

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc., for Approval)	Case No. 18-0049-GA-ALT
of an Alternative Rate Plan)	
 In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc. for Approval)	Case No. 18-0298-GA-AIR
of an Increase in Gas Rates)	
 In the Matter of the Application of Vectren)	
Energy Delivery of Ohio, Inc., for Approval)	Case No. 18-0299-GA-ALT
of an Alternative Rate Plan)	

**SECOND SUPPLEMENTAL DIRECT TESTIMONY OF
SCOTT E. ALBERTSON
IN SUPPORT OF THE STIPULATION AND RECOMMENDATION
ON BEHALF OF
VECTREN ENERGY DELIVERY OF OHIO, INC.**

<u> </u>	Management policies, practices, and organization
<u> </u>	Operating income
<u> </u>	Rate base
<u> </u>	Allocations
<u> </u>	Rate of return
<u> </u>	Rates and tariffs
<u> X </u>	Other (Stipulation and Recommendation)

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**Second Supplemental Direct Testimony of
Scott E. Albertson
in Support of the Stipulation and Recommendation**

I. BACKGROUND AND QUALIFICATIONS

Q1. Please state your name and business address.

A. My name is Scott E. Albertson and my business address is One Vectren Square,
Evansville, Indiana 47708.

Q2. Are you the same Scott Albertson who filed Direct Testimony on behalf of Vectren Energy Delivery of Ohio, Inc. (VEDO or the Company) in this proceeding on April 13, 2018, and Supplemental Testimony on November 7, 2018?

A. Yes.

Q3. What is the purpose of this testimony?

A. This testimony is intended to provide certain facts showing that the Commission should approve the Stipulation and Recommendation (Stipulation) filed in this matter on January 4, 2019.

II. THE STIPULATION AND RECOMMENDATION

Q4. What portions of the Stipulation are you supporting?

A. I am sponsoring two exhibits related to VEDO's tariffs, Joint Exhibits 4.0 and 5.0, with the exception of the proposed rates in Joint Exhibit 4.0, which are supported by VEDO witness J. Cas Swiz. I also address the provisions of the Stipulation involving marketer and supplier concerns, as well as the rate design reflected in the Stipulation and in Joint Exhibit 4.0.

Q5. How did the Stipulation address marketer and supplier concerns?

A. Joint Exhibit 5.0 reflects a number of changes that affect marketer and supplier interests and that were accepted by the Signatory Parties. These revisions provide for certain

1 changes and clarifications to VEDO's proposed tariff regarding issues raised by
2 suppliers. For example, the Company had proposed to modify its Mandatory Assignment
3 of Pipeline Capacity provisions contained in sheets 52 and 56 of its tariff to include the
4 following language: "Some capacity contracts may be released only to SCO Suppliers."
5 As reflected in Exhibit 5.0, the Signatory Parties agreed that this language should be
6 modified to only allow VEDO to assign individual contracts equal to or less than 5,000
7 Dth/day to only SCO Suppliers. The recommended tariff modifications in Exhibit 5.0 will
8 assist SCO Suppliers, Choice Suppliers, and Pool Operators in the provision of service to
9 VEDO's Customers.

10 **Q6. Are these tariff revisions the only way in which marketer and supplier concerns**
11 **were addressed?**

12 A. No. Paragraph 15 of the Stipulation avoids the need to litigate a number of issues raised
13 by marketers and suppliers. VEDO's Application did not address issues regarding an exit
14 of the merchant function, additional Choice billing options, and the availability of certain
15 customer specific information (*e.g.*, Choice customers whose current commodity rates are
16 in the top 25 percent of all Choice customer rates, and customer peak day information).
17 In the Stipulation, VEDO has agreed to meet with the Signatory Parties and other
18 interested parties to discuss issues regarding an exit of the merchant function and
19 additional billing system upgrades. VEDO also agreed to review the feasibility, cost,
20 prudence, and compliance with regulatory requirements of implementing certain billing
21 system changes and providing certain customer-specific information to Choice Suppliers.
22 Rather than seek immediate resolution of potentially contentious issues, the Stipulation
23 provides a concrete path to discuss these and other issues and provide additional
24 information under defined conditions.

Q7. What rate design does the Stipulation provide for?

A. The Stipulation (as reflected in Joint Exhibit 4.0) continues the Straight Fixed Variable (SFV) rate design approved in VEDO's last base rate case. *See* Case No. 07-1080-GA-AIR. As proposed by VEDO in the Application and recommended (with some modifications) in the Staff Report, the Stipulation expands SFV rate design to General Service – Group 1 customers.

Q8. What fixed charges are residential customers currently paying?

A. Customers are currently paying a fixed charge of \$27.62, which is the sum of the Monthly Charge of \$18.37 per month and the currently-effective DRR Charge of \$9.25 per month.

Q9. What residential customer fixed charge is proposed in Joint Exhibit 4.0?

A. The proposed fixed monthly charge is \$32.86. The costs previously recovered by the DRR have been rolled into base rates, and the DRR resets upon implementation of new base rates, so the total increase to the current total fixed charge is \$5.24 per month.

Q10. Is this the resulting fixed charge that residential customers would pay if VEDO's application to return TCJA savings is approved?

A. No. VEDO is proposing a fixed monthly credit of \$3.72 applicable to residential customers starting in 2019 under its proposed Tax Savings Credit Rider (TSCR). *See* Case No. 19-0029-GA-ATA.

Q11. If the Stipulation and the TSCR are approved as filed, what is the net fixed charge residential customers will pay each month?

A. Residential customers will pay \$29.14 each month.

Q12. So if the Stipulation is approved as filed, and the TSCR is approved as filed, what would be the total increase in the fixed monthly charge applicable to residential customers?

A. The total increase from currently-effective fixed charges upon approval of the Stipulation and the TSCR would be \$1.52. VEDO acknowledges that these monthly charges will

1 increase over time. VEDO is committed to replacing bare steel and cast iron (BS/CI)
2 infrastructure and investing in Ohio via the Capital Expenditure Program (CEP), and the
3 recovery of these costs will result in gradual fixed charge increases over time.

4 **Q13. With respect to rate design, do you believe that the Stipulation violates any**
5 **important regulatory principle or practice?**

6 A. No. This is the same rate design approved by the Commission in 2009 in VEDO's last
7 base rate case, and I believe that it has been approved for other utilities since then.

8 **Q14. Are you aware that several parties are opposing the continuation of SFV rate**
9 **design?**

10 A. Yes. But again, the Stipulation (1) continues the rate design previously approved by the
11 Commission and currently in effect for residential customers of VEDO as well as other
12 natural gas companies, and (2) expands SFV rate design, as supported by the Staff Report
13 and previously implemented at other natural gas companies, to small general service
14 customers.

15 VEDO reserves the right to present rebuttal testimony in support of SFV rate
16 design if it deems necessary. But VEDO does not believe that it is a reasonable use of the
17 Company's or Commission's resources to repeatedly relitigate a policy issue such as
18 SFV.

19 **Q15. What action do you recommend that the Commission take with respect to rate**
20 **design?**

21 A. A wide variety of parties recommends approval of the Stipulation continuing the
22 previously approved rate design, including Staff and the City of Dayton, both of whom
23 must consider the interests of residential customers. The Commission has already
24 determined that SFV rate design is just and reasonable. When the impact of the TCJA
25 savings are accounted for, the incremental increase in the residential fixed charge
26 proposed in this case is \$1.52 per month. Given the modest increase at issue and all of the

1 other benefits provided by and under the Stipulation, VEDO does not believe that the
2 continuation of SFV rate design provides any basis for questioning the Stipulation.

3 **III. CONCLUSION**

4 **Q16. Does this conclude your second supplemental direct testimony in support of the**
5 **Stipulation?**

6 A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served by electronic mail to the following persons on this 17th day of January, 2019:

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Summary: Testimony Exhibit 13.2 Second Supplemental Direct Testimony of Scott E. Albertson in Support of the Stipulation electronically filed by Mr. Andrew J Campbell on behalf of Vectren Energy Delivery of Ohio