

FILE

PUCO EXHIBIT FILING

Date of Hearing: 8/28/2012

Case No. 12-1423-GA-RDR

PUCO Case Caption: Vectren Energy
Delivery of Ohio, Inc.

PUCO

RECEIVED-DOCKETING DIV
2012 SEP 11 PM 2:25

List of exhibits being filed:

Company 1-2
Joint 1
Staff 1

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.

210211135 Date Processed 9/4/2012 Technician MM

Reporter's Signature: Julearisa Dennebert

Date Submitted: 9/4/2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

In the Matter of the :
Application of Vectren :
Energy Delivery of Ohio, :Case No. 12-1423-GA-RDR
Inc. for Authority to :
Adjust its Distribution :
Replacement Rider Charges.:

- - -

PROCEEDINGS

before Kerry Sheets, Hearing Examiner, at the Public
Utilities Commission of Ohio, 180 East Broad Street,
Room 11-D, Columbus, Ohio, called at 10:00 a.m. on
Tuesday, August 28, 2012.

- - -

ARMSTRONG & OKEY, INC.
222 East Town Street, 2nd Floor
Columbus, Ohio 43215
(614) 224-9481 - (800) 223-9481
Fax - (614) 224-5724

- - -

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Vectren Energy Delivery of Ohio, Inc.) Case No. 12-1423-GA-RDR
for Authority to Adjust its Distribution)
Replacement Rider Charges.)

APPLICATION

Gretchen J. Hummel (Trial Attorney)
Frank P. Darr
McNees Wallace & Nurick LLC
Fifth Third Center
21 East State Street, 17th Floor
Columbus, OH 43215
Telephone: 614-469-8000
Telecopier: 614-469-4653
ghummel@mwncmh.com
fdarr@mwncmh.com

April 30, 2012

**Attorneys for Vectren Energy Delivery
of Ohio, Inc.**

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc.)	Case No. 12-1423-GA-RDR
for Authority to Adjust its Distribution)	
Replacement Rider Charges.)	

APPLICATION

Vectren Energy Delivery of Ohio, Inc. ("VEDO" or "Company") respectfully requests that the Public Utilities Commission of Ohio ("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 313,000 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 ("Program"), (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 *2008 Stipulation*, in its Opinion and Order in Case No. 11-2776-GA-RDR ("*2011 Order*"), the Commission approved a Stipulation and Recommendation ("*2011 Stipulation*") which established the current DRR charges which became effective on September 1, 2011.

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* in Case No. 10-0595-GA-RDR, 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 (as described in Exhibit No. JMF-6);
- c. The actual deferred costs resulting from compliance with the PUCO-ordered 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. 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).

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

<u>Rate Schedule</u>	<u>\$ Per Month</u>	<u>\$ Per Ccf</u>
310, 311 and 315	\$1.99	
320, 321 and 325 (Group 1)	\$1.99	
320, 321 and 325 (Group 2 and 3)		\$0.01509
341	\$10.19	
345		\$0.00340
360		\$0.00223

9. A revised tariff Sheet No. 45, Sixth Revised Page 2 of 2, which reflects the DRR charges in No. 8 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, Sixth Revised Page 2 of 2, included in the Direct Testimony of Scott E. Albertson as Exhibit No. SEA-2.

Respectfully submitted,

/s/ Gretchen J. Hummel
 Gretchen J. Hummel (Trial Attorney)
 Frank P. Darr
 McNees Wallace & Nurick LLC
 Fifth Third Center
 21 East State Street, 17th Floor
 Columbus, OH 43215

Telephone: 614-469-8000
Telecopier: 614-469-4653
ghummel@mwncmh.com
fdarr@mwncmh.com

**Attorneys for Vectren Energy Delivery
of Ohio, Inc.**

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Application* has been sent electronically, this 30th day of April, 2012 to the following parties of record.

/s/ Gretchen J. Hummel

Gretchen J. Hummel

Maureen Grady
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, 18th Floor
Columbus, OH 43215

David Rinebolt
Colleen Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
PO Box 1793
Findlay, OH 45839-1793

Mark Yurick
Taft Stettinius & Hollister LLP
65 East State Street, Suite 1000
Columbus, OH 43215-4213

John M. Dosker
Stand Energy Corporation
1077 Celestial Street
Suite 110
Cincinnati, OH 45202-1629

Vern Margard
Duane W. Luckey
Assistant Attorney General
Public Utilities Commission of Ohio
180 East Broad Street, 9th Floor
Columbus, OH 43215

Trent Dougherty, Attorney
Ohio Environmental Council
1207 Grandview Ave.
Columbus, OH 43212-3449

W. Jonathan Airey
Gregory D. Russell
Vorys, Sater, Seymour and Pease LLP
52 E. Gay Street, PO Box 1008
Columbus, OH 43216-1008

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. 12-1423-GA-RDR

April 30, 2012

DIRECT TESTIMONY OF JAMES M. FRANCIS

INTRODUCTION

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

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

7 **Q. What are your duties in your present position?**

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

14 **Q. Please describe your work experience.**

15 A. I have been employed by VEDO since April 8, 2004 as the Director of
16 Technical Services. My title has subsequently been changed to Director
17 of Engineering & Asset Management. Prior to my current position, I have
18 been employed with VEDO since the purchase of the gas assets of the
19 Dayton Power & Light Company by Vectren Corporation in 2000.
20 Immediately prior to my current position, I was the Regional Manager of

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

6 **Q. What is your educational background?**

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

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

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

14 **Q. Have you previously testified before this Commission?**

15 A. Yes. I testified in VEDO's most recent general rate case, Case No. 07-
16 1080-GA-AIR ("Rate Case"), in support of the need for recovery of certain
17 costs under the Distribution Replacement Rider ("DRR") proposed in that
18 proceeding. I also testified in VEDO's 2010 DRR proceeding, Case No.
19 10-0595-GA-RDR and 2011 DRR proceeding, Case No. 11-2776-GA-
20 RDR.

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

2 A. First, I will provide details on the progress of VEDO's accelerated bare
3 steel and cast iron replacement program ("Replacement Program"). I will
4 discuss the status of pipe replacement, the costs incurred and the benefits
5 identified in 2011. I will discuss certain other issues, such as meter
6 relocations and plastic pipe retirements, and how these are addressed
7 within the Replacement Program. I will discuss the processes used to
8 assess and award the construction work associated with the Replacement
9 Program, and will provide the 2012 replacement plan.

10 The second portion of my testimony will discuss VEDO's riser replacement
11 program ("Riser Program"). I will detail the status of replacements and
12 costs associated with the Riser Program in 2011. I will also discuss how
13 the Riser Program work was awarded in 2011.

14 The third portion of my testimony will discuss VEDO's experience with the
15 change in service line ownership and responsibilities which took effect in
16 2009.

17 The final portion of my testimony will discuss identified savings resulting
18 from the Replacement Program as well as the additional costs incurred by
19 VEDO due to its assumption of service line responsibility in 2009.

20 **Q. What Exhibits are you sponsoring in this proceeding?**

21 A. I am sponsoring the following exhibits:

- 22 • Exhibit No. JMF-1- 2011 VEDO BS/CI Replacement Program Progress

- 1 • Exhibit No. JMF-2- Plastic Main Retirement Causes
- 2 • Exhibit No. JMF-3- VEDO BS/CI 2012 Replacement Plan
- 3 • Exhibit No. JMF-4- VEDO Riser Replacement Program 2011 Costs
- 4 • Exhibit No. JMF-5- VEDO 2011 BS/CI Maintenance Expense
- 5 • Exhibit No. JMF-6-VEDO Incremental Service Line Responsibility
- 6 Capital Costs

7 **Q. How is your testimony organized?**

8 A. My testimony is organized in four sections:

- 9 I. Bare Steel and Cast Iron Replacement Program
- 10 II. Riser Replacement Program
- 11 III. Service Line Responsibility
- 12 IV. O&M Savings and Incremental Costs

13 **I. Bare Steel and Cast Iron Replacement Program**

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

15 A. As of the end of 2010, VEDO had a total of 492 miles of bare steel and
16 161 miles of cast iron main remaining in its system. In the Rate Case,
17 VEDO proposed to replace its remaining bare steel and cast iron
18 infrastructure over a twenty year period at a rate of approximately 35 miles
19 per year. The Replacement Program, as approved by the Commission in
20 the Rate Case, includes the replacement of both mains and service lines.
21 Existing bare steel and cast iron mains and service lines are being retired
22 as part of the Replacement Program.

1 **Q. How much bare steel and cast iron infrastructure did VEDO retire in**
2 **2011 as part of the Replacement Program?**

3 A. In 2011, VEDO retired 29.6 miles of bare steel and 5.3 miles of cast iron
4 mains under the Replacement Program. Additionally, VEDO retired 3,662
5 bare steel service lines, with 3,347 of those being replaced.

6 **Q. How much did VEDO invest in the Replacement Program in 2011?**

7 A. As identified by VEDO witness Janice M. Barrett, VEDO's Replacement
8 Program investment for projects placed in service in 2011 was
9 \$17,544,517. Exhibit No. JMF-1 provides a detailed list of the projects
10 placed in service under the Replacement Program in 2011, the costs of
11 each project as of December 31, 2011, and the amount of pipe (main
12 footage and number of service lines) retired and replaced. For some
13 projects placed in service in 2011, additional trailing charges (such as
14 restoration costs) will be incurred in 2012. These costs will be included in
15 a future DRR filing.

16 **Q. Did VEDO retire any plastic main as part of the Replacement**
17 **Program in 2011?**

18 A. Yes. VEDO retired a total of 7,458 feet of plastic main within the
19 replacement projects completed in 2011. There were a number of
20 reasons why plastic main segments were retired, which were discussed in
21 my testimony in the Rate Case. Some short segments of plastic main
22 existed within the bare steel or cast iron systems. It would have been
23 more costly to try and salvage that main rather than replace it. Also, there

1 existed sections of plastic main at the ends of some distribution systems
2 being retired wherein those segments no longer served any customers;
3 therefore, there was no reason to continue to maintain those segments at
4 this time. Exhibit No. JMF-2 "Plastic Main Retirement Causes" provides a
5 brief description of the cause of the plastic retirement for each applicable
6 project.

7 **Q. Did the Rate Case Stipulation contemplate the inclusion of plastic**
8 **pipe replacement costs for recovery through the DRR?**

9 A. Yes. The Rate Case Stipulation, Paragraph 10(a) requires that the annual
10 Replacement Program construction plans are to be provided to the Rate
11 Case parties on February 1 of each year and shall include, among other
12 things, the "...investment in infrastructure replacement under the program
13 (including service line replacement costs and the other cost components
14 included in the Company's application)...." The Rate Case Application,
15 Alt. Reg. Exhibit A, Page 4, discusses in detail the replacement of plastic
16 pipe as a part of the Replacement Program. Additionally, the Rate Case
17 Stipulation, Paragraph 10(c), requires that the annual application to
18 establish the DRR rate "...will include the information described in
19 Paragraph 10(a) above for the costs incurred during the previous calendar
20 year," which, as already indicated, includes the cost components,
21 including plastic pipe replacement, which were included in the Rate Case
22 Application.

1 **Q. Is there any other evidence that the replacement of plastic pipe was**
2 **contemplated to be a part of the Replacement Program as proposed**
3 **in the Rate Case Application?**

4 A. Yes. The Direct Testimony of Scott E. Albertson in the Rate Case, Page
5 4, in discussing the content of Rate Case Application, Alt. Reg. Exhibit A
6 and the cost components thereof, reiterates that the replacement of plastic
7 pipe was a part of the Replacement Program from its inception.

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

10 A. Yes. VEDO moved 2,579 meters outside in 2011. Because the newly
11 installed mains operate at a higher pressure (requiring the installation of a
12 service regulator), the cost associated with moving the meters outside was
13 less than if the meter remained inside and the necessary service regulator
14 was installed outside. In addition to better utilization of VEDO's capital,
15 moving the meters outside should improve operational efficiency
16 associated with future meter order work and will eliminate the need for
17 inside atmospheric corrosion inspections. VEDO has employed this meter
18 move-out approach since the Replacement Program was first
19 implemented.

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

22 A. Yes. VEDO expects to experience improved service reliability and safety
23 through the reduction of leakage and the replacement of the mains and

1 service lines that contribute most to system leaks. Proactive replacement
2 of this pipe, moving meters outside, and retiring the older assets will drive
3 workforce efficiencies. The Company was able, in 2011, to achieve
4 improved capital utilization by retiring more existing main infrastructure
5 than it was necessary to replace. Customers and property owners will
6 experience a reduction in the number and frequency of disturbances and
7 inconveniences (such as leak repair, service interruptions, etc.) as the
8 older sections of main are retired. VEDO has historically repaired
9 approximately 1 leak per mile per year on the mains retired. Additionally,
10 as quantified below, there are active leaks and meter orders that will be
11 eliminated as a result of replacing the infrastructure. The elimination of
12 active leaks will result in a relatively lower level of lost and unaccounted
13 for gas, although it is impractical to quantify a specific reduction. Finally,
14 VEDO expects long term benefits in terms of reduced impacts on the
15 communities where public infrastructure improvements may occur after
16 these projects are completed.

17 **Q. What operational benefits did VEDO achieve as a result of the**
18 **Replacement Program in 2011?**

19 **A.** There are a number of operational benefits that VEDO has achieved to
20 date as a result of the Replacement Program.

- 21 ▪ The replacement of these assets has reduced the number of active
22 leaks in VEDO's system, is expected to reduce the occurrence of
23 future leaks and leak repair work, and will reduce interruptions,

1 inconveniences and disturbances to customers. Specifically, the
2 replacement projects from 2011 have allowed VEDO to eliminate
3 110 active leaks, of which 44 would have required a more
4 immediate and less efficient repair.

- 5 • Over the past 7 years, the Company has experienced an average
6 of 156 asset condition related meter orders on the types of assets
7 that were replaced in 2011. VEDO will experience a reduction in
8 the number of these meter orders (Outside Gas Leak, Gas
9 Emergency, Water in Line, and No Gas orders) through the
10 retirement of bare steel and cast iron infrastructure.
- 11 • VEDO moved 2,579 inside meters outside. This will eliminate the
12 requirement for a separate atmospheric corrosion check.
- 13 • Certain system components that had been used to address issues
14 associated with assets in poor condition have been eliminated,
15 such as the 42 drips used to remove water from low pressure
16 mains.

17 Ultimately, these types of improvements provide reliability and safety
18 benefits to VEDO's customers or property owners that live in the vicinity of
19 the replacement projects.

20 **Q. Did VEDO derive cost savings from the 2011 replacement projects?**

21 A. Yes. VEDO has detailed the reduction of specific work items, assets and
22 the estimated reduction of historically experienced work quantities, all of
23 which allowed VEDO to achieve maintenance cost savings attributable to

1 the Replacement Program (and specific to the assets that were retired) in
2 2011. *Quantification of the savings achieved in 2011 compared to the*
3 *baseline amount of \$1,192,953 established in the Rate Case will be*
4 *discussed later in my testimony.*

5 **Q. Were the construction projects within the 2011 Replacement**
6 **Program competitively bid?**

7 A. Yes.

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

9 A. Based on the geographical location of the projects, VEDO divided the
10 planned 2011 projects into ten (10) bid packages. Separate bid packages
11 were prepared for the bare steel and cast iron replacement projects and
12 the riser replacement work. All existing contractors could bid on any of the
13 10 packages but were not required to bid on all packages. If a contractor
14 had not performed a gas distribution replacement project for Vectren
15 within the last 3 years, they were deemed a new contractor and were
16 limited to bid on the two (2) designated entry level packages. Each bid
17 package was independently evaluated.

18 Twelve (12) different construction contractors were invited to provide bids
19 for the work. A pre-bid meeting was held with all of the contractors to
20 provide direction and to answer questions with regard to the work to be
21 performed and the bids to be submitted. Each contractor was provided

1 with copies of prints for all of the projects and were given time to visit the
2 project sites prior to submitting bids.

3 Bids were submitted based on unit pricing; that is, a fixed price for a given
4 unit of work to be performed. VEDO used the unit prices and the
5 estimated work units for each project to create comparative cost
6 estimates. These comparative estimates were then summarized for each
7 bid package. Each package was evaluated based on overall cost, and the
8 contractor's capacity. If a contractor submitted bids on several projects,
9 the contractor's capacity was evaluated to ensure the potential award did
10 not exceed the contractor's capacity.

11 **Q. What is VEDO's replacement plan for 2012?**

12 A. VEDO's planned replacement projects for 2012 are identified in Exhibit
13 No. JMF-3. VEDO plans, in 2012, to spend approximately \$18.6 million
14 under the Replacement Program, replacing approximately 33 miles of
15 bare steel and cast iron main along with the bare steel service lines
16 served from those mains. As was the case in 2011, VEDO reserves the
17 right to modify the plan as necessary to accommodate additional or
18 different, higher priority projects as circumstances may change throughout
19 the year.

1 **II. Riser Program**

2 **Q. Please describe the Riser Program.**

3 A. As ordered by the PUCO, in 2007 VEDO began conducting an inventory
4 of customer owned service risers in its service territory. VEDO completed
5 its inventory of risers in 2008. VEDO began replacing the risers identified
6 as "prone-to-fail" in 2009 and further refined the list of risers to be
7 replaced. As of the end of 2010, VEDO had 14,709 remaining prone-to-
8 fail risers to replace.

9 **Q. How many risers did VEDO replace in 2011?**

10 A. VEDO replaced the remaining 14,709 prone-to-fail risers in 2011. The
11 cost to replace these risers was \$5,471,106 or approximately \$372 per
12 riser. Exhibit No. JMF-4 provides a breakdown of the costs incurred under
13 the Riser Program. VEDO has now replaced all identified prone-to-fail
14 risers.

15 **Q. What is the total Riser Program cost after completion at the end of**
16 **2011?**

17 A. The total Riser Program cost as of the end of 2011 was \$17,262,601,
18 which consists of the 2009 Riser Program cost of \$5,451,132, the 2010
19 Riser Program cost of \$6,340,363 and the 2011 Riser Program cost of
20 \$5,471,106. This total estimated cost is less than the \$33 million
21 projected spend identified during the Rate Case due to a reduction of the

1 number of risers to be replaced and the Company's use of alternative
2 replacement methods, as described below.

3 **Q. What methods did VEDO use to replace risers in 2011?**

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

7 **Q. Why was the average per unit cost of a riser replacement in 2011**
8 **\$372 compared to \$337 in 2010?**

9 A. Many of the more challenging riser replacements were completed in 2011,
10 which included the need to hand dig and squeeze off services as a result
11 of inaccessible curb stops. Additionally, there were fewer Servi-Serts
12 installed in 2011 than in 2010 based on varying manufactures as a result
13 of the existing service risers. This required more risers to be replaced
14 using a full riser replacement. Additionally, VEDO incurred an increase in
15 material costs resulting from the replacement of 86% more 1 ¼" risers
16 (which are more costly than a 1" riser) than in 2010.

17 **Q. Was the riser replacement work in 2011 competitively bid?**

18 A. Yes.

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

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

4 Twelve (12) different construction contractors were invited to provide bids
5 for the riser work, of which six (6) provided bids. A pre-bid meeting was
6 held with all of the contractors to answer questions with regard to the work
7 to be performed and the bid packages to be submitted. Each contractor
8 was provided with a count of risers to be replaced by package.

9 Bids were submitted based on unit pricing for full replacements, service
10 riser head replacements and any associated activities. VEDO used the
11 unit prices to create comparative cost estimates for each package. Each
12 package was evaluated independently, much like the Replacement
13 Program, and awarded accordingly.

14 The two (2) bid packages were awarded to the lowest two bidders based
15 on the comparative cost estimate. The same two (2) contractors
16 performed the Riser Program work in both 2010 and 2011.

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

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

20 **Q. Is VEDO's Riser Replacement Program complete?**

21 A. Yes.

1 **III. Service Line Responsibility**

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

4 A. VEDO continues to view the transfer of service line responsibility to the
5 Company as a positive for both the Company and its customers. In
6 general, VEDO's assumption of service line responsibility has been a
7 benefit to its customers. Customers no longer are required to schedule
8 the services of a plumber to repair or replace their service line, minimizing
9 inconvenience and out of pocket costs for customers. VEDO's response
10 times to leak calls and its repair activities reduce the amount of time
11 customers are out of service. The Company's ability to adjust to an ever
12 changing schedule to meet the needs of customers has also been a
13 benefit. Also, confusion over customer responsibility for the service line
14 has been essentially eliminated because there is now a clear delineation
15 of responsibility between the customer and VEDO. Because VEDO (and
16 its customers) have a significant number of aged service line assets, the
17 annual amount of service line replacements is significant. VEDO has
18 responded to numerous leak calls, many on bare steel service lines that
19 have required replacement. VEDO does expect that as the Replacement
20 Program matures and as individual service lines are replaced, over time
21 this leak call activity will be reduced, as was identified in the Replacement
22 Program benefits.

1 Q. Has VEDO experienced any incremental costs as a result of
2 assuming service line responsibility?

3 A. Yes. VEDO has had to repair a number of gas leaks on the portion of the
4 buried service line and the above ground meter setting that was previously
5 maintained by the customer. As a result of this change, VEDO has seen
6 both an increase in capital replacements and operations and maintenance
7 expenses to repair these leaks. Incremental capital replacement costs
8 related to service line responsibility are included in VEDO witness
9 Barrett's DRR revenue requirement. The incremental O&M expenses will
10 be discussed later in my testimony.

11 IV. **Maintenance Savings and Incremental Costs**

12 Q. Did VEDO achieve maintenance savings in 2011 compared to the
13 baseline amount of \$1,192,953?

14 A. Yes. VEDO calculated its maintenance expenses incurred in 2011 by the
15 same method it used to calculate the baseline maintenance expense
16 amount of \$1,192,953. The actual comparable maintenance expenses in
17 2011 were \$870,301, resulting in a savings against the baseline of
18 \$322,652. This amount is broken into expense reductions attributable to
19 mains of \$350,190 and expense increases from service lines replaced,
20 and now owned by VEDO, of \$27,538 for a net savings of \$322,652.
21 Additionally, VEDO experienced an increase in maintenance expenses of
22 \$86,335 for those service lines that are not bare steel. Exhibit No. JMF-5

1 provides the actual 2011 maintenance expenses and a comparison
2 against the baseline expense amount. Additionally, this exhibit provides a
3 breakdown of the maintenance expenses between mains and services.

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

6 A. No. While certainly the elimination of the bare steel and cast iron
7 infrastructure would have driven some of the cost reductions, the change
8 in service line responsibilities also led to some of the savings. The reason
9 for this is that VEDO completed a significant number of service line
10 replacements that would have formerly been at the customer's expense.
11 The resources that previously had been conducting more leak repairs
12 instead completed service line replacements, which are capital
13 expenditures. As such, the maintenance expenses identified in 2011 are
14 not necessarily indicative of the ongoing level of O&M. Rather, they are
15 indicative of the work VEDO actually performed in a single year (2011).
16 As such, the actual maintenance savings as compared to the baseline will
17 change year over year.

18 **Q. Has VEDO experienced any incremental capital investment, beyond**
19 **the Replacement Program, as a result of assuming service line**
20 **responsibility?**

21 A. Yes. VEDO has replaced a number of service lines in order to eliminate
22 gas leaks on the portion of the buried service line and the above ground
23 meter setting that was previously maintained by the customer. As a result

1 of this change, VEDO has seen an increase in capital costs. In 2011,
2 VEDO spent, on average, \$4,812 per service line replaced. The
3 incremental cost of the curb-to-meter portion of the service line is
4 approximately \$1,113 per service line replaced over that experienced
5 during the baseline period of 2007. The incremental investment includes
6 the cost for the incremental length of curb-to-meter service line and meter
7 setting that was formerly installed and maintained by the customer. In
8 2011, VEDO replaced 1,354 service lines that were not associated with
9 the formal Replacement Program. This equated to an incremental capital
10 investment of \$1,507,002 for service line replacements as a result of the
11 assumption of this responsibility for service lines. Exhibit No. JMF-6
12 provides the calculation of the incremental investment.

13 **Q. Does this conclude your testimony?**

14 **A.** Yes.

2011 VEDO BSCIR Replacement Program Progress
Actual Install & Retirement

A Work Order Number	B Completion Date	C Group#	D City	E Utility Plant Additions ¹	F Plastic Installed (Feet)	G Mains ²			J=G+H+I Total Main Retired (Feet)	Services ³			Meter Move-Outs ²	
						Total BS Retired (Feet)	Total CI Retired (Feet)	Total PL Retired (Feet)		K	L	M	Total # Meter Move-Outs	Total # Meter Installations Retired
11046803052215	23-Dec-11	V-775	Dayton	\$ 107,569	2,089	1,331	0	59	1,387	29	29	27	27	27
10046703052212	9-Jan-12	V-444	Washington OH	\$ 511,795	3,163	4,365	0	445	4,810	97	164	59	59	59
10046803052213	9-Jan-12	V-361	Dayton	\$ 806,621	5,400	5,484	0	250	5,734	105	122	85	85	85
10046803052212	9-Jan-12	V-358	Dayton	\$ 767,958	5,195	4,782	5,498	442	10,723	159	253	134	134	134
10046803052212	6-Jan-12	V-352	Miamisburg	\$ 571,433	2,464	5,175	0	535	5,710	103	109	90	90	90
09046703052525	22-Dec-11	V-103	Washington OH	\$ 559,464	4,895	7,325	0	0	7,325	184	187	12	12	12
09046703052523	21-Dec-11	V-102	Washington OH	\$ 361,662	3,179	3,556	40	0	3,636	75	80	34	34	34
10046703052212	21-Dec-11	V-450	Washington OH	\$ 490,428	5,030	4,930	0	0	4,930	95	99	27	27	27
090468052532	16-Sep-11	V-109	W. Carrollton	\$ 565,974	4,972	6,529	0	158	6,687	131	137	101	101	101
11046903052210	11-Jul-11	V-816	Kettering	\$ 42,659	700	750	0	0	750	20	20	12	12	12
090468052526	08-Jan-11	V-09-32	Greenville	\$ 188,573	2,339	2,956	0	0	2,956	33	33	21	21	21
090468052534	8-Jan-12	V-10-05	Dayton	\$ 1,532,489	9,397	6,261	2,813	53	9,127	193	292	180	180	180
09046803052523	30-Sep-11	V-101	Yellow Springs	\$ 53,548	2,426	2,282	0	430	2,712	8	8	0	0	0
090468052530	14-Sep-11	V-10-13	Oakwood	\$ 645,379	9,760	11,200	0	0	11,200	130	130	121	121	121
090468052537	22-Dec-11	V-10-18	Dayton	\$ 1,768,959	11,269	4,459	2,998	0	7,457	314	320	309	309	309
090468052536	26-Jan-12	V-10-20	Dayton	\$ 1,425,502	9,814	4,838	5,890	235	15,964	299	299	255	255	255
090468052542	22-Dec-11	V-10-35	Dayton	\$ 624,325	6,337	3,955	3,171	94	7,220	118	131	121	121	121
09046803052523	23-Sep-11	V-104	Dayton	\$ 258,959	3,971	2,690	475	0	3,165	32	39	46	46	46
090468052533	14-Sep-11	V-10-41	Dayton	\$ 492,839	5,074	2,851	0	0	2,851	106	107	102	102	102
09046803052523	28-Oct-11	V-106	Covington	\$ 368,810	6,094	5,381	0	130	5,511	100	105	59	59	59
09046803052523	28-Oct-11	V-107	Covington	\$ 269,278	3,928	3,543	0	170	3,713	88	86	49	49	49
09046803052523	25-Aug-11	V-108	Bellevue	\$ 288,769	4,731	2,973	1,755	25	4,753	78	82	48	48	48
09046803052525	25-Aug-11	V-109	Bellevue	\$ 287,961	3,998	3,775	85	1,390	5,250	69	81	30	30	30
09046803052525	14-Jul-11	V-110	Arcanum	\$ 204,874	3,407	3,217	0	165	3,382	55	57	57	57	57
09046803052525	10-Aug-11	V-111	Yellow Springs	\$ 224,104	950	4,180	0	0	4,180	41	41	27	27	27
09046803052525	12-Aug-11	V-112	New Carlisle	\$ 83,565	405	1,353	0	0	1,353	15	15	9	9	9
09046803052527	05-Aug-11	V-113	Jamestown	\$ 93,735	1,209	1,573	0	0	1,573	26	26	31	31	31
09046803052528	15-Aug-11	V-114	Fairport	\$ 461,981	4,170	5,244	0	166	5,410	62	62	59	59	59
10046803052212	23-Aug-11	V-124	Greenville	\$ 907,077	11,043	9,830	0	610	10,440	178	186	147	147	147
10046803052210	13-Aug-11	V-137	Xenia	\$ 218,283	2,620	3,915	0	140	4,055	62	62	32	32	32
09046803052525	23-Sep-11	V-211	Dayton	\$ 408,979	4,977	4,845	3,700	215	8,560	50	50	48	48	48
10046803052213	28-Oct-11	V-447	Covington	\$ 143,785	2,889	3,921	0	137	3,958	28	28	18	18	18
10046803052210	25-Aug-11	V-445	Bellevue	\$ 28,625	2,812	483	1,280	20	1,783	5	5	2	2	2
10046803052212	05-Aug-11	V-451	Jamestown	\$ 437,758	5,760	7,243	0	831	8,074	110	113	102	102	102
10046803052212	25-Aug-11	V-454	Bellevue	\$ 516,013	5,444	4,959	270	375	5,314	120	123	108	108	108
10046803052210	30-Jun-11	V-455	Arcanum	\$ 255,580	4,980	4,355	0	365	5,040	57	58	44	44	44
TOTAL				\$ 17,544,517	164,153	156,427	27,976	7,489	191,951	3,347	3,662	2,579	2,579	2,579

Notes:

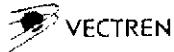
¹ Utility plant additions do not include cost of removal or 2011 line item charge activity associated with BSCIR groups placed in service prior to January 1, 2011, both of which will be included in the 2012 DRR filing.

² Quantities may reflect estimates as final as-built information has not been received for all work orders; final as-built quantities will be reflected in 2012 DRR filing.

³ Completion date is pending completion of service file and/or retirements.

2011 VEDO BS/CI Replacement Program
Plastic Main Retirement Causes

Work Order Number	Completion Date	Group#	City	Total PL Retired (Feet)	Plastic Retirement Causes
10046803052215	3	V-775	Dayton	56	Short section of main between steel
10048703052210	23-Dec-11	V-444	Washington OH	44	Installed 310' main in the alley and retired existing plastic main from front distribution due to local requirements for meter location. Also a segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048803052213	9-Jan-12	V-381	Dayton	250	Plastic main crossing was retired (higher cost to dig both ends and uprate). Also a segment of plastic was between steel mains segments to be retired (directional bore the new main)
10048803052212	9-Jan-12	V-358	Dayton	442	2 segments of plastic mains were between steel mains (higher cost to dig both ends and uprate) Also segment of plastic main was retired, not needed, no customer.
10048903052212	6-Jan-12	V-352	Miamisburg	535	Transferred services from existing 3" LPP to the MPS main, did not need the second main.
09048703052525	22-Dec-11	V-103	Washington OH	0	
09048703052523	21-Dec-11	V-102	Washington OH	0	
10048703052212	21-Dec-11	V-450	Washington OH	0	
09046952532	16-Sep-11	V-11-19	W Carrollton	158	Plastic main between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
11048903052210	11-Jul-11	V-816	Kettering	0	
09048152529	09-Jun-11	V-09-32	Greenville	0	
09048952534	6-Jun-12	V-10-05	Dayton	55	Isolated plastic main segment was retired, not needed, no customer.
09048803052523	30-Sep-11	V-101	Yellow Springs	430	Isolated plastic main segment was retired, not needed, no customer.
09046952530	14-Sep-11	V-10-15	Oakwood	0	
09048852537	22-Dec-11	V-10-18	Dayton	0	
09046852536	06-Jan-12	V-10-20	Dayton	238	3 segments of plastic main were between steel mains (higher cost to dig both ends and uprate). Also segment of plastic main was retired, not needed, no customer.
09046852542	27-Dec-11	V-10-35	Dayton	94	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
09048803052523	23-Sep-11	V-104	Dayton	0	
09046952533	14-Sep-11	V-10-41	Dayton	0	
09048103052523	28-Oct-11	V-106	Covington	130	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
09048103052525	28-Oct-11	V-107	Covington	170	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
09048203052523	25-Aug-11	V-108	Bellefontaine	25	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
09048203052525	25-Aug-11	V-109	Bellefontaine	1,390	Retired 1300' of 3" plastic main due to need to upgrade to 6" LPP, no need for 2 mains on the same side of street.
09048103052526	14-Jul-11	V-110	Aracuanum	165	
09046803052525	10-Aug-11	V-111	Yellow Springs	0	
09046803052526	12-Aug-11	V-112	New Carlisle	0	
09048800052527	05-Aug-11	V-113	Jamesstown	0	
09046803052528	15-Aug-11	V-114	Fairborn	168	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048103052212	25-Aug-11	V-124	Greenville	610	Segment of plastic main was between steel main segments to be retired. 600' of 1" and 11/4" LF plastic main segments upgraded to 2" plastic main.
10046803052210	13-Aug-11	V-137	Xenia	40	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
09046803052525	23-Sep-11	V-211	Dayton	215	2 Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048103052213	28-Oct-11	V-447	Covington	437	Segments of plastic main were between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048203052210	25-Aug-11	V-449	Bellefontaine	20	Retired isolated Plastic main, no customer.
10046803052212	05-Aug-11	V-451	Jamesstown	801	3 segments of plastic main were between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048103052212	25-Aug-11	V-454	Bellefontaine	375	3 segments of plastic main were between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048103052210	30-Jun-11	V-455	Aracuanum	385	3 segments of plastic main were between steel main segments to be retired (higher cost to dig both ends and uprate). 45' of 11/4" LPP main upgraded to 2" main
TOTAL				7,458	



VEDO BS / CI 2012 Replacement Program
Calendar Year 2012

Project Group #	Operating Center	City	Street	Estimated			Estimated Project Cost
				Install Footage	Retire Footage	Project Services	
V-441	Bellefontaine	BELLEFONTAINE	Green St., Park St.	3,010	4,481	84	\$480,750
V-481	Bellefontaine	BELLEFONTAINE	Lake Ave., Superior St., Erie St.	1,803	2,267	53	\$265,049
V-133	Centerville	DAYTON	Maple St., Clover St., Little St.	4,405	6,445	242	\$995,755
V-147	Centerville	DAYTON	Heaton Ave., Highland Ave.	7,585	7,650	266	\$996,497
V-291	Centerville	DAYTON	Coventry Rd., Cleaveland Ave.	4,645	3,955	151	\$546,812
V-453	Centerville	MIAMISBURG	Cole Ave., Park Ave.	4,338	4,931	106	\$500,434
V-513	Centerville	DAYTON	Hessler St., Glenn Rock, Pusell Ave.	940	1,455	45	\$212,557
V-523	Centerville	DAYTON	Guncle Ave., Gebhart St.	2,740	2,854	75	\$401,285
V-524	Centerville	DAYTON	Angle St., George St.	5,165	5,990	165	\$786,744
V-530	Centerville	DAYTON	Wayne Ave., Epworth Ave.	6,810	6,851	239	\$961,211
V-744	Centerville	DAYTON	Brown St., K St.	1,114	2,124	17	\$171,128
V-810	Centerville	DAYTON	Paterson Rd.	3,777	3,955	83	\$578,458
V-10-42	Dayton West	DAYTON	Ray Ave., Troy St., Edmond St.	5,760	9,420	192	\$965,129
V-115	Dayton West	DAYTON	Fifth St., Riverview Ave., F Second St.	3,787	6,295	31	\$462,878
V-116	Dayton West	DAYTON	Hart St., Leo St., Leonard St.	5,385	4,940	252	\$996,972
V-117	Dayton West	DAYTON	First St., Douglas Ave., Webb St.	5,840	8,055	128	\$719,729
V-118	Dayton West	DAYTON	Findlay St., S Jersey St., N McGee St.	9,455	10,775	195	\$998,945
V-123	Dayton West	EATON	Maple St., F Edison St., F Mechanic St.	7,075	7,010	124	\$660,392
V-134	Dayton West	DAYTON	Bolton St., Richard St., Bantz Ct.	6,286	9,214	137	\$753,466
V-511	Dayton West	DAYTON	Pleasant St., Garland St., Harbine St.	4,394	5,560	184	\$845,015
V-528	Dayton West	DAYTON	Ryburn Ave., Bruce Ave.	2,496	3,531	87	\$367,687
V-567	Dayton West	DAYTON	Orchard St., Mathison St., 1st St.	4,040	6,285	136	\$653,704
V-596	Dayton West	DAYTON	Edison St., Woodward St., Howell St.	2,858	4,686	64	\$365,658
V-440	Fairborn	CEDARVILLE	Elm St., Walnut St., North St.	3,125	4,950	53	\$342,016
V-452	Fairborn	XENIA	Main St., West St., Collier St.	8,990	12,450	125	\$760,743
V-612	Fairborn	JAMESTOWN	Maple St., Washington St., Xenia St.	3,731	4,448	64	\$268,482
V-120	Troy	NEW MADISON	Cherry St., Summit St., Wayne St.	5,649	6,733	115	\$613,051
V-460	Troy	SIDNEY	Michigan Ave., Cary St., North St.	4,330	4,910	130	\$411,519
V-520	Troy	PIQUA	Summit St., Willard St., Sunset St.	2,108	3,108	77	\$469,132
V-522	Troy	PIQUA	Garfield St., Plum St.	2,892	2,872	74	\$412,008
V-623	Troy	SIDNEY	Miami St., South St., Thompson St.	4,421	4,956	158	\$685,612
TOTAL				138,954	173,157	3,852	\$18,648,818

**Vectren Energy Delivery of Ohio
Riser Replacement Program
Twelve Months Ended December 31, 2011**

Expense Category	Expense
Contract Labor	\$ 2,805,386
Materials	\$ 1,127,312
Overheads	\$ 1,066,605
Labor	\$ 408,776
Other Expenses	\$ 63,027
Total	\$ 5,471,106
# Risers	14,709
Costs per Riser	\$ 372

Notes:

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

VEDO 2011 Maintenance Expense - BS/CI & Service Line Ownership

Service O&M Expense Change				
A		B		C
Meter Order Management				
Meter Orders	Baseline	2011		Change from Baseline
1 Outside Leaks	3467		34,11	
2 Investigate Gas Emergency	937		782	
3 No Gas	183		1651	
4 Water in Service	11		36	
5 Total	6245		5880	
6 % Allocated to BS/CI Facilities	45%		43.6%	
7 Order's applicable to BS/CI	2898		2564	
			BS * 45	
Maintenance Expenses				
8 Total Meter Orders	122091		2011	
9 Meter Order Mgmt Actuals	3,542,248		\$ 4,134,424	
10 Average Cost per Order	29.01		48.66	
11 Average cost per Asset Condition based Order	58.03		71.95	
			2 * 4.12	
			2 * 8.10	
Maintenance Expenses Reduction Opportunity				
12 Orders Applicable to BS/CI x Average Order Cost per Asset Condition based Order	\$ 173,968		\$ 184,452	
			BS * 4.11	
				\$ (10,484)
Leak Repair & Management				
Service Leaks Maintenance Expenses	Baseline	2011		Change from Baseline
13 Service Leak Repair Actuals	\$ 145,955	\$ 245,044		\$ (103,389)
14 % of Service BS/CI Leak Repairs	56%		39.6%	
15 Incremental Service O&M Expenses attributable to BS/CI	\$ 81,567	\$ 98,621		\$ (17,054)
16 Incremental Service O&M Expenses attributable to All Other Asset Types	\$ 64,088	\$ 150,423		\$ (86,335)
17 TOTAL BS/CI SERVICE MAINTENANCE EXPENSES	\$ 255,535	\$ 283,073		\$ (27,538)
			BS/CI 53	
MAIN O&M Expense Change				
Leak Repair & Management				
Main Leaks Maintenance Expenses	Baseline	2011		Change from Baseline
18 Total Main Leak Repair Actuals	\$ 1,610,684	\$ 1,172,215		
19 Cost Associated with Soft Surface Repairs	\$ 844,274	\$ 736,151		
20 % of Soft Surface Repairs on BS/CI Main Leaks	39%		42%	
21 Cost Associated with Hard Surface Repairs	\$ 666,410	\$ 436,064		
22 % of Hard Surface Repairs on BS/CI Main Leaks	71%		64%	
23 Main O&M Expenses attributable to BS/CI	\$ 937,418	\$ 587,228		\$ 350,190
			BS/CI 53	
24 Total O&M Maintenance Expenses (Main + Services)	\$ 1,192,953	\$ 870,301		\$ 322,652
			E17-E27	
				A24-E24

VEDO Incremental Service Line Responsibility Capital Costs

	A		B		C	
	Baseline	2011			Incremental over Baseline	
1 Service Line Replacements Costs	\$ 3,313,367	\$ 6,515,450				
2 Count of Service Lines Replaced	896	1,354				
3 Average Cost per Service Line Replaced	\$ 3,699	\$ 4,812	B1/B2		\$ 1,113	B3-A3

	Incremental Cost per Service	Service Replacements		Total Incremental Capital Cost	
7 Total Incremental Capital Investment for Service Line Responsibility	\$ 1,113	1,354	B1	\$ 1,507,002	A7-B7

Note: The service replacements included in this count were not replaced as part of a bare shutoff/loss non 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. 12-1423-GA-RDR

APRIL 30, 2012

DIRECT TESTIMONY OF JANICE M. BARRETT

1 INTRODUCTION

2 **Q. Please state your name and business address.**

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

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

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

12 **Q. Please describe your educational background.**

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

18 **Q. Please describe your professional experience.**

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

1 2001, I was employed by Prime Succession, Inc. where I served as
2 Director of Internal Audit. Since 2001, I have been employed by Vectren
3 and have held various Corporate Accounting positions. In March 2008, I
4 was promoted to Director of Regulatory and Plant Accounting.

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

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

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

11 A. Yes, I am.

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

15 A. Yes.

16 **Q. Have you previously testified before this Commission?**

17 A. Yes. I testified on behalf of VEDO in its previous Distribution Replacement
18 Rider ("DRR") cases, Case Nos. 10-0595-GA-RDR and 11-2776-GA-RDR.

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

20 A. My testimony in this proceeding will provide an explanation of the
21 calculation of the revenue requirement for VEDO's DRR, which includes

1 the bare steel and cast iron replacement program ("Replacement
2 Program"), natural gas riser replacement program and incremental costs
3 associated with the Company's assumption of service line responsibility. I
4 will also provide an explanation of the accounting procedures the Company
5 uses to record and segregate the costs recoverable in the DRR.

6 **Q. Please explain the exhibits to your testimony?**

7 A. The following exhibits are attached to my testimony:

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

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

10 Exhibit No. JMB-2a - Utility Plant Additions for Main Replacement Program

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 Exhibit No. JMB-4 - DRR Revenue Requirement Variance at December 31,
16 2011.

17 Exhibit No. JMB4a - DRR Recoveries by Tariff

18 **ACCOUNTING PROCEDURES**

19 **Q. Please explain the work order process that VEDO utilizes to**
20 **segregate and record the capital costs of the bare steel and cast iron**
21 **replacement and riser/service line replacement programs (collectively**
22 **"Programs") while the projects are under construction ("Program**
23 **Construction Costs").**

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

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

13 A. The DRR includes the construction costs of the Programs, as well as
14 engineering and project management, permitting, consulting services, site
15 preparation, equipment and installation, cost of retirement, an allocation of
16 administrative overhead, and other related expenses.

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

19 A. Yes, AFUDC has been recorded as part of the Program Construction Costs
20 in accordance with USoA and the 2011 AFUDC rate used for all other
21 VEDO construction projects was 8.53%.

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

3 A. VEDO ceases the accrual of AFUDC when each work order is placed in
4 *service and begins accruing PISCC at an annual rate of 7.02%, as*
5 provided in the Commission's order in Case No. 07-1080-GA-AIR. The net
6 PISCC deferred as of December 31, 2011 has been reflected on Exhibit
7 No. JMB-2, Line 11 for mains and Exhibit No. JMB-3, Line 18 for service
8 lines.

9 **Q. Please explain PISCC and how it works.**

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

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

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

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

3 A. In accordance with the USoA, the retirement of utility assets, at original
4 cost, and the retirement's related cost of removal made necessary by the
5 Replacement Program were charged to the associated depreciation
6 reserve(s). The Replacement Program's original cost retirements are
7 reflected on Exhibit No. JMB-2, Lines 4 and 9 for mains, and on Exhibit No.
8 JMB-3, Lines 7 and 8 and Lines 15 and 16 for service lines, and cost of
9 removal is reflected on Exhibit No. JMB-2, Line 8 for mains and Exhibit No.
10 JMB -3, Line 14 for service lines.

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

13 A. VEDO has reflected the incremental property tax (Exhibit No. JMB-2, Line
14 18 (mains) and Exhibit No. JMB-3, Line 25 (service lines and risers) and
15 annualized depreciation expense Exhibit No. JMB-2, Line 19 (mains) and
16 Exhibit No. JMB-3, Line 26 and 27 (service lines and risers)) based on the
17 net additions to plant in service shown on Exhibit No. JMB-2, Lines 5,
18 mains, and Exhibit No. JMB-3, Line 9, service lines. The annualized
19 depreciation expense was calculated using the depreciation rates
20 approved in VEDO's base rate case, Case No. 04-0571-GA-AIR, and
21 property tax expense is supported by Exhibit Nos. JMB-2f (mains) and
22 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-5

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, 2011 to baseline O&M expense of \$1,192,953 established in Case No. 07-1080-GA-AIR. VEDO witness Francis' Exhibit No. JMF-5 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.

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

2 A. Exhibit Nos. JMB-2 and JMB-3 represent the revenue requirement
3 calculation for VEDO's DRR rates based on net rate base at December 31,
4 2011 inclusive of PISCC and deferred taxes related to depreciation and
5 PISCC. Exhibit No. JMB-2 represents the revenue requirement calculation
6 for the main replacement program and Exhibit No. JMB-3 represents the
7 revenue requirement calculation for service line and riser replacements.

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

9 A. Exhibit Nos. JMB-2a and JMB-3a provide the balance of plant additions at
10 December 31, 2010, and actual plant additions by month for the twelve
11 months ended December 31, 2011 to determine utility plant additions at
12 December 31, 2011. Exhibit No. JMB-2a provides information for the main
13 replacement program and Exhibit No. JMB-3a provides information for the
14 service line and riser replacement programs.

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

16 A. Exhibit Nos. JMB-2b and JMB-3b provide the balance of the original cost of
17 plant retired under the Program as of December 31, 2010 as shown in
18 Case No. 11-2776-GA-RDR and actual original cost retired by month for
19 projects completed during the twelve months ended December 31, 2011 to
20 calculate the Replacement Program's total original cost retirements.
21 Exhibit No. JMB-2b provides information for the main replacement program

1 and Exhibit No. JMB-3b provides information for the service line and riser
2 replacement programs.

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

4 A. Exhibit Nos. JMB-2c and JMB-3c provide the balance of accumulated
5 depreciation at December 31, 2010, and the actual provision for
6 depreciation by month for the twelve months ended December 31, 2011 to
7 calculate the accumulated depreciation provision at December 31, 2011.
8 Exhibit No. JMB-2c provides information for the main replacement program
9 and Exhibit No. JMB-3c provides information for the service line and riser
10 replacement programs.

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

12 A. Exhibit Nos. JMB-2d and JMB-3d provide the balance of cost of removal at
13 December 31, 2010 and the actual cost of removal by month for the twelve
14 months ended December 31, 2011 to calculate the Program's total cost of
15 removal through December 31, 2011. Exhibit No. JMB-2d provides
16 information for the main replacement program and Exhibit No. JMB-3d
17 provides information for the service line and riser replacement programs.

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

19 A. Exhibit Nos. JMB-2e and JMB-3e provide the balance of the PISCC
20 regulatory asset at December 31, 2010, and the PISCC activity by month
21 for the twelve months ended December 31, 2011 to calculate the PISCC
22 regulatory asset balance at December 31, 2011. These schedules also

1 provide the amortization of PISCC by month for the twelve months ended
2 December 31, 2011, and an accumulated PISCC amortization balance at
3 December 31, 2011. Furthermore, these schedules provide the Net PISCC
4 Regulatory Asset at December 31, 2011. Exhibit No. JMB-2e provides
5 information for the main replacement program and Exhibit No. JMB-3e
6 provides information for the service line and riser replacement programs.

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

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

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

17 A. Exhibit Nos. JMB-2g (mains) and JMB-3g (service lines/risers) provide the
18 calculation of depreciation related deferred taxes for the Programs' capital
19 investments placed in service during 2009, 2010 and 2011.

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

21 A. Exhibit No. JMB-4 provides the calculation of the DRR variance at
22 December 31, 2011. This variance is associated with the DRR revenue

1 requirement for the twelve months ended December 31, 2011.

2 Exhibit No. JMB-4a reflects DRR recoveries by month by customer group

3 for the twelve months ended December 31, 2011.

4 **Q. Does this conclude your direct testimony?**

5 **A. Yes.**

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

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Mains Revenue Requirement	\$ 2,170,992	Exhibit No. JMB-2, Line 24
2	Service Lines Revenue Requirement	<u>6,453,000</u>	Exhibit No. JMB-3, Line 33
3	Annual DRR Revenue Requirement	<u><u>\$ 8,623,992</u></u>	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	<u>Plant In-Service at December 31, 2011</u>		
3	Additions - Main Replacements	\$ 19,150,236	Exhibit JMB-2a, Column C, Line 2
4	Original Cost - Retired Mains	\$ (505,092)	Exhibit JMB-2b, Column C, Line 2
5	Total Plant In-Service	\$ 18,645,144	Line 3 + Line 4
6	<u>Less: Accumulated Depreciation at December 31, 2011</u>		
7	Depreciation Expense - Mains	\$ (464,213)	Exhibit JMB-2c, Column C, Line 2
8	Cost of Removal - Mains	1,101,959	Exhibit JMB-2d, Column C, Line 2
9	Original Cost - Retired Mains	505,092	-Line 4
10	Total Accumulated Depreciation	\$ 1,142,838	Sum of Lines 7 - 9
11	Net Deferred Post In-Service Carrying Costs (PISCC) ⁽¹⁾	\$ 1,029,350	Exhibit JMB-2e, Column C, Line 4
12	Net Deferred Tax Balance - PISCC	\$ (360,273)	Line 11 x 35%
13	Deferred Taxes on Depreciation	\$ (5,089,446)	Exhibit No. JMB-2g, Line 18
14	Net Rate Base	\$ 15,367,613	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	\$ 1,793,400	Line 14 * Line 15
17	Operations and Maintenance Expenses		
18	Annualized Property Tax Expense	\$ 409,462	Exhibit No. JMB-2f, Line 17
19	Annualized Depreciation Expense	330,019	Line 5 x 1.77% ⁽¹⁾
20	Annualized PISCC Amortization Expense	15,920	Exhibit JMB-2e, Column D, Line 13
21	Annualized Maintenance Adjustment	(350,190)	(2)
22	Total Incremental Operating Expenses - Mains	\$ 405,211	Sum of Lines 18-21
23	Variance	\$ (27,619)	Exhibit JMB-4, Line 15
24	Total Annual Revenue Requirement - Mains	\$ 2,170,992	Line 16 + Line 22 + Line 23

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

(1) FERC Account 6/6 depreciation rate approved in Case No. 04-0571-GA-AIR.

(2) Support provided by VEDO Witness James Francis, Exhibit No. JMF-5, 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.

Vestren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Maine - Plant Additions
Twelve Months Ended December 31, 2011

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Balance at 12/31/2010	1/31/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	Balance at 12/31/2011	
1	Cumulative Balance														
2	Maine	\$ 2,283,313	\$ 2,295,041	\$ 12,295,041	\$ 12,383,328	\$ 13,115,196	\$ 13,861,026	\$ 14,736,595	\$ 15,733,210	\$ 16,866,105	\$ 18,170,383	\$ 19,151,377	\$ 19,773,446	\$ 19,502,236	To JMB-2, Line 3
3	Current Year Activity														
4	Maine	\$ 2,528	\$ -	\$ -	\$ 87,387	\$ 721,968	\$ 745,830	\$ 875,969	\$ 946,215	\$ 1,222,835	\$ 1,214,278	\$ 980,594	\$ 622,069	\$ (623,217)	Activity for Twelve Months Ended 12/31/2011 6,856,923

[illegible]

[illegible]

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Cost of Removal
Twelve Months Ended December 31, 2011

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Cost of Removal at 12/31/2010	12/31/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	Balance at 12/31/2011	
1	Cumulative Balance														
2	Mains	\$ 802,872	\$ 807,007	\$ 808,264	\$ 807,928	\$ 804,502	\$ 807,326	\$ 808,566	\$ 847,783	\$ 964,042	\$ 1,066,578	\$ 1,170,903	\$ 1,191,484	\$ 1,018,959	To JWB-2, Line 6
3	Current Year Activity														
4	Mains		\$ 4,165	\$ 1,227	\$ 13,664	\$ 12,574	\$ 32,824	\$ 38,240	\$ 41,217	\$ 46,255	\$ 62,536	\$ 84,325	\$ 20,581	\$ (89,505)	Activity for Twelve Months Ended 12/31/2011 269,987

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Mains - Post in Service Carrying Costs (PISCC)
Twelve Months Ended December 31, 2011

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	PISCC at 12/31/2010	1/31/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	Balance at 12/31/2011	
1	Cumulative Balance														
2	Mains PISCC	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536	\$ 597,536
3	Mains-PISCC Amortization	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)	\$ (504)
4	Deferred PISCC - Mains	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359	\$ 395,359
5	Current Year Activity														
6	2010 Mains - Deferred PISCC	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597
7	2011 Mains - Deferred PISCC	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
8	Total 2011 Deferred PISCC	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597	\$ 30,597
9	Mains PISCC Amortization	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)	\$ (126)
10	Annualized PISCC Amortization														
11	Cumulative PISCC at 7/31/2011	\$ 1,033,770													
12	Amortization %	7.54%													
13	Annualized PISCC Amortization	\$ 13,920													

Notes:
(1) FERC Account 676 depreciation rates average service life of 65 years as approved in Case No. CA-0571-CA-APR.

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

Line	Description	Amount				Reference
		2009	In Service Year 2010	2011	Total	
1	Mains Replacements - Book Value	\$ 7,062,973	\$ 5,230,340	\$ 6,856,923	\$ 19,150,236	Exhibit No. JMB-2, Line 3
2	Less: Capitalized Interest / AFUDC	(14,378)	(18,419)	(19,885)	\$ (52,682)	
3	Net Cost of Taxable Property	\$ 7,048,595	\$ 5,211,921	\$ 6,837,038	\$ 19,097,554	Line 1 + Line 2
4	% Good ⁽¹⁾	91.7%	95.0%	98.3%		
5	Tax Value	\$ 6,463,562	\$ 4,951,325	\$ 6,720,809	\$ 18,135,696	Line 3 x Line 4
6	x Valuation Percentage (25%) ⁽²⁾	25.0%	25.0%	25.0%	25.0%	
7	Taxable Value/Assessment	\$ 1,615,891	\$ 1,237,831	\$ 1,680,202	\$ 4,533,924	Line 5 x Line 6
8	VEDO's Average 2011 Personal Property Tax Rate				9.10%	
9	Annual Property Tax Expense - Main Replacements				\$ 412,587	Line 7 x Line 8
10	Mains Retired - Property Tax Basis	\$ (155,580)	\$ (91,239)	\$ (258,273)	\$ (505,092)	Exhibit No. JMB-2, Line 4
11	% Good ⁽³⁾	27.2%	27.2%	27.2%		
12	Tax Value	\$ (42,318)	\$ (24,817)	\$ (70,250)	\$ (137,385)	Line 10 x Line 11
13	x Valuation Percentage (25%) ⁽²⁾	25.0%	25.0%	25.0%	25.0%	
14	Taxable Value/Assessment	\$ (10,580)	\$ (6,204)	\$ (17,563)	\$ (34,346)	Line 12 x Line 13
15	VEDO's Average 2011 Personal Property Tax Rate				9.10%	
16	Annual Property Tax Reduction - Main Retirements				\$ (3,125)	Line 14 x Line 15
17	Annualized Property Tax Expense - Mains				\$ 409,462	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
		2009 (a)	In Service Year 2010 (b)	2011 Total	
1	Plant in Service at December 31, 2011.				
2	Mains - Bare Steel /Cast Iron Replacements	\$ 7,062,973	\$ 5,230,340	\$ 8,856,923	\$ 18,150,236
3	Book to Tax Basis Adjustment - Capitalized Interest	\$ (2,013)	\$ (2,579)	\$ (2,784)	\$ (7,375)
4	Book to Tax Basis Adjustment - 50% Bonus Depreciation	(3,530,450)	(2,327,524)	591,548	\$ (5,266,456)
5	Book to Tax Basis Adjustment - 100% Bonus Depreciation		(572,714)	(6,037,235)	(6,509,949)
6	Total Income Tax MACRS Depreciation Base	\$ 3,530,450	\$ 2,327,524	\$ (591,548)	\$ 5,266,456
7	Tax Depreciation:				
8	MACRS Rate - 15 Year	23.05%	14.50%		
9	MACRS Rate - 20 Year			3.75%	
10	MACRS Depreciation - 15 Year	\$ 813,776	\$ 337,497	\$ -	\$ 1,151,267
11	MACRS Depreciation - 20 Year			(22,183)	\$ (22,183)
12	Bonus Depreciation	3,530,450	2,900,238	7,445,687	\$ 13,876,405
13	Total Tax Depreciation	\$ 4,344,256	\$ 3,237,729	\$ 7,423,504	\$ 15,005,486
14	Book Depreciation:				
15	Mains				\$ 454,213
16	Tax Depreciation in Excess of Book Depreciation				\$ (14,541,275)
17	Federal Deferred Taxes at 35%				35%
18	Deferred Tax Balance at December 31, 2011 - Mains				\$ (5,089,456) (To Exhibit No. JMB-2 Line 13)

Notes:

- (1) Reference column is applicable to column 2011 under In Service Year section to the left.
- (2) Agrees to Exhibit JMB-3g in Case No. 11-2775-GA-RDR with exception of tax depreciation section (Lines 7 - 13). See Note 4 for tax depreciation formula.
- (3) Represents the sum of 2011 activity on work orders placed in service prior to October 1, 2010 and construction work in progress (CWIP) balance for work orders placed in service in 2011.
- (4) Per Internal Revenue Code (IRC) Sec. 169(e)(3)(E)(vii), gas utility distribution facilities placed in service before January 1, 2011 have a MACRS life of 15 years. For utility distribution facilities placed in service after January 1, 2011, MACRS life is 20 years per ISO Rev. Proc. 87-56. Below is the formula for tax depreciation by year:

Formula:			
Line 10 ÷ Line 6 × Line 8	2009	2010	2011
Line 11 ÷ Line 6 × Line 9	X	X	X

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

Line	Description	Amount	Reference
1	<u>Return on Investment:</u>		
2	<u>Plant In-Service at December 31, 2011</u>		
3	Additions - Services Replacements (Bare Steel/Cast Iron)	\$ 15,892,321	Exhibit JMB-3a, Column O, Line 2
4	Additions - Meter Installation (Bare Steel/Cast Iron)	3,381,357	Exhibit JMB-3a, Column O, Line 3
5	Additions - Services Replacements (Service Line Responsibility)	3,627,480	Exhibit JMB-3a, Column O, Line 4
6	Additions - Natural Gas Risers	17,262,601	Exhibit JMB-3a, Column O, Line 5
7	Original Cost - Retired Services	(119,068)	Exhibit JMB-3b, Column O, Line 2
8	Original Cost - Retired Meter Installation	(11,537)	Exhibit JMB-3b, Column O, Line 3
9	Total Plant In-Service	\$ 40,033,154	Sum of Lines 3 - 8
10	<u>Less: Accumulated Depreciation at December 31, 2011</u>		
11	Depreciation Expense - Services	\$ (1,106,444)	Exhibit JMB-3c, Column O, Line 2
12	Depreciation Expense - Meter Installation	(53,268)	Exhibit JMB-3c, Column O, Line 3
13	Depreciation Expense - Natural Gas Risers	(1,294,173)	Exhibit JMB-3c, Column O, Line 4
14	Cost of Removal - Services	1,266,839	Exhibit JMB-3d, Column O, Line 2
15	Original Cost - Retired Services	119,068	-Line 7
16	Original Cost - Retired Meter Installation	11,537	-Line 8
17	Total Accumulated Depreciation	\$ (1,056,441)	Sum of Lines 11 - 17
18	Net Deferred Post In-Service Carrying Costs (PISCC) ⁽¹⁾	\$ 1,961,468	Exhibit JMB-3e, Column O, Line 10
19	Net Deferred Tax Balance - PISCC	\$ (686,514)	-Line 19 x 35%
20	Deferred Taxes on Depreciation	\$ (9,978,694)	Exhibit No. JMB-3g, Line 30
21	Net Rate Base	\$ 30,272,773	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	\$ 3,532,833	Line 21 * Line 22
24	<u>Operations and Maintenance Expenses</u>		
25	Annualized Property Tax Expense	\$ 871,098	Exhibit No. JMB-3f, Line 24
26	Annualized Depreciation Expense - Services	1,928,491	(Line 1 + Lines 5-7) x 5.26% ⁽²⁾
27	Annualized Depreciation Expense - Meter Installation	61,331	(Line 4 + Line 8) x 1.82% ⁽³⁾
28	Annualized PISCC Amortization Expense	34,516	Exhibit No. JMB-3e, Column D, Line 33
29	Incremental O&M - Service Line Responsibility	86,335	(2)
30	Annualized Maintenance Adjustment	27,538	(4)
31	Total Incremental Operating Expenses - Service Lines	\$ 3,009,309	Sum of Lines 25-30
32	Variance ⁽⁴⁾	\$ (89,142)	Exhibit No. JMB-4, Column D, Line 18
33	Total Revenue Requirement - Service Lines	\$ 6,453,000	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 VEDD Witness James Francis, Exhibit No. JMF-5, 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 VEDD Witness James Francis, Exhibit No. JMF-5, Column C, Line 17.

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Plant Additions
Twelve Months Ended December 31, 2011

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Balance at 12/31/2010	Reference	1/31/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	Balance at 12/31/2011
1	Cumulative Balance														
2	Services	\$ 7,492,051		\$ 7,499,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967	\$ 7,495,967
3	Meter Installation	\$ 1,227,792		\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980	\$ 1,227,980
4	Service Line Responsibility	\$ 2,120,478		\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478	\$ 2,120,478
5	Risers	\$ 11,797,455		\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455	\$ 11,797,455
6	Total Service Line Additions	\$ 22,637,776		\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776	\$ 22,637,776
7	Current Year Activity														
8	Services	\$ 1,816		\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816	\$ 1,816
9	Meter Installation	\$ 188		\$ 188	\$ 188	\$ 188	\$ 188	\$ 188	\$ 188	\$ 188	\$ 188	\$ 188	\$ 188	\$ 188	\$ 188
10	Service Line Responsibility	\$ 15,955		\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955	\$ 15,955
11	Risers	\$ 71,719		\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719	\$ 71,719
12	Total Service Line Additions	\$ 280,586		\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586	\$ 280,586

Activity for Twelve Months Ended 12/31/2011

Vectren Energy Delivery of Ohio
Distribution System Retirement Plan (DRP)
Service Lines - Retirement
Twelve Months Ended December 31, 2011

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
Line No.	Description	Retirements at 12/31/2010	7/31/2011	2/28/2012	8/31/2013	4/30/2013	9/30/2013	5/31/2013	10/31/2013	6/30/2013	11/30/2013	12/31/2013	1/30/2014	Total Retirements for Work Orders Placed in Service by 12/31/2013		
1	Cumulative Balance															
2	Services	\$ 69,763	\$ (65,263)	\$ (69,723)	\$ (65,263)	\$ (69,263)	\$ (65,263)	\$ (69,263)	\$ (67,324)	\$ (67,324)	\$ (102,227)	\$ (102,227)	\$ (11,306)	\$		(11,306)
3	Member Deductions	\$ (6,422)	\$ (6,424)	\$ (5,424)	\$ (5,424)	\$ (6,424)	\$ (6,424)	\$ (7,341)	\$ (7,341)	\$ (7,341)	\$ (8,756)	\$ (8,756)	\$ (11,647)	\$		(11,647)
4	Current Year Activity															
5	Services	\$	\$	\$	\$	\$	\$	\$ (1,305)	\$ (1,305)	\$	\$	\$	\$ (8,733)	\$	\$ (6,064)	\$ (6,064)
6	Member Deductions	\$ (2)	\$	\$	\$	\$	\$	\$ (917)	\$ (917)	\$	\$	\$	\$ (1,068)	\$	\$ (310)	\$ (310)
Retirements for Work Orders Placed in Service by 12/31/2013																
149,705																
15,145																

Retirements for Work Orders Placed in Service by 12/31/2013

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Depreciation
Twelve Months Ended December 31, 2011

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	1/31/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	12/31/2011		
1	Cumulative Balance														
2	Services (*)	\$ (492,106)	\$ (464,577)	\$ (507,381)	\$ (551,023)	\$ (586,623)	\$ (645,436)	\$ (697,723)	\$ (753,516)	\$ (815,793)	\$ (876,634)	\$ (950,624)	\$ (1,025,441)	\$ (1,064,444)	To JWB-3, Line 11
3	Minor Installation	\$ (20,507)	\$ (22,360)	\$ (24,213)	\$ (26,076)	\$ (28,014)	\$ (30,113)	\$ (32,437)	\$ (35,033)	\$ (37,862)	\$ (41,221)	\$ (44,829)	\$ (48,708)	\$ (53,288)	To JWB-3, Line 12
4	Natural Gas Risers	\$ (524,355)	\$ (576,416)	\$ (622,072)	\$ (682,351)	\$ (737,863)	\$ (797,189)	\$ (860,013)	\$ (926,358)	\$ (995,787)	\$ (1,068,373)	\$ (1,143,051)	\$ (1,218,516)	\$ (1,294,173)	To JWB-3, Line 13
5	Current Year Activity	1/31/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	12/31/2011		2011 Depreciation Expense
6	BSCl Service Lines	\$ (32,870)	\$ (32,874)	\$ (33,061)	\$ (34,403)	\$ (37,055)	\$ (38,980)	\$ (42,920)	\$ (46,814)	\$ (51,711)	\$ (56,229)	\$ (60,807)	\$ (65,285)	\$ (69,688)	
7	Incremental Service Line Responsibility	\$ (3,357)	\$ (3,950)	\$ (4,571)	\$ (5,207)	\$ (5,759)	\$ (6,352)	\$ (6,992)	\$ (7,681)	\$ (8,419)	\$ (9,159)	\$ (9,900)	\$ (10,641)	\$ (11,382)	
8	Services (*)	\$ (42,421)	\$ (42,864)	\$ (43,632)	\$ (44,630)	\$ (46,813)	\$ (48,813)	\$ (52,267)	\$ (55,795)	\$ (60,275)	\$ (65,841)	\$ (70,950)	\$ (74,817)	\$ (78,003)	
9	Minor Installation	\$ (1,453)	\$ (1,853)	\$ (1,865)	\$ (1,936)	\$ (2,099)	\$ (2,324)	\$ (2,596)	\$ (2,919)	\$ (3,269)	\$ (3,608)	\$ (3,980)	\$ (4,352)	\$ (4,781)	
10	Natural Gas Risers	\$ (52,062)	\$ (52,686)	\$ (53,244)	\$ (55,632)	\$ (59,236)	\$ (63,624)	\$ (68,345)	\$ (73,424)	\$ (78,581)	\$ (84,678)	\$ (90,655)	\$ (96,657)	\$ (102,617)	

Notes:

(*) This line includes operation activity for utility plant additions for BSCl service replacements and service line responsibility.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	Cost of Removal at: 12/31/2010	1/31/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	Balance at 12/31/2011	
1	Cumulative Balance														
2	Services	\$ 623,036	\$ 627,346	\$ 631,587	\$ 654,629	\$ 670,348	\$ 714,002	\$ 771,130	\$ 814,268	\$ 863,096	\$ 916,853	\$ 1,030,171	\$ 1,052,188	\$ 1,289,819	To JWB-3, Line 14
3	Current Year Activity														Activity for Twelve Months Ended 12/31/2011
4	Services	\$ 4,312	\$ 4,239	\$ 4,364	\$ 23,942	\$ 15,719	\$ 43,664	\$ 57,178	\$ 43,135	\$ 42,427	\$ 112,557	\$ 54,518	\$ 22,018	\$ 214,650	\$ 643,803

Vectren Energy Delivery of Ohio
Distribution Replacement Rider (DRR)
Service Lines - Post in Service Carrying Costs (PISCC)
Twelve Months Ended December 31, 2011

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Line No.	Description	PISCC at 12/31/2010	1/31/2011	2/28/2011	3/31/2011	4/30/2011	5/31/2011	6/30/2011	7/31/2011	8/31/2011	9/30/2011	10/31/2011	11/30/2011	12/31/2011	Balance at 12/31/2011
1	Cumulative Balance														
2	Service Lines PISCC	\$ 372,371	\$ 352,108	\$ 375,811	\$ 394,462	\$ 418,056	\$ 436,143	\$ 459,409	\$ 526,561	\$ 572,558	\$ 587,885	\$ 630,177	\$ 666,264	\$ 703,544	
3	Net Initial Rider PISCC (3)	\$ 47,884	\$ 50,717	\$ 53,550	\$ 56,383	\$ 59,216	\$ 62,049	\$ 64,882	\$ 67,715	\$ 70,548	\$ 73,381	\$ 76,214	\$ 79,047	\$ 81,880	\$ 112,717
4	Service Line Responsibility PISCC	\$ 82,067	\$ 99,941	\$ 106,416	\$ 114,866	\$ 123,756	\$ 133,691	\$ 144,158	\$ 155,301	\$ 167,408	\$ 179,858	\$ 193,112	\$ 207,307	\$ 222,452	\$ 197,566
5	Deferred PISCC	\$ 452,188	\$ 459,761	\$ 528,150	\$ 587,352	\$ 638,718	\$ 695,845	\$ 759,900	\$ 830,455	\$ 908,219	\$ 994,119	\$ 1,088,602	\$ 1,191,524	\$ 1,304,333	\$ 948,333
6	Class Deferred PISCC - Services	\$ 920,525	\$ 991,527	\$ 1,063,567	\$ 1,136,217	\$ 1,209,739	\$ 1,283,658	\$ 1,357,958	\$ 1,432,643	\$ 1,507,724	\$ 1,583,201	\$ 1,659,074	\$ 1,735,342	\$ 1,812,005	\$ 1,987,780
7	Service Lines PISCC Amortization	\$ (138)	\$ (420)	\$ (564)	\$ (719)	\$ (877)	\$ (1,038)	\$ (1,201)	\$ (1,367)	\$ (1,535)	\$ (1,705)	\$ (1,877)	\$ (2,051)	\$ (2,227)	\$ (6,700)
8	Net Initial Rider PISCC Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (282)
9	Accumulated PISCC Amortization - Services	\$ (138)	\$ (420)	\$ (564)	\$ (719)	\$ (877)	\$ (1,038)	\$ (1,201)	\$ (1,367)	\$ (1,535)	\$ (1,705)	\$ (1,877)	\$ (2,051)	\$ (2,227)	\$ (6,700)
10	Net Deferred PISCC - Services	\$ 525,188	\$ 601,107	\$ 685,453	\$ 771,428	\$ 858,960	\$ 947,560	\$ 1,037,258	\$ 1,128,036	\$ 1,218,943	\$ 1,309,996	\$ 1,401,201	\$ 1,492,526	\$ 1,583,951	\$ 1,981,488
11	Current Year Activity														
12	2010 Service Lines - Deferred PISCC	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 23,732	\$ 168,846
13	2011 Service Lines - Deferred PISCC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,317
14	Total 2011 Services Deferred PISCC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,317
15	2010 Meter Installation - Deferred PISCC	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 27,256
16	2011 Meter Installation - Deferred PISCC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,222
17	Total 2011 Meter Installation Deferred PISCC	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 2,783	\$ 31,478
18	2010 Service Line Responsibility - Deferred PISCC	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 8,447	\$ 84,478
19	2011 Service Line Responsibility - Deferred PISCC	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 142	\$ 1,420
20	Total 2011 Service Line Responsibility Deferred PISCC	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 8,589	\$ 85,898
21	2010 Resins - Deferred PISCC	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 37,091	\$ 370,911
22	2011 Resins - Deferred PISCC	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 502	\$ 5,020
23	Total 2011 Resins Deferred PISCC	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 37,593	\$ 375,931
24	Services PISCC Amortization	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (84)	\$ (840)
25	Meter Installation PISCC Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
26	Annualized PISCC Amortization														
27	Net Deferred Service Lines PISCC at 12/31/2011	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643	\$ 1,955,643
28	Amortization % (1)														
29	Annualized Service Lines PISCC Amortization	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 354,744
30	Net Deferred Meter Installation PISCC at 12/31/2011	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 112,217	\$ 1,122,177
31	Amortization % (1)														
32	Annualized Meter Installation PISCC Amortization	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 2,822	\$ 28,222
33	Total Annualized Services PISCC Amortization														
	To JWB-3, Line 28	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 35,474	\$ 354,744

Notes:
(1) PERC Account 680 depreciation rate's average service life of 57 years, as approved in Case No. 04-0577 CA-AIR.
(2) FLAC Account 552 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
		2009	In Service Year 2010	2011	Total
1	Service and Meter Installation Replacements - Book Value	\$ 5,166,699	\$ 5,651,622	\$ 12,000,897	\$ 22,901,158
2	Less: Capitalized Interest / AFUDC	(8,636)	(16,322)	(34,638)	(59,596)
3	Net Cost of Taxable Property	\$ 5,160,063	\$ 5,635,300	\$ 12,026,199	\$ 22,841,562
4	% Good ⁽¹⁾	91.7%	95.0%	98.3%	
5	Tax Value	\$ 4,750,118	\$ 5,353,535	\$ 11,821,753	\$ 21,925,406
6	x Valuation Percentage (25%) ⁽²⁾	25.0%	25.0%	25.0%	25.0%
7	Taxable Value / Assessment	\$ 1,187,530	\$ 1,338,384	\$ 2,955,438	\$ 5,481,352
8	VEDO's Average 2011 Personal Property Tax Rate				9.10%
9	Annual Property Tax Expense - Service Line Replacements				\$ 498,803
10	Services and Meter Installation Retired - Property Tax Basis	\$ (24,360)	\$ (51,345)	\$ (54,900)	\$ (130,605)
11	% Good ⁽¹⁾	27.2%	27.2%	27.2%	27.2%
12	Tax Value	\$ (6,626)	\$ (13,966)	\$ (14,933)	\$ (35,525)
13	x Valuation Percentage (25%) ⁽²⁾	25.0%	25.0%	25.0%	25.0%
14	Taxable Value / Assessment	\$ (1,657)	\$ (3,452)	\$ (3,733)	\$ (8,881)
15	VEDO's Average 2011 Personal Property Tax Rate				9.10%
16	Annual Property Tax Reduction - Service Line Retirements				\$ (808)
17	Risers Replacements - Book Value	\$ 5,451,132	\$ 6,340,363	\$ 5,471,106	\$ 17,262,601
18	% Good ⁽¹⁾	91.7%	95.0%	98.3%	
19	Tax Value	\$ 4,998,688	\$ 6,023,345	\$ 5,378,087	\$ 16,400,130
20	x Valuation Percentage (25%) ⁽²⁾	25.0%	25.0%	25.0%	25.0%
21	Taxable Value / Assessment	\$ 1,249,672	\$ 1,505,836	\$ 1,344,524	\$ 4,100,033
22	VEDO's Average 2011 Personal Property Tax Rate				9.10%
23	Annual Property Tax Expense - Natural Gas Risers				\$ 373,103
24	Annualized Property Tax Expense - Service Lines				\$ 871,098
					(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 G(2) Distribution Plant

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

Line	Description	2009 (1)	In Service Year 2010 (2)	2011 (3)	Total	2011 Reference (1)
1	Plant In Service at December 31, 2011:					
2	Assets Eligible for 50% Bonus Depreciation					(3)
3	Service Additions - Bare Steel/Cast Iron Replacements	\$ 3,441,221	\$ 3,640,145	\$ 825,438	\$ 7,906,804	(3)
4	Major Installation Additions - Bare Steel/Cast Iron Replacements	746,228	300,431	370,471	1,417,130	(3)
5	Service Additions - Service Line Ownership	1,001,250	962,436	-	1,963,686	
6	Additions of Natural Gas Risers	5,451,132	5,552,275	-	11,003,407	
7	Total Plant In Service - Eligible for 50% Bonus Depreciation	\$ 10,639,831	\$ 10,515,227	\$ 1,195,909	\$ 22,350,967	Sum of Lines 2 - 5
8	Assets Eligible for 100% Bonus Depreciation					
9	Service Additions - Bare Steel/Cast Iron Replacements	\$ -	\$ 476,680	\$ 7,568,832	\$ 8,045,512	Exhibit No. JMB-3a, Column F, Line 8 - Line 2
10	Major Installation Additions - Bare Steel/Cast Iron Replacements	-	115,133	1,189,384	\$ 1,304,517	Exhibit No. JMB-3a, Column F, Line 9 - Line 3
11	Service Additions - Service Line Ownership	-	188,732	1,507,002	\$ 1,695,734	Exhibit No. JMB-3a, Column F, Line 10
12	Additions of Natural Gas Risers	-	788,148	5,471,105	\$ 6,259,253	Exhibit No. JMB-3a, Column F, Line 11
13	Total Plant In Service - Eligible for 100% Bonus Depreciation	\$ -	\$ 1,474,739	\$ 16,336,324	\$ 17,811,062	Sum of Lines 7 - 11
14	Total: Plant In Service at December 31, 2011	\$ 10,639,831	\$ 11,989,966	\$ 17,831,943	\$ 40,461,750	Exhibit No. JMB-3, Lines 3-6
15	Excess to Tax Basis Adjustment - Capitalized Interest	\$ (1,120)	\$ (2,285)	\$ (4,849)	\$ (8,254)	(Line 8) * 50% - Line 11 - Line 13
16	Excess to Tax Basis Adjustment - Bonus Depreciation	\$ (5,319,311)	\$ (6,732,230)	\$ (16,579,139)	\$ (28,630,680)	Sum of Lines 12 - 14
17	Total Income Tax MACRS Depreciation Base	\$ 5,319,311	\$ 5,257,451	\$ 987,855	\$ 11,564,617	
18	Tax Depreciation:					
19	MACRS - 5 Year Rate	23.05%	14.50%			(4)
20	MACRS - 20 Year Rate	-7.65%	-10.75%	3.75%		(4)
21	MACRS - 15 Year	1.140,358	\$ 736,202	\$ -	\$ 1,876,560	(4)
22	MACRS - 20 Year	65,840	19,708	22,423	\$ 108,031	(4)
23	Bonus Depreciation	5,319,311	6,732,230	16,579,139	\$ 28,630,680	Sum of Lines 15 - 21
24	Total Tax Depreciation	\$ 6,575,249	\$ 7,488,200	\$ 19,581,562	\$ 33,544,011	
25	Book Depreciation:					
26	Services				\$ 1,105,444	Exhibit No. JMB-3, Line 11
27	Major Installation				53,268	Exhibit No. JMB-3, Line 12
28	Natural Gas Risers				1,254,772	Exhibit No. JMB-3, Line 13
29	Total Book Depreciation				\$ 2,413,484	Sum of Lines 24 - 26
30	Deferred Tax Balance at December 31, 2011 - Service Lines				\$ (28,511,269)	Line 27 - Line 22
31	Federal Deferred Taxes at 35%				35%	
32	Deferred Tax Balance at December 31, 2011 - Service Lines				\$ (9,878,894)	Line 28 + Line 29

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

Notes:

- (1) Reference column is applicable to column 2011 under In Service Year section to the left.
- (2) Agrees to Exhibit JMB-3g in Case No. 11-2776-GA-RDR with exception of tax depreciation section. See Note 4 for tax depreciation form-L-3.
- (3) Represents the sum of 2011 activity or work orders placed in service prior to October 1, 2010 and construction work in progress (CWIP) balance for work orders placed in service in 2011.
- (4) Per Internal Revenue Code (IRC) Section 165(e)(3)(E)(ii), gas utility distribution facilities placed in service before January 1, 2011 have a MACRS life of 15 years. For utility distribution facilities placed in service after January 1, 2011, MACRS life is 20 years per IRC Reg. 1.165-6(e)(3)(E)(ii). Please note that meter installation is not considered a facility; therefore, 20 MACRS has been applied to meter installation balances in 2009, 2010, 2011. Below is the formula for tax depreciation by year:

Formula:	2009	2010	2011
Line 19 = (Line 8 - Line 3 - Line 21) * 50% * Line 17	X	X	X
Line 20 = Line 3 - 50% * Line 19	X	X	X
Line 22 = Line 8 * 50% * Line 19			X

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

Line	Description	Total	Reference
1	Revenue requirement for January 2011 - August 2011 per Case No. 10-0595 GA RDR, Exhibit SFA-S4, Page 5 of 5, Line 14	\$ 1,852,989	
2	Less: DRR Recoveries January 2011 - August 2011	(1,850,842)	-(Sum of Lines 19-20)
3	DRR (Over)/Under Recovery for Eight Months Ended August 31, 2011	\$ (97,853)	Line 1 + Line 2
4	Revenue requirement for September 2011 - December 2011 per Case No. 11-2776 GA-RDR, Exhibit SFA-S1, Page 5 of 5, Line 5	\$ 1,852,002	
5	Less: DRR Recoveries September 2011 - December 2011	(1,871,110)	-(Sum of Lines 27-30)
6	DRR (Over)/Under Recovery for Four Months Ended December 31, 2011	\$ (19,108)	Line 4 + Line 5
7	DRR (Over)/Under Recovery for Twelve Months Ended December 31, 2011	\$ (116,761)	Line 3 + Line 6

8 (Over)/Under Recovery - Mains and Services Allocation

Description	Revenue Requirement	%	DRR Variance Allocation	
2010	A ⁽¹⁾	B	C = Line 3 * B	
9 Mains	\$ 651,463	23.0%	\$ (22,460)	
10 Services	2,135,276	77.0%	(75,193)	
11 Total	\$ 2,786,741	100.0%	\$ (97,653)	Line 3
2011	D ⁽²⁾	E	F = Line 6 * E	
12 Mains	\$ 1,505,821	27.0%	\$ (5,159)	
13 Services	4,035,204	73.0%	(13,949)	
14 Total	\$ 5,540,825	100.0%	\$ (19,108)	Line 6
15 Total Main (Over) Recovery Variance			\$ (27,619)	Line 9 + Line 12 To JMB-2, Line 23
16 Total Services (Over) Recovery Variance			\$ (89,142)	Line 10 + Line 13 To JMB-3, Line 32

17 DRR Recoveries by Month:

	Recovery - \$	Reference
19 January 2011	\$ 307,654	Exhibit No. JMB-4a, Column H, Line 1
20 February 2011	283,198	Exhibit No. JMB-4a, Column H, Line 2
21 March 2011	257,022	Exhibit No. JMB-4a, Column H, Line 3
22 April 2011	236,920	Exhibit No. JMB-4a, Column H, Line 4
23 May 2011	219,933	Exhibit No. JMB-4a, Column H, Line 5
24 June 2011	217,142	Exhibit No. JMB-4a, Column H, Line 6
25 July 2011	213,610	Exhibit No. JMB-4a, Column H, Line 7
26 August 2011	215,183	Exhibit No. JMB-4a, Column H, Line 8
27 September 2011	369,021	Exhibit No. JMB-4a, Column H, Line 9
28 October 2011	497,278	Exhibit No. JMB-4a, Column H, Line 10
29 November 2011	472,480	Exhibit No. JMB-4a, Column H, Line 11
30 December 2011	533,331	Exhibit No. JMB-4a, Column H, Line 12
31 Total DRR Recoveries	\$ 3,821,752	

Notes:

- (1) Revenue Requirement per Case No. 10-0595 GA RDR (Exhibit SFA-S4, Page 1 of 5)
(2) Revenue Requirement per Case No. 11-2776 GA-RDR (Exhibit SFA-S1, Page 1 of 5)

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

Line	A	B	C	D	DRR Recoveries				H
					310/311/315	320/321/325 - Grp 1	341	320/321/325 - Grp 2	
1	Jan-11	\$ 187,480	\$ 10,420	\$ 6	\$ 79,228	\$ 9,449	\$ 21,071	\$ 307,654	
2	Feb-11	186,382	10,205	6	60,636	6,594	19,375	283,198	
3	Mar-11	186,341	10,092	6	36,313	5,755	18,515	257,022	
4	Apr-11	183,817	10,045	6	24,376	3,749	14,927	236,920	
5	May-11	183,231	9,912	6	9,467	3,260	14,058	219,933	
6	Jun-11	183,656	9,743	2	7,707	2,801	13,233	217,142	
7	Jul-11	181,154	9,810	3	7,390	2,562	12,692	213,610	
8	Aug-11	181,040	9,847	3	7,770	3,105	13,397	215,163	
9	Sep-11	309,205	16,273	4	17,205	7,028	18,307	368,021	
10	Oct-11	409,784	22,590	18	33,001	9,936	21,969	497,278	
11	Nov-11	357,167	18,950	13	61,607	11,444	23,298	472,480	
12	Dec-11	372,598	20,431	13	99,609	13,537	27,142	533,331	
13	Total	\$ 2,921,834	\$ 158,317	\$ 90	\$ 444,309	\$ 79,218	\$ 217,983	\$ 3,821,752	

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. 12-1423-GA-RDR

APRIL 30, 2012

1 **DIRECT TESTIMONY OF SCOTT E. ALBERTSON**

2

3 **INTRODUCTION**

4 **Q. Please state your name and business address.**

5 A. Scott E. Albertson

6 One Vectren Square

7 Evansville, Indiana 47708

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

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

16 **Q. Please describe your educational background.**

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

19 **Q. Are you a Registered Professional Engineer?**

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

1 **Q. Please describe your professional experience.**

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

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

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

15 **Q. Have you previously testified before this Commission?**

16 A. Yes. I filed testimony in the Company's most recent general rate case,
17 Case No. 07-1080-GA-AIR; its Merchant Function Exit proceeding, Case
18 No. 07-1285-GA-EXM; its 2010 Distribution Replacement Rider ("DRR")
19 proceeding, Case No. 10-0595-GA-RDR ("2010 DRR Filing"); its 2011
20 DRR proceeding, Case No. 11-2776-GA-RDR ("2011 DRR Filing"); and in
21 a number of other proceedings.

1 **Q. What is the purpose of your testimony in this proceeding (“2012 DRR**
2 **Filing”)?**

3 A. My testimony in this proceeding supports the proposed DRR charges, as
4 well as the proposed tariff sheet, and associated bill impacts.

5 **Q. What exhibits are attached to your testimony?**

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

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

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

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

12 **BACKGROUND**

13 **Q. What is the DRR?**

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

18 ▪ a return on and of investments made by the Company under an
19 accelerated bare steel and cast iron pipeline replacement program
20 (“Replacement Program”), inclusive of capitalized interest (or post-
21 in-service carrying costs (“PISCC”)) associated with the
22 Replacement Program,

- 1 ▪ the actual deferred costs resulting from compliance with the
- 2 Commission-ordered riser investigation in Case No. 05-463-GA-
- 3 COI,
- 4 ▪ the costs associated with the replacement of prone-to-fail risers over
- 5 a five year period ("Riser Program"), and
- 6 ▪ the incremental costs of assuming responsibility for service lines.

7 Savings of certain Operation and Maintenance ("O&M") expenses are

8 also included as a credit in the derivation of the DRR revenue

9 requirement.

10 **Q. Are you familiar with the Stipulation and Recommendation approved**

11 **by the Commission in Case No. 10-595-GA-RDR ("the 2010 DRR**

12 **Stipulation") and the Stipulation and Recommendation approved by**

13 **the Commission in Case No. 11-2776-GA-RDR ("the 2011 DRR**

14 **Stipulation")?**

15 A. Yes, I am.

16 **Q. Please describe the 2010 DRR Stipulation.**

17 A. The 2010 DRR Stipulation indicated that VEDO should work with Staff prior

18 to filing its next DRR application, the 2011 DRR Filing, in order to include

19 more detailed schedules as described in Staff's comments filed in Case

20 No. 10-595-GA-RDR and that VEDO should make two (2) changes to the

21 DRR revenue requirement filed in the 2010 DRR Filing which resulted in

22 revised DRR rates.

1 **Q. Please describe the 2011 DRR Stipulation.**

2 A. The 2011 DRR Stipulation indicated that VEDO should make two (2)
3 changes to the DRR revenue requirement filed in the 2011 DRR Filing
4 which resulted in revised DRR rates. Those changes included adjusting
5 the revenue requirement by \$4,832 to eliminate the compounding of
6 PISCC and by \$18,468 to reflect the most current interpretations and
7 guidance available for the tax treatment of depreciation.

8 **Q. Did VEDO comply with the terms of the 2010 and 2011 DRR**
9 **Stipulations?**

10 A. Yes. VEDO modified its schedules per the 2010 DRR Stipulation. VEDO
11 also modified its 2011 DRR Filing as described above and as per the 2011
12 DRR Stipulation in its DRR Stipulation Exhibit 1 and implemented revised
13 DRR rates resulting from those modifications. VEDO's 2012 DRR Filing is
14 consistent with those same modifications related to the classification of
15 meter move-out costs and permitting costs (as per the 2010 DRR
16 Stipulation) and the elimination of the compounding PISCC and tax
17 treatment of depreciation (as per the 2011 DRR Stipulation).

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

19 A. As more fully described in VEDO witness James M. Francis' testimony,
20 VEDO customers will realize significant benefits as a direct result of the
21 Replacement and Riser Programs and the DRR mechanism. Because the
22 Company is provided an opportunity to more quickly recover its
23 investments under the programs, VEDO's customers will more quickly

1 realize enhanced service reliability levels than would be realized under a
2 more traditional regulatory paradigm. Over time, customers will also
3 benefit from a diminution of O&M costs related to distribution mains.
4 Moreover, the elimination of active leaks achieved by replacement of bare
5 steel and cast iron pipelines in a given year will result in a reduced level of
6 O&M expenses reflected in the DRR and/or base rates prospectively.
7 Finally, customers are no longer required to directly bear the out-of-pocket
8 cost of service line repair or replacement since the Company has assumed
9 that responsibility.

10 **PROPOSED DRR**

11 **Q. Please describe the DRR proposed herein.**

12 A. VEDO has proposed a DRR based upon Replacement Program and Riser
13 Program costs for all projects placed in service as of December 31, 2011.
14 The DRR revenue requirement proposed by VEDO witness Janice M.
15 Barrett, which also includes the other cost components described
16 previously, is used to derive the DRR charges which are presented in the
17 attached Exhibit No. SEA-1, Pages 1 through 5.

18 **Q. Please describe Exhibit No. SEA-1.**

19 A. Exhibit No. SEA-1 contains the filing schedules to support the derivation of
20 the Company's proposed DRR.

21 Exhibit No. SEA-1, Page 1 of 5 shows the derivation of the DRR revenue
22 requirement and charges by rate schedule. The rate schedule allocation

1 factors from page 2 of 5 (described below) are multiplied by the total
2 revenue requirement (from Exhibit No. JMB-1) to determine the allocated
3 revenue requirement by rate schedule. For residential (Rates 310, 311
4 and 315), small general service (Group 1 customers served under Rates
5 320, 321 and 325; hereinafter referred to as "Group 1 Customers"), and
6 Rate 341 customers, the allocated revenue requirement for each rate
7 schedule is then divided by the number of customers in each rate
8 schedule, and then divided by 12, to determine the monthly DRR charge
9 applicable to customers in those rate schedules. For larger customers
10 (Group 2 and Group 3 customers under Rates 320, 321 and 325,
11 hereinafter referred to as "Group 2 and Group 3 Customers") and all
12 customers receiving service under Rates 345 and 360, the allocated
13 revenue requirement for each rate schedule is divided by the projected
14 annual throughput for each rate schedule to determine the DRR charge per
15 Ccf applicable to those rate schedules.

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

20 Exhibit No. SEA-1, Page 3 of 5 shows how the general service customer
21 revenue requirement allocation is determined. Due to the similarity in
22 facilities required to serve Group 1 Customers and those required to serve
23 residential customers, and consistent with the Commission's order in Case

1 No. 07-1080-GA-AIR, VEDO presents a DRR charge to Group 1
2 *Customers equal to the DRR charge applicable to residential customers.*
3 The residential DRR charge is multiplied by the number of Group 1
4 Customers, with that result multiplied by 12 to determine the annual DRR
5 revenue requirement to be recovered from Group 1 Customers. The
6 Group 1 Customer revenue requirement is then subtracted from the total
7 revenue requirement allocated to Rates 320, 321 and 325. The resulting
8 amount is then divided by the projected annual throughput for Group 2 and
9 Group 3 Customers to determine the DRR charge per Ccf applicable to
10 those customers.

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

13 Exhibit No. SEA-1, Page 5 of 5 identifies the recoveries applicable to the
14 periods September 2012 through December 2012 and January 2013
15 through August 2013. These are the twelve months during which the
16 proposed DRR is projected to be in effect. The purpose of this schedule is
17 to provide the basis for determining the revenue requirement recovery
18 variance applicable to the period of September through December 2012,
19 since in the next annual DRR filing VEDO will reconcile actual costs and
20 actual recoveries through December 2012¹. The variance determined on
21 Exhibit No. JMB-4, Page 1 of 1 in this proceeding is allocated to mains and

¹ Recoveries applicable to January through August 2012 were included in the determination of the final DRR revenue requirement in the 2011 DRR Filing.

1 services based upon the approved revenue requirement in VEDO's 2011
2 DRR Filing. The allocated variances are added to the annual revenue
3 requirements for mains and services, shown on Exhibit No. JMB-2 and
4 Exhibit No. JMB-3 respectively, for investments made in 2011. Likewise, in
5 the 2013 DRR filing the variance applicable to the period of January
6 through August 2013 will be based upon the recoveries for that period as
7 identified on Page 5. My testimony in Case No. 07-1080-GA-AIR
8 supported this methodology.

9 **Q. Please describe Exhibit No. SEA-2.**

10 A. Exhibit No. SEA-2, Page 1 of 1 illustrates the proposed DRR tariff sheet
11 containing the proposed DRR charges. Tariff Sheet No. 45, Sixth Revised
12 Page 2 of 2 will replace the currently effective Fifth Revised Page 2 of 2.

13 **Q. Please describe Exhibit No. SEA-3.**

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

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

18 A. Yes, the Company has filed an application for approval of the successor
19 DRR charge. The application has been served electronically on the Parties
20 to the Approved Stipulation and includes all supporting information for the
21 costs incurred in calendar year 2011. As contained in VEDO witness
22 Francis' testimony, the Company is providing a summary of its construction

1 plans for 2012 including expected investment, expected location of the
2 infrastructure replacement work and the expected miles of pipe to be
3 replaced. Finally, the Company has not exceeded the cap on DRR
4 charges consistent with the Approved Stipulation.

5 **Q. Please elaborate on the approved cap.**

6 A. As per the Approved Stipulation, the monthly DRR charge applicable to
7 Residential and Group 1 Customers in the first annual DRR application (the
8 2010 DRR Filing) could not exceed \$1.00 per customer. The cap for
9 successor DRR charges applicable to Residential and Group 1 Customers
10 may increase in increments of \$1.00 per year, beginning with the DRR
11 charge proposed by the Company in the 2011 DRR Filing. Since the
12 currently effective DRR charge for Residential and Group 1 Customers is
13 less than \$2.00 per customer per month, and the corresponding DRR
14 charge proposed herein is less than \$3.00 per customer per month, the
15 Company has complied with the Approved Stipulation in this regard.

16 **Q. Has VEDO had the opportunity to recover all costs associated with**
17 **the Commission-ordered riser investigation?**

18 A. Yes. VEDO implemented initial DRR charges on March 1, 2009 which
19 were designed to recover deferred expenses through July 2008 associated
20 with the Commission-ordered riser investigation. In compliance with the
21 Approved Stipulation, all DRR charges were removed from the tariff (i.e.
22 reset to zero) effective March 1, 2010, and the remaining variance was
23 included in the determination of the DRR revenue requirement in its 2010

1 DRR Filing sponsored by VEDO witness Barrett. VEDO implemented the
2 DRR charges from the 2011 DRR Filing on September 1, 2011. Variances
3 from September 2011 through December 2011 have been included in the
4 determination of the DRR revenue requirement in this proceeding. While
5 costs which may have been incurred to complete the riser investigation
6 work can no longer be identified specifically, the ongoing annual
7 reconciliation of DRR variances ensures that VEDO has had an opportunity
8 to recover its costs associated with the riser investigation.

9 **Q. Does this conclude your direct testimony?**

10 **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)	(F) 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	\$1,334,715	\$5,496,917	\$6,831,633	286,051	\$1.99		
2	320/321/325	\$507,785	\$915,055	\$1,422,840				
3	Group 1			\$368,731 (d)	15,441	\$1.99		
4	Group 2 & 3			\$1,054,109 (d)			59,861,679	\$0.01509
5	341	\$99	\$146	\$244	2	\$10.19		
6	345	\$133,302	\$28,338	\$161,640			47,551,025	\$0.00340
7	360	\$195,091	\$12,544	\$207,635			93,063,056	\$0.00223
8	Total (a)	<u>\$2,170,992</u>	<u>\$6,453,000</u>	<u>\$8,623,992</u>				

(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. SFA-1 Page 2

(c) 2012 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**

<u>Line</u>	<u>Rate Schedule</u>	<u>Description</u>	<u>Mains Allocation Factors (a) (%)</u>	<u>Service Line Allocation Factors (b) (%)</u>
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	<u>100.000%</u>	<u>100.000%</u>

(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**

<u>Line</u>	<u>Description</u>	<u>Amount</u>		<u>Reference</u>
1	Proposed DRR - Rate 310/311/315	\$1.99	Per Month	Exhibit No. SEA-1, Page 1
2	Proposed DRR - Rate 320/321/325 - Group 1	\$1.99	Per Month	Line [1]
3	Customer Count - Group 1	<u>15,441</u>		Exhibit No. SEA-1, Page 1
4	Revenue Requirement - Group 1 (1)	\$368,731		Line [2] x Line [3] x 12
5	Revenue Requirement - Total 320/321/325	<u>\$1,422,840</u>		Exhibit No. SEA-1, Page 1
6	Revenue Requirement - Group 2 & 3 (1)	<u><u>\$1,054,109</u></u>		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	\$63,853,166	\$2,993,351	\$4,311,526	\$1,318,175	2.06%	(d)
2	315	\$31,934,849	\$1,369,642	\$2,520,107	\$1,150,465	3.60%	(b) (d)
3	320/321	\$12,553,529	\$614,771	\$811,476	\$196,706	1.57%	(d)
4	325	\$10,557,652	\$309,591	\$611,364	\$301,773	2.86%	(b) (d)
5	341	\$16,966	\$160	\$244	\$85	0.50%	
6	345	\$5,621,759	\$110,168	\$161,640	\$51,472	0.92%	(b)
7	360	\$7,854,582	\$143,143	\$207,635	\$64,492	0.82%	(b)
8	Total	\$132,392,523	\$5,540,825	\$8,623,992	\$3,083,167	2.33%	

(a) Twelve months ending December 31, 2011

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-12	7.46%	\$643,102
2	October-12	7.80%	\$672,512
3	November-12	8.49%	\$731,862
4	December-12	9.59%	\$827,402
5	Subtotal (To Fourth Annual DRR Filing)		\$2,874,879
6	January-13	10.01%	\$863,142
7	February-13	9.43%	\$813,084
8	March-13	9.08%	\$783,406
9	April-13	7.99%	\$689,144
10	May-13	7.73%	\$666,428
11	June-13	7.52%	\$648,877
12	July-13	7.46%	\$643,324
13	August-13	7.44%	\$641,709
14	Subtotal (To Fifth Annual DRR Filing)		\$5,749,113

- (1) Based on monthly volumes / customer count (as applicable) as a percentage of annual, in 2012 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
Sixth Revised Page 2 of 2
Cancels Fifth Revised Page 2 of 2

DISTRIBUTION REPLACEMENT RIDER

DISTRIBUTION REPLACEMENT RIDER CHARGE

The charges for the respective Rate Schedules are:

<u>Rate Schedule</u>	<u>\$ Per Month</u>	<u>\$ Per Ccf</u>
310, 311 and 315	\$1.99	
320, 321 and 325 (Group 1)	\$1.99	
320, 321 and 325 (Group 2 and 3)		\$0.01509
341	\$10.19	
345		\$0.00340
360		\$0.00223

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**

<u>Line</u>			<u>Reference</u>
1	Proposed DRR Charge Per Customer Per Month Exhibit SEA-1, Page 1, Column (E), Line 1	\$1.99	Exhibit No. SEA-1, Page 1
2	Current DRR Charge Per Customer Per Month	<u>\$1.27</u>	2011 DRR Filing
3	Incremental DRR Charge Per Month	\$0.72	Line [1] - Line [2]
4	Months	<u>12</u>	
5	Annual Incremental Bill Impact	<u>\$8.64</u>	Line [3] x Line [4]
6	Total Annual DRR Bill Impact	<u>\$23.88</u>	Line [1] x Line [4]

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/30/2012 2:48:53 PM

in

Case No(s). 12-1423-GA-RDR

Summary: Application Vectren Energy Delivery of Ohio, Inc.'s Application for Authority to Adjust its Distribution Replacement Rider Charges electronically filed by Ms. Vicki L. Leach-Payne on behalf of Hummel, Gretchen J. Ms.

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc.)	Case No. 12-1423-GA-RDR
for Authority to Adjust its Distribution)	
Replacement Rider Charges.)	

**AMENDED ATTACHMENT A
TO APPLICATION**

Gretchen J. Hummel (Trial Attorney)
Frank P. Darr
McNees Wallace & Nurick LLC
Fifth Third Center
21 East State Street, 17th Floor
Columbus, OH 43215
Telephone: 614-469-8000
Telecopier: 614-469-4653
ghummel@mwncmh.com
fdarr@mwncmh.com

July 17, 2012

**Attorneys for Vectren Energy Delivery
of Ohio, I**

**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. 12-1423-GA-RDR

April 30, 2012

DIRECT TESTIMONY OF JAMES M. FRANCIS

INTRODUCTION

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

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

7 **Q. What are your duties in your present position?**

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

14 **Q. Please describe your work experience.**

15 A. I have been employed by VEDO since April 8, 2004 as the Director of
16 Technical Services. My title has subsequently been changed to Director
17 of Engineering & Asset Management. Prior to my current position, I have
18 been employed with VEDO since the purchase of the gas assets of the
19 Dayton Power & Light Company by Vectren Corporation in 2000.
20 Immediately prior to my current position, I was the Regional Manager of

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

6 **Q. What is your educational background?**

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

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

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

14 **Q. Have you previously testified before this Commission?**

15 A. Yes. I testified in VEDO's most recent general rate case, Case No. 07-
16 1080-GA-AIR ("Rate Case"), in support of the need for recovery of certain
17 costs under the Distribution Replacement Rider ("DRR") proposed in that
18 proceeding. I also testified in VEDO's 2010 DRR proceeding, Case No.
19 10-0595-GA-RDR and 2011 DRR proceeding, Case No. 11-2776-GA-
20 RDR.

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

1 A. First, I will provide details on the progress of VEDO's accelerated bare
2 steel and cast iron replacement program ("Replacement Program"). I will
3 discuss the status of pipe replacement, the costs incurred and the benefits
4 identified in 2011. I will discuss certain other issues, such as meter
5 relocations and plastic pipe retirements, and how these are addressed
6 within the Replacement Program. I will discuss the processes used to
7 assess and award the construction work associated with the Replacement
8 Program, and will provide the 2012 replacement plan.

9 The second portion of my testimony will discuss VEDO's riser replacement
10 program ("Riser Program"). I will detail the status of replacements and
11 costs associated with the Riser Program in 2011. I will also discuss how
12 the Riser Program work was awarded in 2011.

13 The third portion of my testimony will discuss VEDO's experience with the
14 change in service line ownership and responsibilities which took effect in
15 2009.

16 The final portion of my testimony will discuss identified savings resulting
17 from the Replacement Program as well as the additional costs incurred by
18 VEDO due to its assumption of service line responsibility in 2009.

19 **Q. What Exhibits are you sponsoring in this proceeding?**

20 A. I am sponsoring the following exhibits:

- 21 • Exhibit No. JMF-1- 2011 VEDO BS/CI Replacement Program Progress
- 22 • Exhibit No. JMF-2- Plastic Main Retirement Causes

- 1 • Exhibit No. JMF-3- VEDO BS/CI 2012 Replacement Plan
- 2 • Exhibit No. JMF-4- VEDO Riser Replacement Program 2011 Costs
- 3 • Exhibit No. JMF-5- VEDO 2011 BS/CI Maintenance Expense
- 4 • Exhibit No. JMF-6-VEDO Incremental Service Line Responsibility
- 5 Capital Costs

6 **Q. How is your testimony organized?**

7 A. My testimony is organized in four sections:

- 8 I. Bare Steel and Cast Iron Replacement Program
- 9 II. Riser Replacement Program
- 10 III. Service Line Responsibility
- 11 IV. O&M Savings and Incremental Costs

12 **I. Bare Steel and Cast Iron Replacement Program**

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

14 A. As of the end of 2010, VEDO had a total of 492 miles of bare steel and
15 161 miles of cast iron main remaining in its system. In the Rate Case,
16 VEDO proposed to replace its remaining bare steel and cast iron
17 infrastructure over a twenty year period at a rate of approximately 35 miles
18 per year. The Replacement Program, as approved by the Commission in
19 the Rate Case, includes the replacement of both mains and service lines.
20 Existing bare steel and cast iron mains and service lines are being retired
21 as part of the Replacement Program.

1 **Q. How much bare steel and cast iron infrastructure did VEDO retire in**
2 **2011 as part of the Replacement Program?**

3 A. In 2011, VEDO retired 29.4 miles of bare steel and 5.3 miles of cast iron
4 mains under the Replacement Program. Additionally, VEDO retired 3,633
5 bare steel service lines, with 3,318 of those being replaced.

6 **Q. How much did VEDO invest in the Replacement Program in 2011?**

7 A. As identified by VEDO witness Janice M. Barrett, VEDO's Replacement
8 Program investment for projects placed in service in 2011 was
9 \$17,436,948. Exhibit No. JMF-1 provides a detailed list of the projects
10 placed in service under the Replacement Program in 2011, the costs of
11 each project as of December 31, 2011, and the amount of pipe (main
12 footage and number of service lines) retired and replaced. For some
13 projects placed in service in 2011, additional trailing charges (such as
14 restoration costs) will be incurred in 2012. These costs will be included in
15 a future DRR filing.

16 **Q. Did VEDO retire any plastic main as part of the Replacement**
17 **Program in 2011?**

18 A. Yes. VEDO retired a total of 7,402 feet of plastic main within the
19 replacement projects completed in 2011. There were a number of
20 reasons why plastic main segments were retired, which were discussed in
21 my testimony in the Rate Case. Some short segments of plastic main
22 existed within the bare steel or cast iron systems. It would have been
23 more costly to try and salvage that main rather than replace it. Also, there

1 existed sections of plastic main at the ends of some distribution systems
2 being retired wherein those segments no longer served any customers;
3 therefore, there was no reason to continue to maintain those segments at
4 this time. Exhibit No. JMF-2 "Plastic Main Retirement Causes" provides a
5 brief description of the cause of the plastic retirement for each applicable
6 project.

7 **Q. Did the Rate Case Stipulation contemplate the inclusion of plastic**
8 **pipe replacement costs for recovery through the DRR?**

9 A. Yes. The Rate Case Stipulation, Paragraph 10(a) requires that the annual
10 Replacement Program construction plans are to be provided to the Rate
11 Case parties on February 1 of each year and shall include, among other
12 things, the "...investment in infrastructure replacement under the program
13 (including service line replacement costs and the other cost components
14 included in the Company's application)...." The Rate Case Application,
15 Alt. Reg. Exhibit A, Page 4, discusses in detail the replacement of plastic
16 pipe as a part of the Replacement Program. Additionally, the Rate Case
17 Stipulation, Paragraph 10(c), requires that the annual application to
18 establish the DRR rate "...will include the information described in
19 Paragraph 10(a) above for the costs incurred during the previous calendar
20 year," which, as already indicated, includes the cost components,
21 including plastic pipe replacement, which were included in the Rate Case
22 Application.

1 **Q. Is there any other evidence that the replacement of plastic pipe was**
2 **contemplated to be a part of the Replacement Program as proposed**
3 **in the Rate Case Application?**

4 A. Yes. The Direct Testimony of Scott E. Albertson in the Rate Case, Page
5 4, in discussing the content of Rate Case Application, Alt. Reg. Exhibit A
6 and the cost components thereof, reiterates that the replacement of plastic
7 pipe was a part of the Replacement Program from its inception.

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

10 A. Yes. VEDO moved 2,552 meters outside in 2011. Because the newly
11 installed mains operate at a higher pressure (requiring the installation of a
12 service regulator), the cost associated with moving the meters outside was
13 less than if the meter remained inside and the necessary service regulator
14 was installed outside. In addition to better utilization of VEDO's capital,
15 moving the meters outside should improve operational efficiency
16 associated with future meter order work and will eliminate the need for
17 inside atmospheric corrosion inspections. VEDO has employed this meter
18 move-out approach since the Replacement Program was first
19 implemented.

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

22 A. Yes. VEDO expects to experience improved service reliability and safety
23 through the reduction of leakage and the replacement of the mains and

1 service lines that contribute most to system leaks. Proactive replacement
2 of this pipe, moving meters outside, and retiring the older assets will drive
3 workforce efficiencies. The Company was able, in 2011, to achieve
4 improved capital utilization by retiring more existing main infrastructure
5 than it was necessary to replace. Customers and property owners will
6 experience a reduction in the number and frequency of disturbances and
7 inconveniences (such as leak repair, service interruptions, etc.) as the
8 older sections of main are retired. VEDO has historically repaired
9 approximately 1 leak per mile per year on the mains retired. Additionally,
10 as quantified below, there are active leaks and meter orders that will be
11 eliminated as a result of replacing the infrastructure. The elimination of
12 active leaks will result in a relatively lower level of lost and unaccounted
13 for gas, although it is impractical to quantify a specific reduction. Finally,
14 VEDO expects long term benefits in terms of reduced impacts on the
15 communities where public infrastructure improvements may occur after
16 these projects are completed.

17 **Q. What operational benefits did VEDO achieve as a result of the**
18 **Replacement Program in 2011?**

19 **A.** There are a number of operational benefits that VEDO has achieved to
20 date as a result of the Replacement Program.

- 21 • The replacement of these assets has reduced the number of active
22 leaks in VEDO's system, is expected to reduce the occurrence of
23 future leaks and leak repair work, and will reduce interruptions,

1 inconveniences and disturbances to customers. Specifically, the
2 replacement projects from 2011 have allowed VEDO to eliminate
3 110 active leaks, of which 44 would have required a more
4 immediate and less efficient repair.

- 5 • Over the past 7 years, the Company has experienced an average
6 of 156 asset condition related meter orders on the types of assets
7 that were replaced in 2011. VEDO will experience a reduction in
8 the number of these meter orders (Outside Gas Leak, Gas
9 Emergency, Water in Line, and No Gas orders) through the
10 retirement of bare steel and cast iron infrastructure.
- 11 • VEDO moved 2,552 inside meters outside. This will eliminate the
12 requirement for a separate atmospheric corrosion check.
- 13 • Certain system components that had been used to address issues
14 associated with assets in poor condition have been eliminated,
15 such as the 42 drips used to remove water from low pressure
16 mains.

17 Ultimately, these types of improvements provide reliability and safety
18 benefits to VEDO's customers or property owners that live in the vicinity of
19 the replacement projects.

20 **Q. Did VEDO derive cost savings from the 2011 replacement projects?**

21 A. Yes. VEDO has detailed the reduction of specific work items, assets and
22 the estimated reduction of historically experienced work quantities, all of
23 which allowed VEDO to achieve maintenance cost savings attributable to

1 the Replacement Program (and specific to the assets that were retired) in
2 2011. Quantification of the savings achieved in 2011 compared to the
3 baseline amount of \$1,192,953 established in the Rate Case will be
4 discussed later in my testimony.

5 **Q. Were the construction projects within the 2011 Replacement**
6 **Program competitively bid?**

7 A. Yes.

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

9 A. Based on the geographical location of the projects, VEDO divided the
10 planned 2011 projects into ten (10) bid packages. Separate bid packages
11 were prepared for the bare steel and cast iron replacement projects and
12 the riser replacement work. All existing contractors could bid on any of the
13 10 packages but were not required to bid on all packages. If a contractor
14 had not performed a gas distribution replacement project for Vectren with
15 the last 3 years, they were deemed a new contractor and were limited to
16 bid on the two (2) designated entry level packages. Each bid package
17 was independently evaluated.

18 Twelve (12) different construction contractors were invited to provide bids
19 for the work. A pre-bid meeting was held with all of the contractors to
20 provide direction and to answer questions with regard to the work to be
21 performed and the bids to be submitted. Each contractor was provided

1 with copies of prints for all of the projects and given time to visit the project
2 sites prior to submitting bids.

3 Bids were submitted based on unit pricing; that is, a fixed price for a given
4 unit of work to be performed. VEDO used the unit prices and the
5 estimated work units for each project to create comparative cost
6 estimates. These comparative estimates were then summarized for each
7 bid package. Each package was evaluated based on overall cost, and the
8 contractor's capacity. If a contractor submitted bids on several projects,
9 the contractor's capacity was evaluated to ensure the potential award did
10 not exceed their capacity.

11 **Q. What is VEDO's replacement plan for 2012?**

12 A. VEDO's planned replacement projects for 2012 are identified in Exhibit
13 No. JMF-3. VEDO plans, in 2012, to spend approximately \$18.6 Million
14 under the Replacement Program, replacing approximately 33 miles of
15 bare steel and cast iron main along with the bare steel service lines
16 served from those mains. As was the case in 2011, VEDO reserves the
17 right to modify the plan as necessary to accommodate additional or
18 different, higher priority projects as circumstances may change throughout
19 the year.

20 **II. Riser Program**

21 **Q. Please describe the Riser Program.**

1 A. As ordered by the PUCO, in 2007 VEDO began conducting an inventory
2 of customer owned service risers in its service territory. VEDO completed
3 its inventory of risers in 2008. VEDO began replacing the risers identified
4 as "prone-to-fail" in 2009 and further refined the list of risers to be
5 replaced. As of the end of 2010, VEDO had 14,709 remaining prone-to-
6 fail risers to replace.

7 **Q. How many risers did VEDO replace in 2011?**

8 A. VEDO replaced the remaining 14,709 prone-to-fail risers in 2011. The
9 cost to replace these risers was \$5,471,106 or approximately \$372 per
10 riser. Exhibit No. JMF-4 provides a breakdown of the costs incurred under
11 the Riser Program. VEDO has now replaced all identified prone-to-fail
12 risers.

13 **Q. What is the total Riser Program cost after completion at the end of**
14 **2011?**

15 A. The total Riser Program cost as of the end of 2011 was \$17,262,601,
16 which consists of the 2009 Riser Program cost of \$5,451,132, the 2010
17 Riser Program cost of \$6,340,363 and the 2011 Riser Program cost of
18 \$5,471,106. This total estimated cost is less than the \$33 million
19 projected spend identified during the Rate Case due to a reduction of the
20 number of risers to be replaced and the Company's use of alternative
21 replacement methods, as described below.

22 **Q. What methods did VEDO use to replace risers in 2011?**

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

4 **Q. Why was the average per unit cost of a riser replacement in 2011**
5 **\$372 compared to \$337 in 2010?**

6 A. Many of the more challenging riser replacements were completed in 2011,
7 which included the need to hand dig and squeeze off services as a result
8 of inaccessible curb stops. Additionally, there were fewer Servi-Serts
9 installed in 2011 than in 2010 based on varying manufactures as a result
10 of the existing service risers. This required more risers to be replaced
11 using a full riser replacement. Additionally, VEDO incurred an increase in
12 material costs resulting from the replacement of 86% more 1 ¼" risers
13 (which are more costly than a 1" riser) than in 2010.

14 **Q. Was the riser replacement work in 2011 competitively bid?**

15 A. Yes.

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

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

19 Twelve (12) different construction contractors were invited to provide bids
20 for the riser work, of which six (6) provided bids. A pre-bid meeting was
21 held with all of the contractors to answer questions with regard to the work

1 to be performed and the bid packages to be submitted. Each contractor
2 was provided with a count of risers to be replaced by package.

3 Bids were submitted based on unit pricing for full replacements, service
4 riser head replacements and any associated activities. VEDO used the
5 unit prices to create comparative cost estimates for each package. Each
6 package was evaluated independently, much like the Replacement
7 Program, and awarded accordingly.

8 The two (2) bid packages were awarded to the lowest two bidders based
9 on the comparative cost estimate. The same two (2) contractors
10 performed the Riser Program work in both 2010 and 2011.

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

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

14 **Q. Is VEDO's Riser Replacement Program complete?**

15 A. Yes.

16 **III. Service Line Responsibility**

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

19 A. VEDO continues to view the transfer of service line responsibility to the
20 Company as a positive for both the Company and its customers. In
21 general, VEDO's assumption of service line responsibility has been a

1 benefit to its customers. Customers no longer are required to schedule
2 the services of a plumber to repair or replace their service line, minimizing
3 inconvenience and out of pocket costs for customers. VEDO's response
4 times to leak calls and its repair activities reduce the amount of time
5 customers are out of service. The Company's ability to adjust to an ever
6 changing schedule to meet the needs of customers has also been a
7 benefit. Also, confusion over customer responsibility for the service line
8 has been essentially eliminated because there is now a clear delineation
9 of responsibility between the customer and VEDO. Because VEDO (and
10 its customers) have a significant number of aged service line assets, the
11 annual amount of service line replacements is significant. VEDO has
12 responded to numerous leak calls, many on bare steel service lines that
13 have required replacement. VEDO does expect that as the Replacement
14 Program matures and as individual service lines are replaced, over time
15 this leak call activity will be reduced, as was identified in the Replacement
16 Program benefits.

17 **Q. Has VEDO experienced any incremental costs as a result of**
18 **assuming service line responsibility?**

19 A. Yes. VEDO has had to repair a number of gas leaks on the portion of the
20 buried service line and the above ground meter setting that was previously
21 maintained by the customer. As a result of this change, VEDO has seen
22 both an increase in capital replacements and operations and maintenance
23 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 2011 compared to the baseline amount of \$1,192,953?

A. Yes. VEDO calculated its maintenance expenses incurred in 2011 by the same method it used to calculate the baseline maintenance expense amount of \$1,192,953. The actual comparable maintenance expenses in 2011 were \$870,301, resulting in a savings against the baseline of \$322,652. This amount is broken into expense reductions attributable to mains of \$350,190 and expense increases from service lines replaced, and now owned by VEDO, of \$27,538 for a net savings of \$322,652. Additionally, VEDO experienced an increase in maintenance expenses of \$86,335 for those service lines that are not bare steel. Exhibit No. JMF-5 provides the actual 2011 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

1 in service line responsibilities also led to some of the savings. The reason
2 for this is that VEDO completed a significant number of service line
3 replacements that would have formerly been at the customer's expense.
4 The resources that previously had been conducting more leak repairs
5 instead completed service line replacements, which are capital
6 expenditures. As such, the maintenance expenses identified in 2011 are
7 not necessarily indicative of the ongoing level of O&M. Rather, they are
8 indicative of the work VEDO actually performed in a single year (2011).
9 As such, the actual maintenance savings as compared to the baseline will
10 change year over year.

11 **Q. Has VEDO experienced any incremental capital investment, beyond**
12 **the Replacement Program, as a result of assuming service line**
13 **responsibility?**

14 A. Yes. VEDO has replaced a number of service lines in order to eliminate
15 gas leaks on the portion of the buried service line and the above ground
16 meter setting that was previously maintained by the customer. As a result
17 of this change, VEDO has seen an increase in capital costs. In 2011,
18 VEDO spent, on average, \$4,812 per service line replaced. The
19 incremental cost of the curb-to-meter portion of the service line is
20 approximately \$1,113 per service line replaced over that experienced
21 during the baseline period of 2007. The incremental investment includes
22 the cost for the incremental length of curb to meter service line and meter
23 setting that was formerly installed and maintained by the customer. In

1 2011, VEDO replaced 1,354 service lines that were not associated with
2 the formal Replacement Program. This equated to an incremental capital
3 investment of \$1,507,002 for service line replacements as a result of the
4 assumption of this responsibility for service lines. Exhibit No. JMF-6
5 provides the calculation of the incremental investment.

6 **Q. Does this conclude your testimony?**

7 A. Yes.

2011 VEDO BSCI Replacement Program Progress
Actual Install & Retirement

A			B	C	D	E	F			G			H			I			J-G+H+I		
Work Order Number	Completion Date	Group#	City	Utility Plant Additions (%)			Plastic Installed (Feet)	Total BS Retired (Feet)	Total CI Retired (Feet)	Total PL Retired (Feet)	Total Main Retired (Feet)										
10046703062210	23-Dec-11	V-444	Washington OH	\$ 511,785			3,165	4,365	0	445	4,810										
10046803062213	9-Jan-12	V-361	Dayton	\$ 806,921			5,400	5,464	0	250	5,714										
10046803062213	9-Jan-12	V-368	Dayton	\$ 787,958			5,109	4,762	5,499	442	10,723										
10046803062212	6-Jan-12	V-362	Mariaburg	\$ 571,433			2,464	5,175	0	535	5,710										
09046703062525	22-Dec-11	V-103	Washington OH	\$ 659,464			4,895	7,325	0	0	7,325										
09046703062523	21-Dec-11	V-102	Washington OH	\$ 381,662			3,119	3,568	40	0	3,608										
10046703062212	21-Dec-11	V-450	Washington OH	\$ 490,428			5,030	3,568	40	0	4,930										
09046562532	16-Sep-11	V-10-19	W. Carrollton	\$ 685,974			4,872	6,529	0	158	6,687										
11046803062210	11-Jul-11	V-816	Kettering	\$ 43,659			700	750	0	0	750										
090468152529	09-Jun-11	V-09-32	Greenville	\$ 198,573			2,339	2,988	0	0	2,988										
09046857534	6-Jan-12	V-10-06	Dayton	\$ 1,532,489			9,397	6,261	2,813	53	9,127										
09046803062523	30-Sep-11	V-101	Yellow Springs	\$ 53,546			2,426	2,282	0	430	2,712										
0904652530	14-Sep-11	V-10-13	Oakwood	\$ 945,379			9,765	11,200	0	0	11,200										
09046852537	22-Dec-11	V-10-18	Dayton	\$ 1,768,959			11,269	4,459	2,898	0	7,457										
09046852536	08-Jan-12	V-10-20	Dayton	\$ 1,425,502			9,614	4,838	5,890	236	10,904										
09046803062523	22-Dec-11	V-10-35	Dayton	\$ 634,025			6,337	3,955	3,171	94	7,220										
09046852542	23-Sep-11	V-104	Dayton	\$ 259,359			1,371	2,690	476	0	3,165										
0904652533	14-Sep-11	V-10-41	Dayton	\$ 492,839			5,074	2,851	0	0	2,851										
09048103062523	26-Oct-11	V-106	Covington	\$ 368,810			8,094	5,381	0	130	5,511										
09048103062525	26-Oct-11	V-107	Covington	\$ 269,278			3,828	3,543	0	170	3,713										
09048203062523	25-Aug-11	V-108	Bellefontaine	\$ 286,769			4,731	2,975	1,755	25	4,755										
09048203062525	25-Aug-11	V-109	Bellefontaine	\$ 287,961			3,988	3,775	85	1,360	5,250										
09048103062526	14-Jul-11	V-110	Aracuanum	\$ 204,974			3,407	3,217	0	165	3,382										
09046803062525	10-Aug-11	V-111	Yellow Springs	\$ 224,104			950	4,100	0	0	4,100										
09046803062526	12-Aug-11	V-112	New Carlisle	\$ 83,563			405	1,350	0	0	1,350										
09046803062527	05-Aug-11	V-113	Jamesstown	\$ 93,735			1,208	1,575	0	0	1,575										
09046803062528	15-Aug-11	V-114	Fairport	\$ 461,981			4,170	5,244	0	166	5,410										
10048103062212	23-Aug-11	V-124	Greenville	\$ 907,077			11,043	9,830	0	610	10,440										
10046803062210	13-Aug-11	V-137	Xenia	\$ 218,283			2,620	3,915	0	140	4,055										
09046803062525	23-Sep-11	V-211	Dayton	\$ 408,979			4,977	4,845	3,700	215	8,760										
10048103062213	29-Oct-11	V-447	Covington	\$ 143,765			2,889	3,821	0	137	3,958										
10048203062210	25-Aug-11	V-449	Bellefontaine	\$ 29,625			2,012	4,831	1,280	20	6,074										
10046803062212	05-Aug-11	V-451	Jamesstown	\$ 437,758			5,760	7,243	0	831	8,074										
10048203062212	25-Aug-11	V-454	Bellefontaine	\$ 518,013			5,444	4,668	270	375	5,314										
10048103062210	30-Jun-11	V-455	Aracuanum	\$ 255,566			4,080	4,655	0	385	5,040										
				\$ 17,436,948			162,064	165,096	27,976	7,402	190,474										

Notes:

¹ Utility plant additions do not include cost of removal or 2011 trailing charge activity associated with BSCI groups placed in service prior to January 1, 2011, both of which will be included in the 2012 DRR filing

² Quantities may reflect estimates as final as-built information has not been received for all work orders; final as-built quantities will be reflected in 2012 DRR filing

2011 VEDO BSCI Replacement Program
Plastic Main Retirement Causes

AMENDED 7-13-2012

Work Order Number	Completion Date	Group#	City	Total PL Retired (Feet)	Plastic Retirement Causes
10046703052210	23-Dec-11	V-444	Washington OH	445	Installed 310' main in the alley and retired existing plastic main from front distribution due to local requirements for meter location. Also a segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate) (directional bore the new main)
10046803052213	9-Jan-12	V-381	Dayton	250	Plastic main crossing was retired (higher cost to dig both ends and uprate). Also a segment of plastic was between steel main segments to be retired (directional bore the new main)
10046803052212	9-Jan-12	V-358	Dayton	442	2 segments of plastic main were between steel mains (higher cost to dig both ends and uprate). Also segment of plastic main was retired, not needed, no customer.
10046803052212	8-Jan-12	V-352	Miamisburg	535	Transferred services from existing 3" LPP to the MPS main, do not need the second main.
09046703052525	22-Dec-11	V-103	Washington OH	0	
09046703052523	21-Dec-11	V-102	Washington OH	0	
10046703052212	21-Dec-11	V-450	Washington OH	0	
090468252532	16-Sep-11	V-10-19	W Carrollton	158	Plastic main between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
11046803052210	11-Jul-11	V-816	Kettering	0	
09048152529	09-Jun-11	V-09-32	Greenville	0	
090468252534	6-Jun-12	V-10-05	Dayton	53	Isolated plastic main segment was retired, not needed, no customer.
09046803052523	30-Sep-11	V-101	Yellow Springs	430	Isolated plastic main segment was retired, not needed, no customer.
090468252530	14-Sep-11	V-10-13	Oakwood	0	
090468252537	22-Dec-11	V-10-18	Dayton	0	
090468252536	06-Jan-12	V-10-20	Dayton	236	3 segments of plastic main were between steel mains (higher cost to dig both ends and uprate). Also segment of plastic main was retired, not needed, no customer.
090468252542	22-Dec-11	V-10-35	Dayton	94	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate) (directional bore the new main)
09046803052523	23-Sep-11	V-104	Dayton	0	
090468252533	14-Sep-11	V-10-41	Dayton	0	
09048103052523	28-Oct-11	V-106	Covington	130	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate) (directional bore the new main)
09048103052525	28-Oct-11	V-107	Covington	170	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
09048203052523	25-Aug-11	V-108	Bellefontaine	25	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
09048203052525	25-Aug-11	V-109	Bellefontaine	1,390	Retired 1390' of 3" plastic main due to need to upgrade to 6" MPP, no need for 2 mains on the same side of street
09048103052526	14-Jul-11	V-110	Avon	165	
09046803052525	10-Aug-11	V-111	Yellow Springs	0	
09048203052526	12-Aug-11	V-112	New Carlisle	0	
09046803052527	05-Aug-11	V-113	Jamesstown	0	
09046803052528	15-Aug-11	V-114	Fairborn	166	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate) (directional bore the new main)
10048103052212	23-Aug-11	V-124	Greenville	610	Segment of plastic main was between steel main segments to be retired. 600' of 1" and 1 1/4" LP plastic main segments upgraded to 2" plastic main.
10046803052210	13-Aug-11	V-137	Xenia	140	Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
09046803052525	23-Sep-11	V-211	Dayton	215	2 Segment of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048103052213	28-Oct-11	V-447	Covington	137	Segments of plastic main was between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048203052210	25-Aug-11	V-449	Bellefontaine	20	Retired isolated plastic main, no customer.
10046803052212	05-Aug-11	V-451	Jamesstown	831	3 segments of plastic main were between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048203052212	25-Aug-11	V-454	Bellefontaine	375	3 segments of plastic main were between steel main segments to be retired (higher cost to dig both ends and uprate). (directional bore the new main)
10048103052210	30-Jun-11	V-455	Avon	385	3 segments of plastic main were between steel main segments to be retired (higher cost to dig both ends and uprate). 45' of 1 1/4" LPP main upgraded to 2" main.
TOTAL				7,402	



VEDO BS / CI 2012 Replacement Program
Calendar Year 2012

Project Group #	Operating Center	City	Street	Estimated			Estimated Project Cost
				Install Footage	Retire Footage	Project Services	
V-441	Bellefontaine	BELLEFONTAINE	Green St., Park St.	3,010	4,481	84	\$460,750
V-481	Bellefontaine	BELLEFONTAINE	Lake Ave., Superior St., Ene St.	1,803	2,267	53	\$265,049
V-133	Centerville	DAYTON	Maple St., Clover St., Little St.	4,405	6,445	242	\$995,755
V-147	Centerville	DAYTON	Heaton Ave., Highland Ave.	7,585	7,650	266	\$996,497
V-291	Centerville	DAYTON	Coventry Rd., Cleaveland Ave.	4,645	3,955	151	\$546,812
V-453	Centerville	MIAMISBURG	Cole ave., Park Ave.	4,338	4,931	106	\$500,434
V-513	Centerville	DAYTON	Hessler St., Glenn Rock, Pusell Ave	940	1,455	45	\$212,557
V-523	Centerville	DAYTON	Gundel Ave., Gebhart St.	2,740	2,854	75	\$401,285
V-524	Centerville	DAYTON	Angle St., George St.	5,165	5,990	165	\$786,744
V-530	Centerville	DAYTON	Wayne Ave., Epworth Ave.	6,810	6,851	239	\$961,211
V-744	Centerville	DAYTON	Brown st., K St.	1,114	2,124	17	\$171,128
V-810	Centerville	DAYTON	Paterson Rd.	3,777	3,955	83	\$578,458
V-10-42	Dayton West	DAYTON	Ray Ave., Troy St., Edmond St.	5,760	9,420	192	\$965,129
V-115	Dayton West	DAYTON	Fifth st., Riverview Ave., E Second St.	3,787	6,295	31	\$462,878
V-116	Dayton West	DAYTON	Hart St., Leo St., Leonard St.	5,385	4,940	252	\$996,972
V-117	Dayton West	DAYTON	First St., Douglas Ave., Webb St.	5,840	8,055	128	\$719,729
V-118	Dayton West	DAYTON	Findlay st., S. Jersey St., N McGee St.	9,455	10,775	195	\$998,945
V-123	Dayton West	EATON	Maple St., E. Edison St., E Mechanic St.	7,075	7,010	124	\$660,392
V-134	Dayton West	DAYTON	Bolton St., Richard St., Bantz Ct.	6,286	9,214	137	\$753,466
V-511	Dayton West	DAYTON	Pleasant St., Garland St., Harbine St.	4,394	5,560	184	\$845,015
V-528	Dayton West	DAYTON	Ryburn Ave., Bruce Ave.	2,496	3,531	87	\$367,681
V-567	Dayton West	DAYTON	Orchard St., Mathison St., 1st St.	4,040	6,285	136	\$653,704
V-596	Dayton West	DAYTON	Edison St., Woodward St., Howell St.	2,858	4,686	64	\$365,658
V-440	Fairborn	CEDARVILLE	Elm st., Walnut St., North St.	3,125	4,950	53	\$342,016
V-452	Fairborn	XENIA	Main St., West St., Collier St.	8,990	12,450	125	\$760,743
V-612	Fairborn	JAMESTOWN	Maple St., Washington St., Xenia St.	3,731	4,448	64	\$288,482
V-120	Troy	NEW MADISON	Cherry St., Summit St., Wayne St.	5,649	6,733	115	\$613,051
V-460	Troy	SIDNEY	Michigan Ave., Cary St., North St.	4,330	4,910	130	\$411,519
V-520	Troy	PIQUA	Summit St., Willard St., Sunset St.	2,108	3,109	77	\$469,132
V-522	Troy	PIQUA	Garfield St., Plum St.	2,892	2,872	74	\$412,008
V-623	Troy	SIDNEY	Miami St., South St., Thompson St.	4,421	4,956	158	\$685,612
TOTAL				138,954	173,157	3,852	\$18,648,818

**Vectren Energy Delivery of Ohio
Riser Replacement Program
Twelve Months Ended December 31, 2011**

Expense Category	Expense
Contract Labor	\$ 2,805,386
Materials	\$ 1,127,312
Overheads	\$ 1,066,605
Labor	\$ 408,776
Other Expenses	\$ 63,027
Total	\$ 5,471,106
# Risers	14,709
Costs per Riser	\$ 372

Notes:

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

VEDO 2011 Maintenance Expense - BS/CI & Service Line Ownership

Service O&M Expense Change

A				B		C	
Meter Order Management				2011	Change from Baseline		
Meter Orders	Baseline						
1 Outside Leaks	3467			3411			
2 Investigate Gas Emergency	937			792			
3 No Gas	1831			1651			
4 Water in Service	11			38			
5 Total	6246			5890			
6 % Allocated to BS/CI Facilities	48%			43.6%			
7 Orders applicable to BS/CI	2988	A5 * A6		2564	B5 * B6		
Maintenance Expenses	Baseline			2011			
8 Total Meter Orders	122091			114928			
9 Meter Order Maint Actuals	\$ 3,542,248			\$ 4,134,424			
10 Average Cost per Order	29.01	A9/A8		35.97	B9/B8		
11 Average cost per Asset Condition based Order	58.03	2 * A10		71.95	2 * B10		
* Leak investigation order averages approximately 2x's longer than average meter order							
Maintenance Expenses Reduction Opportunity	Baseline (C1xC2)			2011			
12 Orders Applicable to BS/CI x Average Order Cost per Asset Condition based Order	\$ 173,988	A7 * A11		\$ 184,452	B7 * B11	\$ (10,464)	A12 - B12

Leak Repair & Management				2011	Change from Baseline		
Service Leaks Maintenance Expenses	Baseline						
13 Service Leak Repair Actuals	\$ 145,655			\$ 249,044		\$ (103,389)	A13-B13
14 % of Service BS/CI Leak Repairs	56%			39.6%			
15 Incremental Service O&M Expenses attributable to BS/CI	\$ 81,567	A13/A14		\$ 98,821	B13-B14	\$ (17,054)	A15-B15
16 Incremental Service O&M Expenses attributable to All Other Asset Types	\$ 64,088	A13-A15		\$ 150,423	B13-B15	\$ (86,335)	A16-B16
17 TOTAL BS/CI SERVICE MAINTENANCE EXPENSES	\$ 256,535	A13-A15		\$ 283,073	B13-B15	\$ (27,538)	A17-B17

MAIN O&M Expense Change

Leak Repair & Management				2011	Change from Baseline		
Main Leaks Maintenance Expenses	Baseline						
18 Total Main Leak Repair Actuals	\$ 1,610,684			\$ 1,172,215			
19 Cost Associated with Soft Surface Repairs	\$ 644,214			\$ 736,151			
20 % of Soft Surface Repairs on BS/CI Main Leaks	39%			42%			
21 Cost Associated with Hard Surface Repairs	\$ 966,410			\$ 436,064			
22 % of Hard Surface Repairs on BS/CI Main Leaks	71%			64%			
23 Main O&M Expenses attributable to BS/CI	\$ 937,418	A18/A20; A21 * A22		\$ 587,228	B18/B20; B21 * B22	\$ 350,190	A23-B23
24 Total O&M Maintenance Expenses (Main + Services)	\$ 1,192,953	A17-A23		\$ 870,301	B17-B23	\$ 322,652	A24-B24

VEDO Incremental Service Line Responsibility Capital Costs

	A		B		C	
	Baseline		2011		Incremental over Baseline	
1 Service Line Replacements Costs	\$ 3,313,867		\$ 6,515,450			
2 Count of Service Lines Replaced	896		1,354			
3 Average Cost per Service Line Replaced	\$ 3,699	A1A2	\$ 4,812	B1B2	\$ 1,113	B3A3

	Incremental Cost per Service		Service Replacements		Total Incremental Capital Cost	
7 Total Incremental Capital Investment for Service Line Responsibility	\$ 1,113	C3	1,354	B2	\$ 1,507,002	A7B7

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

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Amended Attachment A to Application* has been sent electronically, this 17th day of July, 2012 to the following parties of record.

/s/ Gretchen J. Hummel

Gretchen J. Hummel

Joseph P. Serio
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, 18th Floor
Columbus, OH 43215
serio@occ.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/17/2012 10:32:58 AM

in

Case No(s). 12-1423-GA-RDR

Summary: Application -Amended Attachment A to 4/30/12 Application electronically filed by Mrs. Debbie S Ryan on behalf of Vectren Energy Delivery of Ohio, Inc.

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc.)	Case No. 12-1423-GA-RDR
for Authority to Adjust its Distribution)	
Replacement Rider Charges.)	

STIPULATION AND RECOMMENDATION

Gretchen J. Hummel (Trial Attorney)
Frank P. Darr
McNees Wallace & Nurick LLC
Fifth Third Center
21 East State Street, 17th Floor
Columbus, OH 43215
Telephone: 614-469-8000
Telecopier: 614-469-4653
ghummel@mwncmh.com
fdarr@mwncmh.com

August 27, 2012

**Attorneys for Vectren Energy Delivery
of Ohio, Inc.**

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)	
Vectren Energy Delivery of Ohio, Inc.)	Case No. 12-1423-GA-RDR
for Authority to Adjust its Distribution)	
Replacement Rider Charges.)	

STIPULATION AND RECOMMENDATION

This case is before the Commission upon the Application filed by Vectren Energy Delivery of Ohio, Inc. ("VEDO" or "Company") on April 30, 2012 ("2012 DRR Application"), in accordance with the Public Utilities Commission of Ohio's ("Commission") January 7, 2009 Opinion and Order in Case No. 07-1080-GA-AIR, approving and adopting a Stipulation and Recommendation ("Rate Case Stipulation") filed on September 8, 2008. Therein, VEDO was authorized to recover certain, identified costs through a Distribution Replacement Rider ("DRR"). Comments addressing the 2012 DRR Application were filed by Commission Staff and the Office of the Ohio Consumers' Counsel ("OCC") on July 27, 2012.

Rule 4901-1-30, Ohio Administrative Code ("O.A.C."), provides that any two or more parties to a proceeding before the Commission may enter into a written stipulation for the purpose of resolving issues presented in such proceeding. The purpose of this document is to set forth the agreement of the signatory parties ("Parties") below and to recommend that the Commission approve and adopt this Stipulation and Recommendation ("DRR Stipulation"). The terms of this DRR Stipulation are supported by the information contained within the schedules and documents filed in this docket in

support of VEDO's 2012 DRR Application, including the revised exhibits attached hereto. The Parties agree that this DRR Stipulation is supported by adequate data and information; represents a just and reasonable resolution of the issues which are proposed to be resolved by the terms of this DRR Stipulation; violates no regulatory principle; and is the product of serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Parties to settle such contested issues. While this DRR Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission where, as is the case here, it is sponsored by a range of interests, including the Commission Staff.¹

The purpose of this DRR Stipulation is to set forth the understanding of VEDO and the Staff to resolve any issues raised in the recommendations contained in the comments of the Staff and OCC and to establish a DRR revenue requirement and charges in this proceeding as set forth below and in the attached exhibits:

1. The Parties agree that VEDO's DRR application filed on April 30, 2012 failed to recognize the deferral and amortization of depreciation expenses incurred by VEDO. The Parties agree that the costs associated with the deferral and amortization of and return on deferred depreciation expense is allowed to be recovered through the DRR pursuant to the Rate Case Stipulation.²

2. The Parties agree that the revenue requirement for the DRR rates and charges to be established in this case should be \$8,703,957 as shown on DRR

¹ Rule 4901-1-10(c), O.A.C., provides that Commission Staff is a party for the purpose of entering into this Stipulation.

² Rate Case Stipulation, Paragraph 10, Case No. 07-1080-GA-AIR.
{C38483: }

Stipulation Exhibit 1. The parties further agree that the revenue requirement in this case includes deferred depreciation recorded in 2011 related to appropriate additions. With respect to prior DRR periods, VEDO will not seek to increase the amount of recoverable expense.

3. The parties agree that beginning with the DRR application filed in 2013 and in future DRR applications, VEDO shall provide schedules showing the computation of the deferred depreciation such that: 1) expenses are calculated on plant additions net of retirements; 2) deferral of depreciation expenses shall be permitted on eligible plant additions net of retirements from the in-service date to the time the additions are included for recovery in the DRR; 3) recovery of deferred depreciation expenses shall be amortized over a time period consistent with the life of the underlying asset based upon Commission authorized depreciation rates.

4. The tariff sheet attached as DRR Stipulation Exhibit 2 contain rates and charges which accurately reflect the DRR revenue requirement set forth in Paragraph 2 above and shown on DRR Stipulation Exhibit 1. The Parties agree that these rates and charges will be implemented upon Commission approval on a service-rendered basis. The Parties recommend and request that the Commission issue an order adopting this DRR Stipulation and explicitly approving the tariff sheet in DRR Stipulation Exhibit 2 on an expedited basis.

5. The Parties agree that the 2012 DRR Application, the pre-filed testimony of all witnesses, and the Comments filed by the Staff and OCC should be admitted into

evidence on the condition that the Commission approves this DRR Stipulation. The Parties waive cross-examination of witnesses.

6. Except for enforcement purposes, neither this DRR Stipulation nor the information and data contained herein or attached hereto shall be cited as a precedent in any future proceeding. More specifically, no specific element or item contained in or supporting this DRR Stipulation shall be construed or applied to attribute the results set forth in this DRR Stipulation as the results that any Party might support or seek but for this DRR Stipulation in this proceeding or in any other proceeding. This DRR Stipulation contains a combination of outcomes that reflect an overall compromise involving a balance of competing positions, and it does not necessarily reflect the position that one or more of the Parties would have taken for purposes of resolving contested issues through litigation. The Parties believe that this DRR Stipulation, taken as a whole, represents a reasonable compromise of varying interests. This DRR Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification by the Commission. Should the Commission reject or materially modify all or any part of this DRR Stipulation, the Parties shall have the right, within thirty (30) days of the issuance of the Commission's order, to file an application for rehearing. The Parties agree they will not oppose or argue against any other Party's application for rehearing that seeks to uphold the original, unmodified DRR Stipulation. Upon the Commission's issuance of an entry on rehearing that does not adopt the DRR Stipulation in its entirety without material modification, any Party may terminate and withdraw from the DRR Stipulation by filing a notice with the Commission within thirty (30) days of the Commission's entry on rehearing. Prior to any Party seeking rehearing

or terminating and withdrawing from this DRR Stipulation pursuant to this provision, the Parties agree to convene immediately to work in good faith to achieve an outcome that substantially satisfies the intent of this DRR Stipulation or proposes a reasonable alternative thereto to be submitted to the Commission for its consideration. Upon notice of termination or withdrawal by any Party, pursuant to the above provisions, this DRR Stipulation shall immediately become null and void. In such event, this proceeding shall go forward at the procedural point at which this DRR Stipulation was filed, and the Parties will be afforded the opportunity to present evidence through witnesses, to cross-examine all remaining witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs as if this DRR Stipulation had never been executed. This DRR Stipulation is submitted for purposes of this case only, and may not be relied upon or used in any other proceeding except as necessary to enforce the terms and conditions of this DRR Stipulation. The Parties agree with and commit to support the reasonableness of this DRR Stipulation before the Commission and in any appeal from the Commission's adoption or enforcement of this DRR Stipulation.

WHEREFORE, the undersigned respectfully request that the Commission issue its Opinion and Order approving and adopting this DRR Stipulation in accordance with the terms set forth above.

Executed this 27th day of August 2012.

Vectren Energy Delivery of Ohio, Inc.

By: /s/ Gretchen J. Hummel

The Staff of the Public Utilities Commission of Ohio

By: /s/ Devin D. Parram**

**per telephone authorization 8/27/12

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Stipulation and Recommendation* was served upon the following parties of record this 27th day of August 2012, via electronic transmission, hand-delivery, or ordinary U.S. mail, postage prepaid.

/s/ Gretchen J. Hummel _____
Gretchen J. Hummel

Joseph P. Serio
Office of the Ohio Consumers'
Counsel
10 West Broad Street, 18th Floor
Columbus, OH 43215-3485

Thomas G. Lindgren
Devin D. Parram
Assistant Attorneys General
Public Utilities Commission of Ohio
180 East Broad Street, 9th Floor
Columbus, OH 43215

DRR STIPULATION EXHIBIT 1

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

<u>Line</u>	<u>Description</u>	<u>Amount</u>	<u>Reference</u>
1	Mains Revenue Requirement	\$ 2,181,366	Exhibit No. JMB-S2, Line 27
2	Service Lines Revenue Requirement	<u>6,522,591</u>	Exhibit No. JMB-S3, Line 39
3	Annual DRR Revenue Requirement	<u>\$ 8,703,957</u>	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, 2011		
3	Additions - Main Replacements	\$ 19,150,236	Exhibit JMB-2a, Column O, Line 2
4	Original Cost - Retired Mains	\$ (505,092)	Exhibit JMB-2b, Column O, Line 2
5	Total Plant In-Service	\$ 18,645,144	Line 3 + Line 4
6	Less: Accumulated Depreciation at December 31, 2011		
7	Depreciation Expense - Mains	\$ (464,213)	Exhibit JMB-2c, Column O, Line 2
8	Cost of Removal - Mains	1,101,959	Exhibit JMB-2d, Column O, Line 2
9	Original Cost - Retired Mains	505,092	-Line 4
10	Total Accumulated Depreciation	\$ 1,142,838	Sum of Lines 7 - 9
11	Net Deferred Post In-Service Carrying Costs (PISCC) ⁽³⁾	\$ 1,029,350	Exhibit JMB-2e, Column O, Line 4
12	Deferred Depreciation Regulatory Asset Balance - Mains	\$ 113,672	Exhibit JMB-S2h, Column B, Line 15
13	Net Deferred Tax Balance - PISCC	\$ (360,273)	-Line 11 x 35%
14	Deferred Taxes on Depreciation	\$ (5,089,446)	Exhibit No. JMB-2g, Line 18
15	Deferred Taxes on Deferred Depreciation Regulatory Asset	\$ (39,785)	-Line 12 x 35%
16	Net Rate Base	\$ 15,441,500	Sum of Lines 5 and 10-15
17	Pre-Tax Rate of Return	11.67%	Case No. 07-1080-GA-AIR
18	Annualized Return on Rate Base - Mains	\$ 1,802,023	Line 16 x Line 17
19	Operations and Maintenance Expenses		
20	Annualized Property Tax Expense	\$ 409,462	Exhibit No. JMB-2f, Line 17
21	Annualized Depreciation Expense	330,019	Line 5 x 1.77% ⁽¹⁾
22	Annualized PISCC Amortization Expense	15,920	Exhibit JMB-2e, Column D, Line 13
23	Annualized Deferred Depreciation Amortization Expense - Mains	1,751	Exhibit JMB-S2h, Column B, Line 17
24	Annualized Maintenance Adjustment	(350,190)	(2)
25	Total Incremental Operating Expenses - Mains	\$ 406,962	Sum of Lines 20-24
26	Variance	\$ (27,619)	Exhibit JMB-4, Line 15
27	Total Annual Revenue Requirement - Mains	\$ 2,181,366	Line 18 + Line 25 + Line 26

(To Exhibit No. JMB-S1 and Exhibit No. SEA-S1, page 1 of 5)

(1) FERC Account 876 depreciation rate approved in Case No. 04-0571-GA-AIR.

(2) Support provided by VEDO Witness James Francis, Exhibit No. JMF-5, 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, Inc.
Distribution Replacement Rider (DRR)
Mains - Deferred Depreciation Regulatory Asset Balance
For the Period Ended December 31, 2011

Line	Description	Activity for												Total Balance by Calendar Year
		Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	
1	Mains In-Service Activity	\$ 77,987	\$ 14,155	\$ (5,171)	\$ 35,240	\$ 592,606	\$ 485,740	\$ 706,989	\$ 913,364	\$ 633,870	\$ 1,160,905	\$ 394,791	\$ 242,865	
2	Less: Retirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (180)	\$ (4,815)	\$ -	\$ (6,611)	\$ (12,539)	\$ (2,695)	\$ (62,399)	
3	Net Main Additions	\$ 77,987	\$ 14,155	\$ (5,171)	\$ 35,240	\$ 592,606	\$ 485,559	\$ 702,173	\$ 913,364	\$ 625,259	\$ 1,148,366	\$ 392,096	\$ 180,466	
4	Monthly Depreciation Rate	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	
5	# of Months from 1/1/2011 to Effective Date of DRR Rates, 9/1/2011	8	8	8	8	8	8	8	8	8	8	8	8	
6	2011 Depreciation Expense Recognized - 1/1/2011 to 9/1/2011	\$ 920	\$ 187	\$ (61)	\$ 463	\$ 6,993	\$ 5,883	\$ 8,286	\$ 10,778	\$ 7,378	\$ 13,551	\$ 4,155	\$ 2,130	\$ 60,641
Line	Description	Activity for												Total Balance by Calendar Year
		Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	
7	Mains In-Service Activity	\$ 2,628	\$ -	\$ 97,387	\$ 721,868	\$ 745,030	\$ 875,969	\$ 986,215	\$ 1,222,896	\$ 1,214,278	\$ 960,994	\$ 622,068	\$ (623,210)	
8	Less: Retirements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (42,890)	\$ (4,329)	\$ (689)	\$ (106,792)	\$ -	\$ -	\$ (103,483)	
9	Net Main Additions	\$ 2,628	\$ -	\$ 97,387	\$ 721,868	\$ 745,030	\$ 833,088	\$ 991,886	\$ 1,222,206	\$ 1,107,486	\$ 960,994	\$ 622,068	\$ (726,693)	
10	Monthly Depreciation Rate	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	
11	# of Months from In-Service Date to Effective Date of DRR Rate, 9/1/2012	19.5	18.5	17.5	16.5	15.5	14.5	13.5	12.5	11.5	10.5	9.5	8.5	
12	Depreciation Expense Recognized - In-Service to 9/1/2012	\$ 45	\$ -	\$ 1,365	\$ 9,050	\$ 6,251	\$ 7,986	\$ 8,047	\$ 8,112	\$ 5,717	\$ 3,617	\$ 1,376	\$ (536)	\$ 53,031
13	Deferred Depreciation Expense - Calendar Year 2011	\$ 31	\$ -	\$ 1,149	\$ 8,518	\$ 8,801	\$ 9,829	\$ 11,704	\$ 14,422	\$ 13,068	\$ 11,576	\$ 7,340	\$ (8,575)	\$ 77,854
14	Deferred Depreciation Expense - Calendar Year 2012													
15	Balance Included in Current Filing													\$ 113,672
16	Average Service Life - Mains													\$ 1.54%
17	Annual Amortization Expense													\$ 1,751

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

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

Line	Description	Amount	Reference
1	<u>Return on Investment:</u>		
2	<u>Plant In-Service at December 31, 2011</u>		
3	Additions - Services Replacements (Bare Steel/Cast Iron)	\$ 15,892,321	Exhibit JMB-3a, Column O, Line 2
4	Additions - Meter Installation (Bare Steel/Cast Iron)	3,381,357	Exhibit JMB-3a, Column O, Line 3
5	Additions - Services Replacements (Service Line Responsibility)	3,627,480	Exhibit JMB-3a, Column O, Line 4
6	Additions - Natural Gas Risers	17,262,601	Exhibit JMB-3a, Column O, Line 5
7	Original Cost - Retired Services	(119,068)	Exhibit JMB-3b, Column Q, Line 2
8	Original Cost - Retired Meter Installation	(11,537)	Exhibit JMB-3b, Column Q, Line 3
9	Total Plant In-Service	\$ 40,033,154	Sum of Lines 3 - 8
10	<u>Less: Accumulated Depreciation at December 31, 2011</u>		
11	Depreciation Expense - Services	\$ (1,106,444)	Exhibit JMB-3c, Column O, Line 2
12	Depreciation Expense - Meter Installation	(53,268)	Exhibit JMB-3c, Column O, Line 3
13	Depreciation Expense - Natural Gas Risers	(1,294,173)	Exhibit JMB-3c, Column O, Line 4
14	Cost of Removal - Services	1,266,839	Exhibit JMB-3d, Column O, Line 2
15	Original Cost - Retired Services	119,068	-Line 7
16	Original Cost - Retired Meter Installation	11,537	-Line 8
17	Total Accumulated Depreciation	\$ (1,056,441)	Sum of Lines 11 - 16
18	Net Deferred Post In-Service Carrying Costs (PISCC) ⁽³⁾	\$ 1,961,468	Exhibit JMB-3e, Column O, Line 10
19	Deferred Depreciation Regulatory Asset Balance - Services	\$ 729,103	Exhibit JMB-S3h, Page 1, Column B, Line 19
20	Deferred Depreciation Regulatory Asset Balance - Meter Installation	\$ 16,232	Exhibit JMB-S3h, Page 2, Column B, Line 15
21	Net Deferred Tax Balance - PISCC	\$ (686,514)	-Line 18 x 35%
22	Deferred Taxes on Depreciation	\$ (9,978,894)	Exhibit No. JMB-3g, Line 30
23	Deferred Taxes on Deferred Depreciation Regulatory Asset - Services	\$ (255,186)	-Line 19 x 35%
24	Deferred Taxes on Deferred Depreciation Regulatory Asset - Meter Installation	\$ (5,681)	-Line 20 x 35%
25	Net Rate Base	\$ 30,757,242	Sum of Lines 9 and 17-24
26	Pre-Tax Rate of Return	11.67%	Case No. 07-1080-GA-AIR
27	Annualized Return on Rate Base - Service Lines	\$ 3,589,370	Line 25 x Line 26
28	<u>Operations and Maintenance Expenses</u>		
29	Annualized Property Tax Expense	\$ 871,098	Exhibit No. JMB-3i, Line 24
30	Annualized Depreciation Expense - Services	1,928,491	(Line 3 + Lines 5-7) x 5.26% ⁽¹⁾
31	Annualized Depreciation Expense - Meter Installation	61,331	(Line 4 + Line 8) x 1.82% ⁽¹⁾
32	Annualized PISCC Amortization Expense	34,516	Exhibit No. JMB-3e, Column D, Line 33
33	Annualized Deferred Depreciation Amortization Expense - Services	12,759	Exhibit JMB-S3h, Page 1, Column B, Line 21
34	Annualized Deferred Depreciation Amortization Expense - Meter Installation	295	Exhibit JMB-S3h, Page 2, Column B, Line 17
35	Incremental O&M - Service Line Responsibility	86,335	(2)
36	Annualized Maintenance Adjustment	27,538	(4)
37	Total Incremental Operating Expenses - Service Lines	\$ 3,022,363	Sum of Lines 29-36
38	Variance⁽⁴⁾	\$ (89,142)	Exhibit No. JMB-4, Column D, Line 16
39	Total Revenue Requirement - Service Lines	\$ 6,522,591	Line 27 + Line 37 + Line 38

(To Exhibit No. JMB-S1 and Exhibit No. SEA-S1, 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-5, 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-5, Column C, Line 17

Vectren Energy Delivery of Ohio, Inc.
Distribution Replacement Rider (DRR)
Service, Service Line Responsibility, Riders - Deferred Depreciation Regulatory Asset Balance
For the Period Ended December 31, 2011

A

B

Line	Description	Activity for Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total Balance by Calendar Year
1	Services in Service Activity	\$ 71,689	\$ 10,616	\$ 13,852	\$ -	\$ 532,085	\$ 364,375	\$ 451,333	\$ 691,591	\$ 485,143	\$ 865,288	\$ 296,819	\$ 194,558	
2	Service Line Responsibility in Service Activity	\$ 95,910	\$ -	\$ 284,384	\$ 116,760	\$ 95,075	\$ 128,436	\$ 105,918	\$ 64,234	\$ 51,702	\$ 51,702	\$ 55,878	\$ 48,206	
3	Riders in Service Activity	\$ -	\$ -	\$ 227,237	\$ 579,676	\$ 696,308	\$ 756,606	\$ 1,275,015	\$ 1,074,986	\$ 944,384	\$ 235,273	\$ 439,421	\$ 111,454	
4	Less: Retirements - Services	\$ -	\$ -	\$ (523)	\$ (97)	\$ (777)	\$ (1,577)	\$ (2,359)	\$ (660)	\$ (2,258)	\$ (5,147)	\$ (1,137)	\$ (40,033)	
5	Net Services Additions	\$ 167,609	\$ 10,616	\$ 507,256	\$ 802,603	\$ 1,322,887	\$ 1,247,483	\$ 1,829,807	\$ 1,860,451	\$ 1,478,277	\$ 1,147,922	\$ 780,780	\$ 315,185	
6	Monthly Depreciation Rate	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	
7	# of Months from 1/1/2011 to Effective Date of DRR Rates 9/1/2011	8	8	8	8	8	8	8	8	8	8	8	8	
8	Depreciation Expense Recognized - 1/1/2011 to 9/1/2011	\$ 5,877	\$ 372	\$ 17,688	\$ 28,145	\$ 46,383	\$ 43,745	\$ 64,169	\$ 64,889	\$ 57,863	\$ 40,226	\$ 27,379	\$ 11,052	\$ 407,588
9	Services in Service Activity	\$ 1,516	\$ -	\$ 86,253	\$ 525,352	\$ 696,347	\$ 647,591	\$ 725,553	\$ 1,019,199	\$ 1,214,533	\$ 892,394	\$ 603,295	\$ 1,992,097	
10	Service Line Responsibility in Service Activity	\$ 116,965	\$ 83,475	\$ 181,419	\$ 105,735	\$ 145,142	\$ 107,263	\$ 120,769	\$ 173,528	\$ 131,334	\$ 111,300	\$ 139,725	\$ 87,907	
11	Riders in Service Activity	\$ 171,719	\$ 113,964	\$ 138,344	\$ 950,517	\$ 675,966	\$ 970,742	\$ 636,089	\$ 768,661	\$ 676,317	\$ 276,086	\$ 82,801	\$ 4,774	
12	Less: Retirements - Services	\$ -	\$ -	\$ -	\$ -	\$ (16,735)	\$ (1,306)	\$ -	\$ -	\$ (14,903)	\$ -	\$ -	\$ (15,641)	
13	Net Services Additions	\$ 288,400	\$ 187,439	\$ 406,016	\$ 1,581,614	\$ 1,515,455	\$ 1,723,321	\$ 1,485,145	\$ 1,861,488	\$ 2,007,675	\$ 1,279,772	\$ 625,311	\$ 2,067,957	
14	Monthly Depreciation Rate	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	0.44%	
15	# of Months from in Service Date to Effective Date of DRR Rates	19	19	17	15	15	14	13	12	11	10	9	8	
16	Depreciation Expense Recognized - In Service to 9/1/2012	\$ 24,822	\$ 15,011	\$ 31,145	\$ 114,940	\$ 102,863	\$ 100,280	\$ 87,843	\$ 107,473	\$ 101,204	\$ 58,902	\$ 34,367	\$ 77,049	\$ 864,527
17	Deferred Depreciation Expense - Calendar Year 2011	\$ 14,539	\$ 9,087	\$ 16,507	\$ 59,928	\$ 49,821	\$ 48,530	\$ 35,878	\$ 38,690	\$ 38,801	\$ 14,324	\$ 5,426	\$ 4,532	\$ 327,215
18	Deferred Depreciation Expense - Calendar Year 2012	\$ 10,183	\$ 5,924	\$ 14,238	\$ 55,462	\$ 53,142	\$ 59,730	\$ 52,114	\$ 68,783	\$ 70,407	\$ 44,877	\$ 28,941	\$ 72,516	\$ 537,312
19	Balance Included in Current Filing													\$ 728,103
20	Average Service Life - Services													1.75%
21	Annual Amortization Expense													\$ 12,759

(1) FERC Account 890 depreciation rate approved in Case No. 04-0577-GA-AIR.
(2) 2009 retirement rates approved by the 2010 FUCO data request no. 17.
(3) FERC Account 880 depreciation rate's average service life of 57 years, as approved in Case No. 04-0571-GA-AIR.

Vectren Energy Delivery of Ohio, Inc.
Distribution Replacement Rider (DRR)
Meter Installation - Deferred Depreciation Regulatory Asset Balance
For the Period Ended December 31, 2011

A

B

Line	Description	Activity for	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Total Balance by Calendar Year
1	Meter Installation in-Service Activity	Jan-10	\$ 188	\$ -	\$ -	\$ 18,936	\$ 73,241	\$ 59,622	\$ 95,343	\$ 58,382	\$ 47,865	\$ 102,235	\$ 28,962	\$ 23,927	
2	Less: Retirements - Services	(2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,095)	\$ (6)	\$ (2,512)	
3	Net Meter Installation Additions	1	\$ -	\$ -	\$ -	\$ 18,936	\$ 73,241	\$ 59,622	\$ 95,343	\$ 58,382	\$ 47,865	\$ 101,141	\$ 28,973	\$ -6,415	
4	Monthly Depreciation Rate	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	
5	# of Months from 1/1/2011 to Effective Date of DRR Rates 9/1/2011	8	8	8	8	8	8	8	8	8	8	8	8	8	
6	Depreciation Expense Recognized 1/1/2011 to 8/1/2011	0	\$ -	\$ -	\$ -	\$ 230	\$ 869	\$ 724	\$ 793	\$ 708	\$ 581	\$ 1,227	\$ 352	\$ 223	5,718
7	Meter Installation in-Service Activity	Jan-11	\$ 188	\$ -	\$ 15,455	\$ 77,910	\$ 136,517	\$ 160,705	\$ 198,897	\$ 220,958	\$ 234,128	\$ 213,448	\$ 144,511	\$ 750,583	
8	Less: Retirements - Services	(2)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,771)	\$ (54)	\$ -	\$ (1,382)	\$ -	\$ -	\$ (2,778)	
9	Net Meter Installation Additions	1	\$ -	\$ -	\$ 15,455	\$ 77,910	\$ 136,512	\$ 155,785	\$ 198,641	\$ 220,958	\$ 232,786	\$ 213,448	\$ 144,511	\$ 748,205	
10	Monthly Depreciation Rate	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%	
11	# of Months from In-Service Date to Effective Date of DRR Rates 8/1/2012	13	13	13	13	13	13	13	13	13	13	13	13	13	
12	Depreciation Expense Recognized - In-Service to 8/1/2012	6	\$ -	\$ -	\$ 411	\$ 1,950	\$ 3,259	\$ 3,514	\$ 4,057	\$ 4,304	\$ 4,090	\$ 3,389	\$ 2,082	\$ 9,448	36,547
13	Calendar Year 2011	3	\$ -	\$ -	\$ 223	\$ 1,004	\$ 1,553	\$ 1,575	\$ 1,657	\$ 1,540	\$ 1,296	\$ 809	\$ 329	\$ 567	10,508
14	Calendar Year 2012	2	\$ -	\$ -	\$ 188	\$ 945	\$ 1,036	\$ 936	\$ 2,410	\$ 2,754	\$ 2,854	\$ 2,560	\$ 1,753	\$ 9,078	26,141
15	Balance Included in Current Filing														16,232
16	Average Service Life - Services														8.22%
17	Annual Amortization Expense														285

(1) PERC Account 682 depreciation rate approved in Case No. 04-0571-GA-A-R
(2) 2009 retirements are supported by the 2010 PUCO data request no. 17
(3) 2009 in-service balances are supported by the titled "2009 DRR Accumulated Depreciation at 12/31/2009, Revised 06/03/10.xls"
(4) PERC Account 682 depreciation rate's average service life of 55 years, as approved in Case No. 04-0571-GA-A-R

**VECTREN ENERGY DELIVERY OF OHIO
DISTRIBUTION REPLACEMENT RIDER
DERIVATION OF CHARGES**

<u>Line</u>	<u>Rate Schedule</u>	(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) (Cdf)	(G) Proposed DRR per Ccf (C)/(F)
1	310/311/315	\$1,341,093	\$5,556,198	\$6,897,291	286,051	\$2.01		
2	320/321/325	\$510,211	\$924,924	\$1,435,135				
3	Group 1			\$372,437 (d)	15,441	\$2.01		
4	Group 2 & 3			\$1,062,698 (d)			69,861,679	\$0.01521
5	341	\$99	\$147	\$247	2	\$10.27		
6	345	\$133,939	\$28,643	\$162,583			47,551,025	\$0.00342
7	360	\$196,023	\$12,679	\$208,702			93,063,056	\$0.00224
8	Total (a)	<u>\$2,181,366</u>	<u>\$6,522,591</u>	<u>\$8,703,957</u>				

(a) Mains and Service Revenue Requirement shown on Exhibit No. JMB-S1, Lines 1 and 2 respectively.

(b) Reflects revenue requirement multiplied by allocation factors shown on Exhibit No. SEA-S1, Page 2

(c) 2012 Budget - Customer Count and Volumes

(d) From Exhibit No. SEA-S1, Page 3

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

<u>Line</u>	<u>Rate Schedule</u>	<u>Description</u>	<u>Mains Allocation Factors (a) (%)</u>	<u>Service Line Allocation Factors (b) (%)</u>
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	<u>100.000%</u>	<u>100.000%</u>

(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**

<u>Line</u>	<u>Description</u>	<u>Amount</u>		<u>Reference</u>
1	Proposed DRR - Rate 310/311/315	\$2.01	Per Month	Exhibit No. SEA-S1, Page 1
2	Proposed DRR - Rate 320/321/325 - Group 1	\$2.01	Per Month	Line [1]
3	Customer Count - Group 1	<u>15,441</u>		Exhibit No. SEA-S1, Page 1
4	Revenue Requirement - Group 1 (1)	\$372,437		Line [2] x Line [3] x 12
5	Revenue Requirement - Total 320/321/325	<u>\$1,435,135</u>		Exhibit No. SEA-S1, Page 1
6	Revenue Requirement - Group 2 & 3 (1)	<u><u>\$1,062,698</u></u>		Line [5] - Line [4]

Notes:
(1) to Exhibit No. SEA-S1, Page 1

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

		(A)	(B)	(C)	(D)	(E)	
<u>Line</u>	<u>Rate Schedule</u>	<u>Present Revenue (a)</u>	<u>Previous DRR Revenue Requirement</u>	<u>Current DRR Revenue Requirement (c)</u>	<u>Incremental DRR Revenue Requirement (C)-(B)</u>	<u>% Increase (D)/(A)</u>	
1	310/311	\$63,853,186	\$2,993,351	\$4,352,964	\$1,359,613	2.13%	(d)
2	315	\$31,934,849	\$1,369,542	\$2,544,327	\$1,174,685	3.68%	(b) (d)
3	320/321	\$12,553,529	\$614,771	\$818,498	\$203,727	1.62%	(d)
4	325	\$10,557,652	\$309,591	\$616,537	\$307,046	2.91%	(b) (d)
5	341	\$16,986	\$160	\$247	\$87	0.51%	
6	345	\$5,621,759	\$110,168	\$162,583	\$52,415	0.93%	(b)
7	360	\$7,854,582	\$143,143	\$208,702	\$65,559	0.83%	(b)
8	Total	\$132,392,523	\$5,540,825	\$8,703,957	\$3,163,132	2.39%	

(a) Twelve months ending December 31, 2011

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-S1, 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**

(A)		(B)	(C)
Line	Month	Allocation Factor (1)	Approved Recoveries (2)
1	September-12	7.46%	\$649,157
2	October-12	7.80%	\$678,802
3	November-12	8.49%	\$738,625
4	December-12	9.59%	\$834,935
5	Subtotal (To Fourth Annual DRR Filing)		\$2,901,519
6	January-13	10.01%	\$870,944
7	February-13	9.43%	\$820,502
8	March-13	9.08%	\$790,588
9	April-13	7.99%	\$695,584
10	May-13	7.73%	\$672,688
11	June-13	7.53%	\$654,991
12	July-13	7.46%	\$649,387
13	August-13	7.44%	\$647,754
14	Subtotal (To Fifth Annual DRR Filing)		\$5,802,438

- (1) Based on monthly volumes / customer count (as applicable) as a percentage of annual, in 2012 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
Sixth Revised Page 2 of 2
Cancels Fifth Revised Page 2 of 2

DISTRIBUTION REPLACEMENT RIDER

DISTRIBUTION REPLACEMENT RIDER CHARGE

The charges for the respective Rate Schedules are:

<u>Rate Schedule</u>	<u>\$ Per Month</u>	<u>\$ Per Ccf</u>
310, 311 and 315	\$2.01	
320, 321 and 325 (Group 1)	\$2.01	
320, 321 and 325 (Group 2 and 3)		\$0.01521
341	\$10.27	
345		\$0.00342
360		\$0.00224

Filed pursuant to the Finding and Order dated _____ in Case No. 12-1423-GA-RDR of the Public
Utilities Commission of Ohio.

Issued: _____

Issued by: Scott E. Albertson, Vice President

Effective: _____

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

<u>Line</u>			<u>Reference</u>
1	Proposed DRR Charge Per Customer Per Month Exhibit SEA-S1, Page 1, Column (E), Line 1	\$2.01	Exhibit No. SEA-S1, Page 1
2	Current DRR Charge Per Customer Per Month	<u>\$1.27</u>	2011 DRR Filing
3	Incremental DRR Charge Per Month	\$0.74	Line [1] - Line [2]
4	Months	<u>12</u>	
5	Annual Incremental Bill Impact	<u>\$8.88</u>	Line [3] x Line [4]
6	Total Annual DRR Bill Impact	<u>\$24.12</u>	Line [1] x Line [4]

DRR STIPULATION EXHIBIT 2

DISTRIBUTION REPLACEMENT RIDER

DISTRIBUTION REPLACEMENT RIDER CHARGE

The charges for the respective Rate Schedules are:

<u>Rate Schedule</u>	<u>\$ Per Month</u>	<u>\$ Per Ccf</u>
310, 311 and 315	\$2.01	
320, 321 and 325 (Group 1)	\$2.01	
320, 321 and 325 (Group 2 and 3)		\$0.01521
341	\$10.27	
345		\$0.00342
360		\$0.00224

Filed pursuant to the Finding and Order dated _____ in Case No. 12-1423-GA-RDR of The Public Utilities Commission of Ohio.

Issued _____ Issued by Scott E. Albertson, Vice-President Effective _____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren	:	
Energy Delivery of Ohio, Inc. for Authority	:	Case No. 12-1423-GA-RDR
to Adjust its Distribution Replacement Rider	:	
Charges.	:	

**PREFILED TESTIMONY OF KERRY J. ADKINS
OF THE ACCOUNTING AND ELECTRICITY DIVISION
OF THE UTILITIES DEPARTMENT ON BEHALF
OF THE STAFF OF THE PUBLIC
UTILITIES COMMISSION OF OHIO**

Staff Exhibit No. 1

August 28, 2012

1 **PREFILED TESTIMONY OF KERRY J. ADKINS**

2 **INTRODUCTION**

3 **Q: Please state your name and business address.**

4 A: My name is Kerry J. Adkins and my business address is 180 East Broad Street, Co-
5 lumbus, Ohio 43215-3793.

6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by the Public Utilities Commission of Ohio ("Commission" or "PU-
8 CO") as a Public Utilities Administrator in the Accounting and Electricity Division
9 of the Utilities Department. In that capacity, I manage and participate on Commis-
10 sion Staff ("Staff") teams that review natural gas, electric, and water utilities' appli-
11 cations for recovery of certain costs associated with infrastructure replacement pro-
12 grams. In addition, I serve on Staff teams that review utility applications in base rate
13 proceedings and perform other related duties as assigned.

14 **Q. Please briefly describe your educational background and work experience.**

15 A. I received a B.A. degree in history and political science from Ohio Northern Univer-
16 sity and a Master of Public Administration degree with concentrations in regulatory
17 policy and fiscal administration from The Ohio State University. I began my em-
18 ployment with the PUCO in 1989 as a Researcher II in what was then the Consumer
19 Services Department's Nuclear Division. Since that time, I have held a number of
20 analyst and management positions at the Commission. I was assigned to my present
21 position in January 2008. Prior to my employment with the PUCO, I was employed
22 as the Administrative Deputy for the City of Whitehall, Ohio.

1 initially authorized the Distribution Replacement Program.¹ Although it was entitled
2 to recover return on and amortization of deferred depreciation expenses, VEDO
3 failed to include such expenses in its application filed on April 30, 2012 in this mat-
4 ter.

- 5
- 6 • VEDO's total DRR revenue requirement for recovery of investments through 2011
7 for its Distribution Replacement Program will be \$8,703,957 and will be allocated
8 to the Company's rate classes of customers as follows:

Rate Schedule	Per Customer Per Month	Per Ccf
310/311/315	\$2.01	
320/321/325 Group 1	\$2.01	
320/321/325 Group 2 & 3		\$0.01521
341	\$10.27	
345		\$0.00342
360		\$0.00166

- 9
- 10 • The new rates will commence with service rendered to customers after Commission
11 approval of the Stipulation.

12

13 **Q. Based on your experience with settlements reached in other proceedings before**
14 **the Commission, does the Stipulation satisfy the Commission's criteria for eva-**
15 **luating the reasonableness of a stipulation?**

¹ *In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Authority to Amend its Filed Tariffs to Increase the Rates and Charges for Gas Services and Related Matters* (2007 Rate Case), Case No. 07-1080-GA-AIR, (2007 Rate Case Stipulation at 8-14).

1 A. Yes. I believe that the Stipulation satisfies each of the Commission's criteria for evaluating the reasonableness of a stipulation: the Stipulation is the result of serious bargaining among capable, knowledgeable parties; the Stipulation benefits ratepayers and the public interest; and, the Stipulation does not violate any important regulatory principle or practice.

6 **THE STIPULATION IS A PRODUCT OF SERIOUS BARGAINING**
7 **AMONG CAPABLE, KNOWLEDGEABLE PARTIES**

8
9 **Q. Do you believe the Stipulation filed in this case is the product of serious bargaining among knowledgeable parties?**

11 A. Yes. The Stipulation is the product of an open process in which all parties were represented by experienced counsel and technical experts that have participated in numerous regulatory proceedings before the Commission. There were extensive negotiations among the parties and the Stipulation represents a comprehensive compromise of the issues raised by parties with diverse interests.

16 **Q. Were all parties to this case included in the negotiations that resulted in the Stipulation?**

18 A. Yes.

19 **Q. Which parties have signed the Stipulation?**

20 A. VEDO and the Staff signed the Stipulation as a reasonable resolution of all the issues. The Office of the Ohio Consumers Counsel ("OCC") is the only other party to this proceeding. OCC did not sign the Stipulation.

23 **THE SETTLEMENT BENEFITS RATEPAYERS AND**
24 **THE PUBLIC INTEREST**

1
2 **Q. In your opinion does the Stipulation benefit ratepayers and the public interest?**

3 A. Yes. The adjustment to VEDO's revenue requirement and the resulting increases to
4 the proposed DRR rates correct an omission in VEDO's original Application in this
5 case and will allow it to recover deferred depreciation expenses which it is due.
6 Settlement of this and the other issues in this case avoids a hearing and enables VE-
7 DO to begin recovery of its 2011 investments in the Distribution Replacement Pro-
8 gram. The Distribution Replacement Program, in turn, benefits customers through
9 the accelerated replacement of aging infrastructure which enhances public safety and
10 improves operational efficiency of VEDO's natural gas distribution system.

11 **THE SETTLEMENT DOES NOT VIOLATE ANY IMPORTANT**
12 **REGULATORY PRINCIPLE OR PRACTICE**
13

14 **Q. Does the Stipulation violate any important regulatory principle or practice?**

15 A. No.

16 **CONCLUSION**

17 **Q. Are you recommending that the Commission approve the Stipulation?**

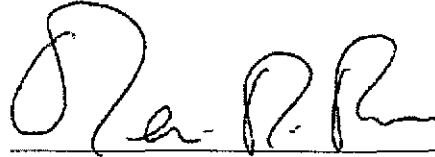
18 A. Yes. I believe the Stipulation represents a fair, balanced and reasonable compro-
19 mise of diverse interests and provides a fair result for customers. I believe that the
20 Stipulation meets all of the Commission's criteria for adoption of settlements and
21 that the Commission should issue an order approving the Stipulation.

22 **Q. Does this conclude your Prepared Direct Testimony?**

23 A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Pre-filed Testimony of Kerry J. Adkins was served upon all parties of record by electronic mail and/or regular U. S. mail this 27th day of August 2012.



Devin D. Parram
Assistant Attorney General

PARTIES OF RECORD:

Gretchen J. Hummel
Frank P. Darr
McNees, Wallace & Nurick LLC
Fifth Third Center
21 East State Street, 17th Floor
Columbus, Ohio 43215
ghummel@mwncmh.com
fdarr@mwncmh.com

Attorneys for Vectren Energy
Delivery of Ohio, Inc.

Joseph P. Serio
Assistant Consumers' Counsel
10 West Broad Street, 18th Floor
Columbus, Ohio 43215
serio@occ.state.oh.us

Attorney for the Office of the
Ohio Consumers' Counsel