGTON CH	Rawlings St., Lewis St., Temple St.	4850	7370	167	$641,731
V-444	Fairborn	WASHINGTON CH	Temple St., Main St., Fayette St.	1940	4205	73	$450,780
V-450	Fairborn	WASHINGTON CH	Hinde St., Kennedy St., Chesnut St.	4660	4930	107	$528,935
V-137	Fairborn	XENIA	King St., Pleasant St., Center Ave.	2450	3885	56	$296,120
V-101	Fairborn	YELLOW SPRINGS	Brannum Ln.	2249	2545	6	$99,050
V-111	Fairborn	YELLOW SPRINGS	Collage St., Davis St., Xenia Ave.	1050	3891	41	$159,266
			TOTAL	155969	197482	3758	$17,383,692

Vectren Energy Delivery of Ohio
Riser Replacement Program
2010 Costs

Expense Category	Expense
Contract Labor	$ 3,088,948
Materials	$ 1,358,661
Labor	$ 502,593
Other Expenses	$ 86,584
Overheads	$ 1,303,578
Total [(1)]	**$ 6,340,363**
# Risers	**18,828**
Cost per Riser	**$ 337**

Notes:
(1) Agrees to Exhibit No. JMB-3a, Column P, Line 11.

VEDO 2010 Maintenance Expense - BS/CI & Service Line Ownership

Service O&M Expense Change

	A		B		C	
Meter Order Management						
Meter Orders	**Baseline**		**2010**		**Change from Baseline**	
1 Outside Leaks	3467		3849			
2 Investigate Gas Emergency	937		725			
3 No Gas	1831		1712			
4 Water in Service	11		27			
5 Total	6246		6313			
6 % Allocated to BS/CI Facilities	48%		48%			
7 Orders applicable to BS/CI	2998	A5 * A6	3030	B5 * B6		
Maintenance Expenses	**Baseline**		**2010**			
8 Total Meter Orders	122091		122998			
9 Meter Order Mgmt Actuals	$ 3,542,248		$ 3,958,405			
10 Average Cost per Order	29.01	A9/A8	32.18	B9/B8		
11 Average cost per Asset Condition based Order	58.03	2 *A10	64.37	2 * B10		
* Leak Investigation order averages approximately 2x's longer than average meter order						
Maintenance Expenses Reduction Opportunity	**Baseline (C1xC2)**		**2010**		**Change from Baseline**	
12 Orders Applicable to BS/CI x Average Order Cost per Asset Condition based Order	**$ 173,968**	A7 * A11	**$ 195,042**	B7 * B11	**$ (21,074)**	A12 - B12

Leak Repair & Management						
Service Leaks Maintenance Expenses	**Baseline**		**2010**		**Change from Baseline**	
13 Service Leak Repair Actuals	$ 145,655		$ 206,552		$ (60,897)	
14 % of Service BS/CI Leak Repairs	56%		43%			
15 **Incremental Service O&M Expenses attributable to BS/CI**	**$ 81,567**	A13*A14	**$ 88,817**	B13*B14	**$ (7,250)**	A15-B15
16 **Incremental Service O&M Expenses attributable to All Other Asset Types**	**$ 64,088**	A13-A15	**$ 117,735**	B13-B15	**$ (53,647)**	A13-B15
17 **TOTAL BS/CI SERVICE MAINTENANCE EXPENSES**	**$ 255,535**	A12+A16	**$ 283,860**	B12+B16	**$ (28,325)**	A17-B17

MAIN O&M Expense Change

Leak Repair & Management						
Main Leaks Maintenance Expenses	**Baseline**		**2010**		**Change from Baseline**	
18 Total Main Leak Repair Actuals	$ 1,610,684		$ 1,028,232			
19 Cost Associated with Soft Surface Repairs	$ 644,274		$ 462,704			
20 % of Soft Surface Repairs on BS/CI Main Leaks	39%		54%			
21 Cost Associated with Hard Surface Repairs	$ 966,410		$ 565,528			
22 % of Hard Surface Repairs on BS/CI Main Leaks	71%		71%			
23 **Main O&M Expenses attributable to BS/CI**	**$ 937,418**	(A19*A20)+(A21*A22)	**$ 651,385**	(B19*B20)+(B21*B22)	**$ 286,033**	A23-B23
24 **Total O&M Maintenance Expenses (Main + Services)**	**$ 1,192,953**	A17+A23	**$ 935,245**	B17+B23	**$ 257,708**	A24-B24

VEDO Incremental Service Line Responsibility Capital Costs

		A		B		C	
		Baseline		**2010**		**Incremental over Baseline**	
1	Service Line Replacements Costs	$ 3,313,867		$ 6,083,901			
2	Count of Service Lines Replaced	896		1,342			
3	Average Cost per Service Line Replaced	$ 3,699	A1/A2	$ 4,533	B1/B2	**$ 834**	B3-A3

	Non-BS/CI Replacement Project Service Replacements by Material Type	**2010**	
4	Bare Steel Services	534	
5	All Other Services (Plastic, Coated Steel, other)	808	
6	Total Non-BS/CI Project Service Replacements	1,342	B4+B5

		Incremental Cost per Service		**Service Replacements**		**Total Incremental Capital Cost**	
7	Total Incremental Capital Investment for Service Line Responsibility	$ 834	C3	1,342	B6	**$ 1,119,228**	A7*B7

Note: The service replacements included in this count were not replaced as part of a bare steel/cast iron replacement project. Replacements were performed as a result of individual leaks, relocations, public improvement projects or other system improvement projects.

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. 11-____-GA-RDR

APRIL 29, 2011

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 Applicant 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, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("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 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 Vectren 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. Yes. I testified on behalf of VEDO in its last Distribution Replacement Rider ("DRR") case, Case No. 10-0595-GA-RDR.

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 DRR, which includes

the bare steel and cast iron replacement program ("Replacement Program"), natural gas riser replacement 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 recoverable in the DRR.

Q. Please explain the exhibits 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 – Utility Plant Additions for Main Replacement Program

Exhibit No. JMB-2b – Utility Plant Retirements for Main Replacement Program

Exhibit No. JMB-2c – Accumulated Depreciation for Main Replacement Program

Exhibit No. JMB-2d – Cost of Removal for Main Replacement Program

Exhibit No. JMB-2e – Post in Service Carrying Costs ("PISCC") for Main Replacement Program

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

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

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

Exhibit No. JMB-3a – Utility Plant Additions for Service Line and Riser Replacement Program

Exhibit No. JMB-3b – Utility Plant Retirements for Service Line and Riser Replacement Program

Exhibit No. JMB-3c – Accumulated Depreciation for Service Line and Riser Replacement Program

Exhibit No. JMB-3d – Cost of Removal for Service Line and Riser Replacement Program

Exhibit No. JMB-3e – PISCC for Service Line and Riser Replacement Program

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

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

Exhibit No. JMB – 4 – DRR Revenue Requirement Variance at December 31, 2010.

Exhibit No. JMB – 4a – DRR Recoveries by Tariff

ACCOUNTING PROCEDURES

Q. Please explain the work order process that VEDO utilizes to segregate and record the capital costs of the bare steel and cast iron replacement and riser/service line replacement programs (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 Program Construction Costs incurred can be viewed and/or reported by the project number at any point in time as the Programs progress.

Q. What types of costs did VEDO include in the value of the property for the DRR rate base additions?

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, an allocation of administrative overhead, and other related expenses.

Q. Is an allowance for funds used during construction ("AFUDC") included in the Program Construction Costs?

A. Yes, AFUDC has been recorded as part of the Program Construction Costs in accordance with USoA and the 2010 AFUDC rate used for all other VEDO construction projects was 8.53%.

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

A. VEDO ceases the accrual of AFUDC when each work order is placed in service and begins accruing PISCC at an annual rate of 7.02%, as provided in the Commission's order in Case No. 07-1080-GA-AIR. The net PISCC deferred as of December 31, 2010 has been reflected on Exhibit No. JMB-2, Line 11 for mains and Exhibit No. JMB-3, Line 18 for service lines.

Q. Please explain PISCC and how it works.

A. PISCC is an allocation of interest cost to the infrastructure investments made in the Programs and is accumulated from the in service date through the date each project's costs are included for recovery in the DRR or in base rates.

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 Program. VEDO had discontinued the installation of bare steel and cast iron pipe by 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 7 and 8 and Lines 15 and 16 for service lines, and cost of removal is reflected on Exhibit No. JMB-2, Line 8 for mains and Exhibit No. JMB -3, Line 14 for service lines.

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

A. VEDO has reflected the incremental property tax (Exhibit No. JMB-2, Line 18 (mains) and Exhibit No. JMB-3, Line 25 (service lines and risers) and annualized depreciation expense Exhibit No. 2, Line 19 (mains) and Exhibit No. JMB-3, Line 26 (service lines and risers)) based on the net additions to plant in service shown on Exhibit No. JMB-2, Lines 5, mains, and Exhibit No. JMB-3, Line 9, 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-2f (mains) and JMB-3f (service lines and risers).

VEDO has also included in the DRR revenue requirement the incremental cost associated with assuming ownership of service lines. This expense is

reflected on Exhibit No. JMB-3, Line 29. VEDO witness Francis provides the support for the incremental expense in Exhibit No. JMF-4.

Q. Are there maintenance expense adjustments associated with the Replacement Program?

A. Yes. As described by VEDO witness Francis, the maintenance expense savings are measured by comparing actual maintenance expenses for leaks (mains and services) and meter maintenance for the twelve months ended December 31, 2010 to baseline O&M expense of $1,192,953 established in Case No. 07-1080-GA-AIR. VEDO witness Francis' Exhibit No. JMF-4 provides the comparison of actual and baseline expenses and defines the adjustment applicable to this filing, which is reflected in the DRR revenue requirement on Exhibit No. JMB-2, Line 21 for mains and Exhibit No. JMB-3, Line 30 for service lines.

EXPLANATION OF EXHIBITS

Q. Please explain Exhibit No. JMB-1.

A. Exhibit No. JMB-1 summarizes the annualized revenue requirement for the Programs. The revenue requirement 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 rates based on net rate base at December 31, 2010 inclusive of 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 balance of plant additions at December 31, 2009, and actual plant additions by month for the twelve months ended December 31, 2010 to determine utility plant additions at December 31, 2010. Exhibit No. JMB-2a provides information for the main replacement program and Exhibit No. JMB-3a provides information for the service line and riser replacement programs.

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

A. Exhibit Nos. JMB-2b and JMB-3b provide the balance of the original cost plant retired under the Program as of December 31, 2009 as shown in Case No. 10-0595-GA-RDR and actual original cost retired by month for projects completed during twelve months ended December 31, 2010 to calculate the Replacement Program's total original cost retirements. Exhibit No. JMB-2b provides information for the main replacement program and Exhibit No. JMB-3b provides information for the service line and riser replacement programs.

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

A. Exhibit Nos. JMB-2c and JMB-3c provide the balance of accumulated

depreciation at December 31, 2009, and actual provision for depreciation by month for the twelve months ended December 31, 2010 to calculate the accumulated depreciation provision at December 31, 2010. Exhibit No. JMB-2c provides information for the main replacement program and Exhibit No. JMB-3c provides information for the service line and riser replacement programs.

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

A. Exhibit Nos. JMB-2d and JMB-3d provide the balance of cost of removal at December 31, 2009 and the actual cost of removal by month for the twelve months ended December 31, 2010 to calculate the Program's total cost of removal through December 31, 2010. Exhibit No. JMB-2d provides information for the main replacement program and Exhibit No. JMB-3d provides information for the service line and riser replacement programs.

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

A. Exhibit Nos. JMB-2e and JMB-3e provide the balance of the PISCC regulatory asset at December 31, 2009, and the PISCC activity by month for the twelve months ended December 31, 2010 to calculate the PISCC regulatory asset balance at December 31, 2010. These schedules also provide the amortization of PISCC by month for the twelve months ended December 31, 2010, and an accumulated PISCC amortization balance at December 31, 2010. Furthermore, these schedules provide the Net PISCC Regulatory Asset at December 31, 2010. Exhibit No. JMB-2e provides information for the main replacement program and Exhibit No. JMB-3e

provides information for the service line and riser replacement programs.

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

A. Exhibit Nos. JMB-2f and JMB-3f provide the calculation of the annualized property tax expense based on the net additions (mains, service lines and risers) to Plant In-Service under 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 personal property tax rate. Exhibit No. JMB-2f provides information for the net main additions and Exhibit No. JMB-3f provides information for the net service line and riser additions.

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

A. Exhibit Nos. JMB-2g (mains) and JMB-3g (service lines/risers) provide the calculation of depreciation related deferred taxes for the Programs' capital investments placed in service during 2009 and 2010.

Q. Please explain Exhibit No. JMB-4 and Exhibit No. JMB-4a.

A. Exhibit No. JMB-4 provides the calculation of the DRR variance at December 31, 2010. This variance relates to trailing DRR recovery activity associated with the actual deferred expenses of the Commission-ordered natural gas riser investigation (as provided in the Stipulation and Recommendation approved in Case No. 07-1080-GA-AIR) as well as the variance associated with the DRR revenue requirement for four months ended December 31, 2010.

Exhibit No. JMB-4a reflects DRR recoveries by month by customer group for April 2010 through December 2010. DRR recoveries for January 2010 through March 2010 are not included; the Company reflected these recoveries in Case No. 10-0595-GA-RDR.

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	$ 1,518,695	Exhibit No. JMB-2, Line 24
2	Service Lines Revenue Requirement	$ 4,045,430	Exhibit No. JMB-3, Line 33
3	**Annual DRR Revenue Requirement**	**$ 5,564,125**	**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, 2010			
3	Additions - Main Replacements	$	12,293,313	Exhibit JMB-2a, Column O, Line 2
4	Original Cost - Retired Mains		(246,819)	Exhibit JMB-2b, Column Q, Line 2
5	Total Plant In-Service	$	12,046,494	Line 3 + Line 4
6	Less: Accumulated Depreciation at December 31, 2010			
7	Depreciation Expense - Mains	$	(192,510)	Exhibit JMB-2c, Column O, Line 2
8	Cost of Removal - Mains		802,872	Exhibit JMB-2d, Column O, Line 2
9	Original Cost - Retired Mains		246,819	-Line 4
10	Total Accumulated Depreciation	$	857,182	Sum of Lines 7 - 9
11	Net Deferred Post In-Service Carrying Costs (PISCC) [3]	$	587,917	Exhibit JMB-2e, Column O, Line 4
12	Net Deferred Tax Balance - PISCC	$	(205,771)	Line 11 x 35%
13	Deferred Taxes on Depreciation	$	(2,308,063)	Exhibit No. JMB-2g, Line 15
14	Net Rate Base	$	10,977,759	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**	$	1,281,104	Line 14 * Line 15
17	**Operations and Maintenance Expenses**			
18	Annualized Property Tax Expense	$	263,313	Exhibit No. JMB-2f, Line 17
19	Annualized Depreciation Expense	$	213,223	Line 5 x 1.77% [1]
20	Annualized PISCC Amortization Expense	$	9,054	Exhibit JMB-2e, Column D, Line 13
21	Annualized Maintenance Adjustment	$	(286,033)	(2)
22	**Total Incremental Operating Expenses - Mains**	$	199,557	Sum of Lines 18-21
23	**Variance**	$	38,034	Exhibit JMB-4, Line 5, Column D
24	**Total Annual Revenue Requirement - Mains**	$	1,518,695	Line 16 + Line 22 + Line 23

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

(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, Column C, Line 23.
(3) PISCC is accrued at an annual rate of 7.02% from the in service date until investments are reflected in the DRR rate. as approved in Case No. 07-1080-GA-AIR.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Plant Additions
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Balance at 12/31/2009	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	Balance at 12/31/2010	
1	Cumulative Balance														
2	Mains	$ 7,062,973	$ 7,140,960	$ 7,155,115	$ 7,149,944	$ 7,189,184	$ 7,781,790	$ 8,280,530	$ 8,987,518	$ 9,900,882	$ 10,534,752	$ 11,695,657	$ 12,050,448	$ 12,293,313	To JMB-2, Line 3
3	Current Year Activity		1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	Activity for Twelve Months Ended 12/31/2010
4	Mains		$ 77,987	$ 14,155	$ (5,171)	$ 39,240	$ 592,606	$ 498,740	$ 706,989	$ 913,364	$ 633,870	$ 1,160,905	$ 354,791	$ 242,865	$ 5,230,340

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Retirements
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	
Line No.	Description	Retirements per 2010 Filing	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010		Total Retirements for Work Orders Placed in Service by 12/31/2010	
1	Cumulative Balance																
2	Mains	$ (155,580)	$ (155,580)	$ (155,580)	$ (155,580)	$ (155,580)	$ (155,580)	$ (155,760)	$ (160,576)	$ (160,576)	$ (169,187)	$ (181,726)	$ (184,421)	$ (184,421)		$ (246,819)	To JMB-2, Line 4
3	Current Year Activity		1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	3/31/2011 (1)	Retirements for Work Orders Placed in Service in 2010	
4	Mains		$ -	$ -	$ -	$ -	$ -	$ (180)	$ (4,815)	$ -	$ (8,611)	$ (12,539)	$ (2,695)	$ -	$ (62,399)	$ (91,239)	

Note:

(1) Activity represents retirements posted for work orders placed in service in 2010; retirements were posted upon receipt of as-built.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Depreciation
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	
Line No.	Description	Accumulated Depreciation per 2010 Filing	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	
1	Cumulative Balance														
2	Mains	$ (33,881)	$ (44,356)	$ (54,900)	$ (65,450)	$ (76,025)	$ (87,066)	$ (98,912)	$ (111,647)	$ (125,577)	$ (140,649)	$ (157,043)	$ (174,556)	$ (192,510)	To JMB-2, Line 7
3	Current Year Activity		1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	2010 Depreciation Expense
4	Mains		$ (10,475)	$ (10,543)	$ (10,550)	$ (10,575)	$ (11,041)	$ (11,846)	$ (12,735)	$ (13,930)	$ (15,071)	$ (16,395)	$ (17,513)	$ (17,954)	$ (158,629)

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Cost of Removal
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Cost of Removal per 2010 Filing	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	Balance at 12/31/2010	
1	Cumulative Balance														
2	Mains	$ 407,719	$ 414,364	$ 414,801	$ 415,280	$ 418,406	$ 438,612	$ 477,067	$ 506,857	$ 543,271	$ 619,623	$ 665,160	$ 704,293	$ 802,872	To JMB-2, Line 8
3	Current Year Activity		1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	Activity for Twelve Months Ended 12/31/2010
4	Mains		$ 6,645	$ 437	$ 478	$ 3,127	$ 20,206	$ 38,455	$ 29,790	$ 36,414	$ 76,352	$ 45,536	$ 39,133	$ 98,580	$ 395,153

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Post In Service Carrying Costs (PISCC)
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	PISCC per 2010 Filing	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	Balance at 12/31/2010	
1	Cumulative Balance														
2	Mains-PISCC	$ 98,323	$ 140,445	$ 183,083	$ 225,996	$ 269,388	$ 315,509	$ 364,806	$ 418,094	$ 476,659	$ 497,328	$ 525,219	$ 555,856	$ 588,421	
3	Mains-PISCC Amortization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (126)	$ (252)	$ (378)	$ (504)	
4	Deferred PISCC - Mains	$ 98,323	$ 140,445	$ 183,083	$ 225,996	$ 269,388	$ 315,509	$ 364,806	$ 418,094	$ 476,659	$ 497,202	$ 524,967	$ 555,478	$ 587,917	To JMB-2, Line 11
5	Current Year Activity		1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	Activity for Twelve Months Ended 12/31/2010
6	2009 Mains - Deferred PISCC		$ 41,894	$ 42,139	$ 42,385	$ 42,633	$ 42,883	$ 43,133	$ 43,386	$ 43,640	$ 2,001	$ 2,013	$ 2,025	$ 2,037	$ 350,168
7	2010 Mains - Deferred PISCC		$ 228	$ 499	$ 528	$ 759	$ 3,238	$ 6,164	$ 9,902	$ 14,925	$ 18,668	$ 25,878	$ 28,612	$ 30,529	$ 139,930
8	Total 2010 Deferred PISCC		$ 42,122	$ 42,638	$ 42,913	$ 43,392	$ 46,121	$ 49,297	$ 53,288	$ 58,565	$ 20,669	$ 27,891	$ 30,637	$ 32,566	$ 490,098
9	Mains-PISCC Amortization		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (126)	$ (126)	$ (126)	$ (126)	$ (504)
10	Annualized PISCC Amortization														
11	Cumulative PISCC at 12/31/2010		$ 587,917												
12	Amortization % (1)		1.54%												
13	Annualized PISCC Amortization		$ 9,054	To JMB-2, Line 20											

Notes:
(1) FERC Account 676 depreciation rate's average service life or 65 years, as approved in Case No. 04-0571-GA-AIR.

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

Line	Description	Amount			Reference
		In Service Year			
		2009	2010	Total	
1	Mains Replacements - Book Value	$ 7,062,973	$ 5,230,340	$ 12,293,313	Exhibit No. JMB-2, Line 3
2	Less: Capitalized Interest / AFUDC	(14,378)	(18,419)	(32,797)	
3	Net Cost of Taxable Property	$ 7,048,595	$ 5,211,921	$ 12,260,516	Line 1 + Line 2
4	% Good [1]	95.0%	98.3%		
5	Tax Value	$ 6,696,165	$ 5,123,318	$ 11,819,483	Line 3 x Line 4
6	x Valuation Percentage (25%) [2]	25.0%	25.0%	25.0%	
7	Taxable Value/Assessment	$ 1,674,041	$ 1,280,830	$ 2,954,871	Line 5 x Line 6
8	VEDO's Average 2011 Personal Property Tax Rate			8.98%	
9	**Annual Property Tax Expense - Main Replacements**			**$ 265,347**	Line 7 x Line 8
10	Mains Retired - Property Tax Basis	$ (155,580)	$ (91,239)	$ (246,819)	Exhibit No. JMB-2, Line 4
11	% Good [3]	36.7%	36.7%		
12	Tax Value	$ (57,098)	$ (33,485)	$ (90,583)	Line 10 x Line 11
13	x Valuation Percentage (25%) [2]	25.0%	25.0%	25.0%	
14	Taxable Value/Assessment	$ (14,275)	$ (8,371)	$ (22,646)	Line 12 x Line 13
15	VEDO's Average 2011 Personal Property Tax Rate			8.98%	
16	**Annual Property Tax Reduction - Main Retirements**			**$ (2,034)**	Line 14 x Line 15
17	**Annualized Property Tax Expense - Mains**			**$ 263,313**	Line 9 + Line 16

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

Notes:

(1) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule C, Distribution Plant.
(2) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule G.
(3) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule C(2), Distribution Plant.

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

Line	Description	Amount			Reference
		In Service Year			
		2009	2010	Total	
1	**Plant in Service at December 31, 2010:**				
2	Mains - Bare Steel/Cast Iron Replacements	$ 7,062,973	$ 5,230,340	$ 12,293,313	Exhibit No. JMB-2, Line 3
3	Book to Tax Basis Adjustment - Capitalized Interest [1]	$ (2,013)	$ (2,579)	$ (4,592)	
4	Book to Tax Basis Adjustment - 50% Bonus Depreciation	(3,530,480)	(2,613,881)	(6,144,361)	-(Line 2+Line 3) * 50%
5	Total Income Tax MACRS Depreciation Base	$ 3,530,480	$ 2,613,881	$ 6,144,361	Sum of Lines 2-4
6	**Tax Depreciation:**				
7	MACRS Rate - 15 Year	14.50%	5.00%		
8	MACRS Depreciation	$ 511,920	$ 130,694	$ 642,614	Line 5 * Line 7
9	Bonus Depreciation	3,530,480	2,613,881	6,144,361	-Line 4
10	Total Tax Depreciation	$ 4,042,400	$ 2,744,575	$ 6,786,974	Line 8 + Line 9
11	**Book Depreciation:**				
12	Mains			$ 192,510	-Exhibit No. JMB-2, Line 7
13	Tax Depreciation in Excess of Book Depreciation			$ (6,594,465)	Line 12 - Line 10
14	Federal Deferred Taxes at 35%			35%	
15	**Deferred Tax Balance at December 31, 2010 - Mains**			**$ (2,308,063)**	Line 13 * Line 14
				(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, 2010			
3	Additions - Services Replacements (Bare Steel/Cast Iron)	$	7,498,051	Exhibit JMB-3a, Column O, Line 2
4	Additions - Meter Installation (Bare Steel/Cast Iron)		1,221,792	Exhibit JMB-3a, Column O, Line 3
5	Additions - Services Replacements (Service Line Responsibility)		2,120,478	Exhibit JMB-3a, Column O, Line 4
6	Additions - Natural Gas Risers		11,791,495	Exhibit JMB-3a, Column O Line 5
7	Original Cost - Retired Services		(77,288)	Exhibit JMB-3b, Column Q, Line 2
8	Original Cost - Retired Meter Installation		(6,422)	Exhibit JMB-3b, Column Q, Line 3
9	Total Plant In-Service	$	22,548,107	Sum of Lines 3 - 8
10	Less: Accumulated Depreciation at December 31, 2010			
11	Depreciation Expense - Services	$	(422,106)	Exhibit JMB-3c, Column O, Line 2
12	Depreciation Expense - Meter Installation		(20,507)	Exhibit JMB-3c, Column O, Line 3
13	Depreciation Expense - Natural Gas Risers		(524,356)	Exhibit JMB-3c, Column O, Line 4
14	Cost of Removal - Services		623,036	Exhibit JMB-3d, Column O, Line 2
15	Original Cost - Retired Services		77,288	-Line 7
16	Original Cost - Retired Meter Installation		6,422	-Line 8
17	Total Accumulated Depreciation	$	(260,222)	Sum of Lines 11 - 16
18	Net Deferred Post In-Service Carrying Costs (PISCC) [3]	$	937,900	Exhibit JMB-3e, Column O, Line 10
19	Net Deferred Tax Balance - PISCC	$	(328,265)	-Line 18 x 35%
20	Deferred Taxes on Depreciation	$	(4,173,122)	Exhibit No. JMB-3g, Line 30
21	Net Rate Base	$	18,724,397	Sum of Lines 9 and 17-20
22	Pre-Tax Rate of Return		11.67%	Case No. 07-1080-GA-AIR
23	**Annualized Return on Rate Base -Service Lines**	$	2,185,137	Line 21 * Line 22
24	**Operations and Maintenance Expenses**			
25	Annualized Property Tax Expense	$	490,330	Exhibit No. JMB-3f, Line 24
26	Annualized Depreciation Expense - Services	$	1,122,102	(Line 1+ Lines 5-7) x 5.26% [1]
27	Annualized Depreciation Expense - Meter Installation	$	22,120	(Line 4 + Line 8) x 1.82% [1]
28	Annualized PISCC Amortization Expense	$	16,439	Exhibit No. JMB 3e, Column D, Line 32
29	Incremental O&M - Service Line Responsibility	$	53,847	(2)
30	Annualized Maintenance Adjustment	$	28,325	(4)
31	**Total Incremental Operating Expenses - Service Lines**	$	1,732,963	Sum of Lines 25-30
32	**Variance** [4]	$	127,330	Exhibit No. JMB-4, Column D, Line 6
33	**Total Revenue Requirement - Service Lines**	$	4,045,430	Line 23 + Line 31 + Line 32

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

(1) FERC Account 680 (Line 26) and FERC Account 682 (Line 27) depreciation rates approved in Case No. 04-0571-GA-AIR.
(2) Support provided by VEDO Witness James Francis, Exhibit No. JMF-4, Column C, Line 16.
(3) PISCC is accrued at an annual rate of 7.02% from the in service date until investments are reflected in the DRR rate as approved in Case No. 07-1080-GA-AIR.
(4) Support provided by VEDO Witness James Francis, Exhibit No. JMF-4, Column C, Line 17.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Plant Additions
Twelve Months Ended December 31, 2010

A	B		C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Reference	Balance at 12/31/2009	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	Balance at 12/31/2010	
1	Cumulative Balance															
2	Services		$ 3,441,221	$ 3,512,920	$ 3,523,536	$ 3,519,684	$ 3,626,822	$ 4,158,906	$ 4,523,221	$ 4,974,554	$ 5,666,445	$ 6,151,588	$ 7,016,876	$ 7,303,494	$ 7,498,051	To JMB-3, Line 3
3	Meter Installation		$ 746,228	$ 746,229	$ 746,229	$ 746,229	$ 765,165	$ 838,407	$ 898,058	$ 963,401	$ 1,021,784	$ 1,069,649	$ 1,171,885	$ 1,200,865	$ 1,221,792	To JMB-3, Line 4
4	Service Line Responsibility		$ 1,001,250	$ 1,097,160	$ 1,097,160	$ 1,381,554	$ 1,498,314	$ 1,593,390	$ 1,721,826	$ 1,827,744	$ 1,911,978	$ 1,963,686	$ 2,015,394	$ 2,071,272	$ 2,120,478	To JMB-3, Line 5
5	Risers		$ 5,451,132	$ 5,451,132	$ 5,451,132	$ 5,678,369	$ 6,258,046	$ 6,954,354	$ 7,710,962	$ 8,985,978	$ 10,080,963	$ 11,005,347	$ 11,240,621	$ 11,680,041	$ 11,791,495	To JMB-3, Line 6
6	Total Service Line Additions	Sum of Lines 2-5	$ 10,639,831	$ 10,807,441	$ 10,818,057	$ 11,325,836	$ 12,148,346	$ 13,545,057	$ 14,854,068	$ 16,751,677	$ 18,681,170	$ 20,190,271	$ 21,444,775	$ 22,255,672	$ 22,631,817	

7	Current Year Activity			1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	Activity for Twelve Months Ended 12/31/2010
8	Services			$ 71,699	$ 10,616	$ (3,852)	$ 107,138	$ 532,085	$ 364,315	$ 451,333	$ 691,891	$ 485,143	$ 865,288	$ 286,618	$ 194,558	$ 4,056,830
9	Meter Installation			$ 1	$ -	$ -	$ 18,936	$ 73,241	$ 59,652	$ 65,343	$ 58,382	$ 47,865	$ 102,235	$ 28,981	$ 20,927	$ 475,564
10	Service Line Responsibility			$ 95,910	$ -	$ 284,394	$ 116,760	$ 95,076	$ 128,436	$ 105,918	$ 84,234	$ 51,708	$ 51,708	$ 55,878	$ 49,206	$ 1,119,228
11	Risers			$ -	$ -	$ 227,237	$ 579,676	$ 696,308	$ 756,608	$ 1,275,015	$ 1,074,986	$ 944,384	$ 235,273	$ 439,421	$ 111,454	$ 6,340,363
12	Total Service Line Additions	Sum of Lines 8-11		$ 167,610	$ 10,616	$ 507,779	$ 822,510	$ 1,396,711	$ 1,309,011	$ 1,897,609	$ 1,909,493	$ 1,529,100	$ 1,254,504	$ 810,897	$ 376,144	$ 11,991,986

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Retirements
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
Line No.	Description	Retirements per 2010 Filing	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010			Total Retirements for Work Orders Placed in Service by 12/31/2010
1	Cumulative Balance																
2	Services	$ (21,552)	$ (21,552)	$ (21,552)	$ (22,075)	$ (23,046)	$ (23,818)	$ (25,694)	$ (28,053)	$ (28,713)	$ (30,971)	$ (36,118)	$ (37,255)	$ (37,554)			$ (77,268) To JMB-3, Line 7
3	Meter Installations	$ (2,808)	$ (2,808)	$ (2,808)	$ (2,808)	$ (2,808)	$ (2,808)	$ (2,808)	$ (2,808)	$ (2,808)	$ (2,808)	$ (3,903)	$ (3,910)	$ (3,910)			$ (6,422) To JMB-3, Line 8

4	Current Year Activity	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	3/31/2011 (1)	4/30/2011 (1)	Retirements for Work Orders Placed In Service in 2010
5	Services	$ -	$ -	$ (523)	$ (971)	$ (772)	$ (1,877)	$ (2,359)	$ (660)	$ (2,258)	$ (5,147)	$ (1,137)	$ (299)	$ (39,734)	$ -	$ (55,736)
6	Meter Installations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,095)	$ (8)	$ -	$ (1,906)	$ (806)	$ (3,814)

Note:

(1) Activity represents retirements posted in 2011 for work orders placed in service in 2010; retirements were posted upon receipt of as-built.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Depreciation
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Accumulated Depreciation per 2010 Filing	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	
1	Cumulative Balance														
2	Services [1]	$ (74,998)	$ (94,838)	$ (115,069)	$ (135,938)	$ (157,912)	$ (181,752)	$ (208,046)	$ (236,642)	$ (268,159)	$ (302,555)	$ (340,136)	$ (380,479)	$ (422,106)	To JMB-3, Line 11
3	Meter Installation	$ (3,593)	$ (4,725)	$ (5,857)	$ (6,988)	$ (8,134)	$ (9,351)	$ (10,667)	$ (12,079)	$ (13,584)	$ (15,170)	$ (16,870)	$ (18,670)	$ (20,507)	To JMB-3, Line 12
4	Natural Gas Risers	$ (89,975)	$ (113,869)	$ (137,763)	$ (162,155)	$ (188,316)	$ (217,273)	$ (249,415)	$ (286,009)	$ (327,753)	$ (373,924)	$ (422,679)	$ (472,914)	$ (524,358)	To JMB-3, Line 13
5	Current Year Activity		1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	2010 Depreciation Expense
6	BS/CI Service Lines		$ (15,241)	$ (15,422)	$ (15,436)	$ (15,663)	$ (17,064)	$ (19,028)	$ (20,816)	$ (23,322)	$ (25,901)	$ (28,861)	$ (31,385)	$ (32,440)	$ (260,579)
7	Incremental Service Line Responsibility		$ (4,599)	$ (4,809)	$ (5,433)	$ (6,312)	$ (6,776)	$ (7,266)	$ (7,779)	$ (8,196)	$ (8,494)	$ (8,721)	$ (8,957)	$ (9,187)	$ (86,528)
8	Services [1]	Line 6 + Line 7	$ (19,840)	$ (20,231)	$ (20,869)	$ (21,974)	$ (23,840)	$ (26,294)	$ (28,595)	$ (31,518)	$ (34,395)	$ (37,582)	$ (40,342)	$ (41,627)	$ (347,108)
9	Meter Installation		$ (1,132)	$ (1,132)	$ (1,132)	$ (1,146)	$ (1,216)	$ (1,317)	$ (1,412)	$ (1,505)	$ (1,586)	$ (1,700)	$ (1,799)	$ (1,837)	$ (16,914)
10	Natural Gas Risers		$ (23,894)	$ (23,894)	$ (24,392)	$ (26,161)	$ (28,957)	$ (32,141)	$ (36,594)	$ (41,745)	$ (46,170)	$ (48,756)	$ (50,234)	$ (51,442)	$ (434,381)

Notes:

(1) This line includes depreciation activity for utility plant additions for BS/CI service replacements and service line responsibility.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Cost of Removal
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Cost of Removal per 2010 Filing	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	Balance at 12/31/2010	
1	Cumulative Balance														
2	Services	$ 319,526	$ 323,390	$ 323,528	$ 324,295	$ 328,224	$ 344,445	$ 390,659	$ 445,299	$ 514,613	$ 596,899	$ 634,735	$ 672,235	$ 623,036	To JMB-3, Line 14
3	Current Year Activity		1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	Activity for Twelve Months Ended 12/31/2010
4	Services		$ 3,864	$ 138	$ 767	$ 3,929	$ 16,221	$ 46,214	$ 54,639	$ 69,314	$ 82,286	$ 37,835	$ 37,501	$ (49,200)	$ 303,510

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Post In Service Carrying Costs (PISCC)
Twelve Months Ended December 31, 2010

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	PISCC per 2010 Filing	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	Balance at 12/31/2010	
1	**Cumulative Balance**														
2	Service Lines-PISCC	$ 57,709	$ 78,387	$ 99,428	$ 120,611	$ 142,384	$ 166,771	$ 193,403	$ 222,702	$ 255,794	$ 271,202	$ 292,273	$ 315,314	$ 339,984	
3	Meter Installation-PISCC	$ -	$ 4,365	$ 8,756	$ 13,173	$ 17,618	$ 22,084	$ 26,579	$ 31,100	$ 35,647	$ 35,855	$ 36,065	$ 36,276	$ 36,488	
4	Service Line Responsibility-PISCC	$ -	$ 6,138	$ 12,592	$ 19,916	$ 28,456	$ 37,666	$ 47,583	$ 58,244	$ 69,523	$ 75,409	$ 81,632	$ 88,206	$ 95,125	
5	Risers-PISCC	$ -	$ 31,889	$ 63,965	$ 98,893	$ 132,374	$ 171,794	$ 215,695	$ 265,796	$ 323,063	$ 354,683	$ 389,936	$ 427,373	$ 466,638	
6	Gross Deferred PISCC - Services	$ 57,709	$ 120,780	$ 184,741	$ 250,593	$ 320,829	$ 398,315	$ 483,260	$ 577,842	$ 684,027	$ 737,149	$ 799,908	$ 867,169	$ 938,236	
7	Service Lines-PISCC Amortization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (84)	$ (168)	$ (252)	$ (336)	
8	Meter Installation-PISCC Amortization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
9	Accumulated PISCC Amortization - Services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (84)	$ (168)	$ (252)	$ (336)	
10	Net Deferred PISCC - Services	$ 57,709	$ 120,780	$ 184,741	$ 250,593	$ 320,829	$ 398,315	$ 483,260	$ 577,842	$ 684,027	$ 737,065	$ 799,740	$ 866,917	$ 937,900	To JMB-3, Line 16

														Activity for Twelve Months Ended
11	**Current Year Activity**	1/31/2010	2/28/2010	3/31/2010	4/30/2010	5/31/2010	6/30/2010	7/31/2010	8/31/2010	9/30/2010	10/31/2010	11/30/2010	12/31/2010	12/31/2010
12	2009 Service Lines - Deferred PISCC	$ 20,469	$ 20,588	$ 20,709	$ 20,830	$ 20,952	$ 21,074	$ 21,198	$ 21,322	$ 978	$ 984	$ 989	$ 995	$ 171,088
13	2010 Service Lines - Deferred PISCC	$ 210	$ 452	$ 474	$ 943	$ 3,435	$ 5,558	$ 8,101	$ 11,770	$ 14,430	$ 20,088	$ 22,052	$ 23,875	$ 111,188
14	Total 2010 Services Deferred PISCC	$ 20,678	$ 21,040	$ 21,183	$ 21,773	$ 24,387	$ 26,632	$ 29,299	$ 33,092	$ 15,408	$ 21,071	$ 23,041	$ 24,870	$ 282,275
15	2009 Meter Installation - Deferred PISCC	$ 4,365	$ 4,391	$ 4,417	$ 4,442	$ 4,468	$ 4,495	$ 4,521	$ 4,547	$ 209	$ 210	$ 211	$ 212	$ 36,488
16	2010 Meter Installation - Deferred PISCC	$ 0	$ 0	$ 0	$ 77	$ 414	$ 521	$ 1,105	$ 1,474	$ 1,752	$ 2,371	$ 2,575	$ 2,721	$ 13,010
17	Total 2010 Meter Installation Deferred PISCC	$ 4,365	$ 4,391	$ 4,417	$ 4,520	$ 4,883	$ 5,016	$ 5,626	$ 6,021	$ 1,961	$ 2,581	$ 2,786	$ 2,933	$ 49,499
18	2009 Service Line Responsibility - Deferred PISCC	$ 5,857	$ 5,892	$ 5,926	$ 5,961	$ 5,996	$ 6,031	$ 6,066	$ 6,101	$ 280	$ 281	$ 283	$ 285	$ 48,958
19	2010 Service Line Responsibility - Deferred PISCC	$ 281	$ 563	$ 1,398	$ 2,579	$ 3,214	$ 3,887	$ 4,595	$ 5,178	$ 5,606	$ 5,941	$ 6,291	$ 6,635	$ 46,167
20	Total 2010 Service Line Responsibility Deferred PISCC	$ 6,138	$ 6,454	$ 7,324	$ 8,540	$ 9,210	$ 9,917	$ 10,661	$ 11,279	$ 5,886	$ 6,223	$ 6,574	$ 6,920	$ 95,125
21	2009 Risers - Deferred PISCC	$ 31,889	$ 32,076	$ 32,263	$ 32,452	$ 32,642	$ 32,833	$ 33,025	$ 33,218	$ 1,523	$ 1,532	$ 1,541	$ 1,550	$ 266,545
22	2010 Risers - Deferred PISCC	$ -	$ -	$ 665	$ 3,029	$ 6,779	$ 11,068	$ 17,075	$ 24,049	$ 30,098	$ 33,723	$ 35,894	$ 37,715	$ 200,093
23	Total 2010 Risers Deferred PISCC	$ 31,889	$ 32,076	$ 32,928	$ 35,481	$ 39,421	$ 43,901	$ 50,100	$ 57,267	$ 31,620	$ 35,255	$ 37,435	$ 39,265	$ 466,638
24	Services-PISCC Amortization	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (84)	$ (84)	$ (84)	$ (84)	$ (336)

25	**Annualized PISCC Amortization**		
26	Net Deferred Service Lines PISCC at 12/31/2010	$ 901,412	Column O, Line 2 + Line 4 + Line 5 + Line 7
27	Amortization % [1]	1.75%	
28	Annualized Service Lines PISCC Amortization	$ 15,775	
29	Net Deferred Meter Installation PISCC at 12/31/2010	$ 36,488	Column O, Line 3 + Line 8
30	Amortization % [2]	1.82%	
31	Annualized Meter Installation PISCC Amortization	$ 664	
32	**Total Annualized Services PISCC Amortization**	$ 16,439	Line 28 + Line 31
		To JMB-3, Line 28	

Notes:
(1) FERC Account 880 depreciation rate's average service life of 57 years, as approved in Case No. 04-0571-GA-AIR.
(2) FERC Account 892 depreciation rate's average service life of 55 years, as approved in Case No. 04-0571-GA-AIR.

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

Line	Description	Amount			Reference
		In Service Year			
		2009	2010	Total	
1	Service and Meter Installation Replacements - Book Value	$ 5,188,699	$ 5,651,622	$ 10,840,321	Exhibit No. JMB-3, Lines 3 -5
2	Less: Capitalized Interest / AFUDC	(8,636)	(16,322)	(24,958)	
3	Net Cost of Taxable Property	$ 5,180,063	$ 5,635,300	$ 10,815,363	Line 1 + Line 2
4	% Good [1]	95.0%	98.3%		
5	Tax Value	$ 4,921,060	$ 5,539,500	$ 10,460,560	Line 3 x Line 4
6	x Valuation Percentage (25%) [3]	25.0%	25.0%	25.0%	
7	Taxable Value / Assessment	$ 1,230,265	$ 1,384,875	$ 2,615,140	Line 5 x Line 6
8	VEDO's Average 2011 Personal Property Tax Rate			8.98%	
9	**Annual Property Tax Expense - Service Line Replacements**			**$ 234,840**	Line 7 x Line 8
10	Services and Meter Installation Retired - Property Tax Basis	$ (24,360)	$ (59,350)	$ (83,710)	Exhibit No. JMB-3, Lines 7-8
11	% Good [3]	36.7%	36.7%		
12	Tax Value	$ (8,940)	$ (21,781)	$ (30,721)	Line 10 x Line 12
13	x Valuation Percentage (25%) [3]	25.0%	25.0%	25.0%	
14	Taxable Value / Assessment	$ (2,235)	$ (5,445)	$ (7,680)	Line 12 x Line 13
15	VEDO's Average 2011 Personal Property Tax Rate			8.98%	
16	**Annual Property Tax Reduction - Service Line Retirements**			**$ (690)**	Line 14 x Line 15
17	Risers Replacements - Book Value	$ 5,451,132	$ 6,340,363	$ 11,791,495	Exhibit No. JMB-3, Line 6
18	% Good [1]	95.0%	98.3%		
19	Tax Value	$ 5,178,575	$ 6,232,577	$ 11,411,152	Line 17 x Line 18
20	x Valuation Percentage (25%) [3]	25.0%	25.0%	25.0%	
21	Taxable Value / Assessment	$ 1,294,644	$ 1,558,144	$ 2,852,788	Line 19 x Line 20
22	VEDO's Average 2011 Personal Property Tax Rate			8.98%	
23	**Annual Property Tax Expense - Natural Gas Risers**			**$ 256,180**	Line 21 x Line 22
24	**Annualized Property Tax Expense - Service Lines**			**$ 490,330**	Line 9+ Line 16 + Line 23

(To Exhibit No. JMB-3, Line 25)

Notes:

(1) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule C, Distribution Plant.
(2) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule G.
(3) Per Ohio Department of Taxation Annual Natural Gas Property Tax Report, Schedule C(2), Distribution Plant.

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

Line	Description	In Service Year 2009	In Service Year 2010	Total	Reference
1	**Plant in Service at December 31, 2010:**				
	Assets Eligible for 50% Bonus Depreciation				
2	Service Additions - Bare Steel/Cast Iron Replacements	$ 3,441,221	$ 4,056,830	$ 7,498,051	Exhibit No. JMB-3, Line 3
3	Meter Installation Additions - Bare Steel/Cast Iron Replacements	746,228	323,421	1,069,649	(2)
4	Service Additions - Service Line Ownership	1,001,250	962,436	1,963,686	(3)
5	Additions of Natural Gas Risers	5,451,132	5,554,215	11,005,347	(4)
6	Total Plant In Service - Eligible for 50% Bonus Depreciation	$ 10,639,831	$ 10,896,903	$ 21,536,734	Sum of Lines 2 - 5
	Assets Eligible for 100% Bonus Depreciation [1]				
7	Service Additions - Bare Steel/Cast Iron Replacements	$ -	$ -	$ -	
8	Meter Installation Additions - Bare Steel/Cast Iron Replacements	-	152,143	152,143	(2) and Exhibit No. JMB-3a, Line 9, Columns M-O
9	Service Additions - Service Line Ownership	-	156,792	156,792	(2) and Exhibit No. JMB-3a, Line 10, Columns M-O
10	Additions of Natural Gas Risers	-	786,148	786,148	(4)
11	Total Plant In Service - Eligible for 100% Bonus Depreciation	$ -	$ 1,095,083	$ 1,095,083	Sum of Lines 7 - 10
12	**Total Plant in Service at December 31, 2010**	$ 10,639,831	$ 11,991,986	$ 22,631,817	Exhibit No. JMB 3, Lines 3-6
13	Book to Tax Basis Adjustment - Capitalized Interest	$ (1,209)	$ (2,285)	$ (3,494)	
14	Book to Tax Basis Adjustment - Bonus Depreciation	(5,319,311)	(6,542,392)	(11,861,703)	-(Line 6* 50%) + Line 11
15	Total Income Tax MACRS Depreciation Base	$ 5,319,311	$ 5,447,309	$ 10,766,620	Sum of Lines 12 - 14
16	**Tax Depreciation:**				
17	MACRS - 15 Year Rate	14.50%	5.00%		
18	MACRS - 20 Year Rate	10.97%	3.75%		
19	MACRS - 15 Year	$ 717,199	$ 264,280	$ 981,478	(Line 2+Line 4+Line 5+Line 13)* 50% * Line 17
20	MACRS - 20 Year	40,927	6,064	46,991	Line 3 * 50% * Line 18
21	Bonus Depreciation	5,319,311	6,542,392	11,861,703	-Line 14
22	Total Tax Depreciation	$ 6,077,436	$ 6,812,736	$ 12,890,172	Sum of Lines 19 - 21
23	**Book Depreciation:**				
24	Services			$ 422,106	-Exhibit No. JMB-3, Line 11
25	Meter Installation			20,507	-Exhibit No. JMB-3, Line 12
26	Natural Gas Risers			524,356	-Exhibit No. JMB-3, Line 13
27	Total Book Depreciation			$ 966,968	Sum of Lines 24 - 26
28	Tax Depreciation in Excess of Book Depreciation			$ (11,923,205)	Line 27 - Line 22
29	Federal Deferred Taxes at 35%			35%	
30	**Deferred Tax Balance at December 31, 2010 - Service Lines**			$ (4,173,122)	Line 28 * Line 29

(To Exhibit No. JMB-3, Line 20)

Notes:
(1) Represents assets placed in service between October 1, 2010 through December 31, 2010.
(2) Exhibit JMB-3, Line 4 is equal to the sum of column Total, Lines 3 and 8.
(2) Exhibit JMB-3, Line 5 is equal to the sum of column Total, Lines 4 and 9.
(2) Exhibit JMB-3, Line 6 is equal to the sum of column Total, Lines 5 and 10.

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

Line	Description	Amount	Reference
1	Revenue requirement for September 2010 - December 2010 per Case No. 10-0595-GA-RDR, Exhibit SEA-S4, Page 5 of 5, Line 5	$ 933,752	
2	Less: DRR Recoveries April 2010 - December 2010	(768,388)	- Line 19
3	**DRR (Over)/Under Recovery**	**$ 165,364**	**Line 1 + Line 2**

4 **(Over)/Under Recovery - Mains and Services Allocation**

	A	B	C	D = Line 3 * C	
	Description	**2010 Revenue Requirement [2]**	**%**	**DRR Variance Allocation**	
5	Mains	$ 651,463	23.0%	**$ 38,034**	**To JMB-2, Line 23**
6	Services	2,135,278	77.0%	**127,330**	**To JMB-3, Line 32**
7	Total	$ 2,786,741	100.0%	**$ 165,364**	

8 **DRR Recoveries by Month [1]:**

		Recovery - $	Reference
9			
10	April 2010	$ (32,671)	Exhibit No. JMB-4a, Column H, Line 1
11	May 2010	$ 225	Exhibit No. JMB-4a, Column H, Line 2
12	June 2010	$ 18	Exhibit No. JMB-4a, Column H, Line 3
13	July 2010	$ 68	Exhibit No. JMB-4a, Column H, Line 4
14	August 2010	$ 42	Exhibit No. JMB-4a, Column H, Line 5
15	September 2010	$ 7,774	Exhibit No. JMB-4a, Column H, Line 6
16	October 2010	$ 236,658	Exhibit No. JMB-4a, Column H, Line 7
17	November 2010	$ 270,916	Exhibit No. JMB-4a, Column H, Line 8
18	December 2010	$ 285,358	Exhibit No. JMB-4a, Column H, Line 9
19	**Total DRR Recoveries**	**$ 768,388**	

Notes:
(1) Recovery dollars on lines ten through fourteen represent billing adjustments or unbilled true up (April 2010 only) as VEDO's DRR rate was zero during these months.

(2) Revenue Requirement per Case No. 10-0595-GA-RDR (Exhibit SEA-S4, Page 1 of 5).

VECTREN ENERGY DELIVERY OF OHIO, INC.
DISTRIBUTION REPLACEMENT RIDER
DRR RECOVERIES BY TARIFF

	A	B	C	D	E	F	G	H
		DRR Recoveries						
Line	Month	310/311/315	320/321/325 - Grp 1	341	320/321/326 - Grp 2	345	360	Total
1	Apr-10	$ (24,260)	$ (1,394)	$ (33)	$ (4,579)	$ (1,354)	$ (1,051)	$ (32,671)
2	May-10	89	15	-	121	-	-	$ 225
3	Jun-10	20	(3)	-	1	-	-	$ 18
4	Jul-10	42	8	-	18	-	-	$ 68
5	Aug-10	40	4	-	(2)	-	-	$ 42
6	Sep-10	7,162	328	-	284	-	-	$ 7,774
7	Oct-10	203,674	10,801	2	11,917	1,890	8,374	$ 236,658
8	Nov-10	201,635	11,154	1	22,879	6,699	28,548	$ 270,916
9	Dec-10	186,328	9,999	-	58,119	7,541	23,371	$ 285,358
10	Total	$ 574,730	$ 30,912	$ (30)	$ 88,758	$ 14,776	$ 59,242	$ 768,388

		DRR Rates					
		Rate per Customer			Rate per Mcf		
	Month	310/311/315	320/321/325 - Grp 1	341	320/321/326 - Grp 2	345	360
11	Feb-10 [1]	$ 0.62	$ 0.62	$ 2.36	$ 0.0269	$ 0.0028	$ 0.0008
12	Sep-10 [2]	$ 0.64	$ 0.64	$ 3.24	$ 0.0445	$ 0.0119	$ 0.0117

		DRR Customers or Volumes						
		Customers			Volumes (Mcf)			Reference
	Month	310/311/315	320/321/325 - Grp 1	341	320/321/326 - Grp 2	345	360	
13	Apr-10	(39,129)	(2,248)	(14)	(170,223)	(483,571)	(1,313,750)	Line 1 / Line 11
14	May-10	144	24	-	4,498	-	-	Line 2 / Line 11
15	Jun-10	32	(5)	-	37	-	-	Line 3 / Line 11
16	Jul-10	68	13	-	669	-	-	Line 4 / Line 11
17	Aug-10	65	6	-	(74)	-	-	Line 5 / Line 11
18	Sep-10	11,552	529	-	10,558	-	-	Line 6 / Line 12
19	Oct-10	328,506	17,421	1	443,011	675,000	10,467,500	Line 7 / Line 12
20	Nov-10	325,218	17,990	0	850,520	2,392,500	35,685,000	Line 8 / Line 12
21	Dec-10	300,529	16,127	-	2,180,556	2,893,214	29,213,750	Line 9 / Line 12
22	Total	926,984	49,858	(13)	3,299,554	5,277,143	74,052,500	

Notes:

(1) February 2010 DRR rate is applicable to the DRR recovery activity between April 2010 and August 2010 as it represents billing adjustments or unbilled true up (April 2010 only) as VEDO's DRR rate was zero during these months.

(2) DRR rate was approved and implemented on September 21, 2010.

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. 11-____-GA-RDR

APRIL 29, 2011

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 26 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; its 2010 Distribution Replacement Rider ("DRR") proceeding, Case No. 10-0595-GA-RDR ("2010 DRR Filing"); and in a number of other proceedings.

Q. What is the purpose of your testimony in this proceeding ("2011 DRR filing")?

A. My testimony in this proceeding supports the proposed 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. Are you familiar with the Stipulation and Recommendation approved by the Commission in Case No. 10-595-GA-RDR ("the 2010 DRR Stipulation")?

A. Yes, I am.

Q. Please describe the 2010 DRR Stipulation.

A. The 2010 DRR Stipulation indicated that VEDO should work with Staff prior to filing its next DRR application ("the 2011 DRR Filing") in order to include more detailed schedules as described in Staff's comments filed in Case No. 10-595-GA-RDR and that VEDO should make two (2) changes to the DRR revenue requirement filed in the 2010 DRR Filing which resulted in revised DRR rates.

Q. Did VEDO comply with the terms of the 2010 DRR Stipulation?

A. Yes. VEDO modified its 2010 DRR Filing as per the approved 2010 DRR Stipulation and implemented revised DRR rates resulting from those modifications. VEDO's 2011 DRR Filing is consistent with those same

modifications related to the classification of meter move-out costs and permitting costs. Finally, VEDO provided to and discussed with Staff a set of revised DRR revenue requirement schedules. VEDO witness Janice M. Barrett described in detail the enhancements to each schedule and supporting workpaper. VEDO also committed to providing a working electronic model of its filing schedules to Staff and the Office of the Ohio Consumers' Counsel at the time of its Application. Following its review, Staff responded favorably to VEDO's proposed modifications.

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

A. As more fully described in VEDO witness James M. 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. Over time, customers will also benefit from a diminution of O&M costs related to distribution mains. Moreover, the elimination of active leaks achieved by replacement of bare steel and cast iron pipelines in a given year will result in a reduced level of O&M expenses 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, 2010. 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 Exhibit No. SEA-1.

A. Exhibit No. SEA-1 contains the filing schedules to support the derivation of 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 served 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 2011 through December 2011 and January 2012 through August 2012. 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 2011, since in the next annual DRR filing VEDO will reconcile actual costs and actual recoveries through December 2011[1]. The variance determined on Exhibit No. JMB-4, Page 1 of 1 in this proceeding is allocated to mains and services based upon the approved revenue requirement in VEDO's 2010 DRR Filing. The allocated variances are added to the annual revenue requirements for mains and services, shown on Exhibit No. JMB-2 and Exhibit No. JMB-3 respectively, for investments made in 2010. Likewise, in the 2012 DRR filing the variance applicable to the period of January through August 2012 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.

[1] Recoveries applicable to January through August 2011 were included in the determination of the final DRR revenue requirement in the 2010 DRR Filing.

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, Fifth Revised Page 2 of 2 will replace the currently effective Fourth 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 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 2010. As contained in VEDO witness Francis' testimony, the Company is providing a summary of its construction plans for 2011 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 (the 2010 DRR Filing) could 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 2011 DRR Filing. Since the currently effective DRR charge for Residential and Group 1 Customers is less than $1.00 per customer per month, and the corresponding DRR charge proposed herein is less than $2.00 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) effective March 1, 2010, and the remaining variance was included in the determination of the DRR revenue requirement in its 2010 DRR Filing and sponsored by VEDO witness Barrett. VEDO implemented the DRR charges from the 2010 DRR Filing on September 22, 2010. Variances from September 2010 through December 2010 have been included in the determination of the DRR revenue requirement in this proceeding. This ensures that VEDO has an opportunity to recover its costs associated with the riser investigation.

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 (c) (Ccf)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	$933,686	$3,446,055	$4,379,741	286,285	$1.27		
2	320/321/325	$355,215	$573,654	$928,870				
3	Group 1			$237,927 (d)	15,612	$1.27		
4	Group 2 & 3			$690,943 (d)			70,066,967	$0.00986
5	341	$69	$91	$160	2	$6.69		
6	345	$93,250	$17,765	$111,016			41,273,927	$0.00269
7	360	$136,474	$7,864	$144,338			86,367,950	$0.00167
8	Total (a)	$1,518,695	$4,045,430	$5,564,125				

(a) Mains and Service Revenue Requirement shown on Exhibit No. JMB-1, Lines 1 and 2 respectively.
(b) Reflects revenue requirement multiplied by allocation factors shown on Exhibit No. SEA-1, Page 2
(c) 2011 Budget - Customer Count and Volumes
(d) 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 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		Reference
1	Proposed DRR - Rate 310/311/315	$1.27	Per Month	Exhibit No. SEA-1, Page 1
2	Proposed DRR - Rate 320/321/325 - Group 1	$1.27	Per Month	Line [1]
3	Customer Count - Group 1	15,612		Exhibit No. SEA-1, Page 1
4	Revenue Requirement - Group 1 (1)	$237,927		Line [2] x Line [3] x 12
5	Revenue Requirement - Total 320/321/325	$928,870		Exhibit No. SEA-1, Page 1
6	Revenue Requirement - Group 2 & 3 (1)	$690,943		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	$124,182,147	$1,556,242	$3,004,842	$1,448,600	1.17%	(d)
2	315	$29,708,124	$663,187	$1,374,900	$711,712	2.40%	(b) (d)
3	320/321	$38,534,371	$319,437	$617,754	$298,317	0.77%	(d)
4	325	$9,192,322	$135,726	$311,116	$175,390	1.91%	(b) (d)
5	341	$15,457	$78	$160	$83	0.53%	
6	345	$5,000,689	$49,378	$111,016	$61,638	1.23%	(b)
7	360	$7,268,276	$62,693	$144,338	$81,645	1.12%	(b)
8	Total	$213,901,386	$2,786,741	$5,564,125	$2,777,384	1.30%	

(a) Twelve months ending December 31, 2010
Excludes revenues from former Rate 330 customers; Rate 330 was terminated effective April 14, 2010.
(b) Does not include gas costs
(c) From Exhibit No. SEA-1, Page 1
(d) Current revenues calculated as unit rate times Number of customers

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-11	7.45%	$414,408
2	October-11	7.92%	$440,860
3	November-11	8.55%	$475,978
4	December-11	9.50%	$528,574
5	Subtotal (To Third Annual DRR Filing)		$1,859,820
6	January-12	10.00%	$556,661
7	February-12	9.44%	$525,319
8	March-12	9.03%	$502,533
9	April-12	8.06%	$448,329
10	May-12	7.66%	$426,164
11	June-12	7.48%	$416,469
12	July-12	7.45%	$414,695
13	August-12	7.44%	$414,134
14	Subtotal (To Fourth Annual DRR Filing)		$3,704,305

(1) Based on monthly volumes / customer count (as applicable) as a percentage of annual, in 2011 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
Fifth Revised Page 2 of 2
Cancels Fourth 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	$1.27	
320, 321 and 325 (Group 1)	$1.27	
320, 321 and 325 (Group 2 and 3)		$0.00986
341	$6.69	
345		$0.00269
360		$0.00167

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			Reference
1	Proposed DRR Charge Per Customer Per Month Exhibit SEA-1, Page 1, Column (E), Line 1	$1.27	Exhibit No. SEA-1, Page 1
2	Current DRR Charge Per Customer Per Month	$0.64	2010 DRR Filing
3	Incremental DRR Charge Per Month	$0.63	Line [1] - Line [2]
4	Months	12	
5	Annual Incremental Bill Impact	$7.56	Line [3] x Line [4]
6	Total Annual DRR Bill Impact	$15.24	Line [1] x Line [4]