

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
 Application of Vectren :
 Energy Delivery of Ohio, :Case No. 18-298-GA-AIR
 Inc. For Approval of an :
 Increase in Gas Rates. :

In the Matter of the :
 Application of Vectren :
 Energy Delivery of Ohio, :Case No. 18-299-GA-ALT
 Inc. For Approval of an :
 Alternative Rate Plan. :

In the Matter of the :
 Application of Vectren :
 Energy Delivery of Ohio, :Case No. 18-49-GA-ALT
 Inc. For Approval of an :
 Alternative Rate Plan. :

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PROCEEDINGS

Before Gregory Price and Patricia Schabo, Attorney
 Examiners, at the Public Utilities Commission of
 Ohio, 180 East Broad Street, Room 11-A, Columbus,
 Ohio, called at 10:00 a.m. on Wednesday, January 30,
 2019.

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VOLUME II

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1 Wednesday Morning Session,
2 January 30, 2019.

3 - - -

4 ATTORNEY EXAMINER SCHABO: All right.
5 The Public Utilities Commission of Ohio has assigned
6 for hearing at this time and place Case Nos.
7 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT, being
8 In the Matter of the Application of Vectren Energy
9 Delivery of Ohio for Approval of an Increase in Gas
10 Rates, and two alternative rate plans.

11 My name is Trish Schabo. With me is
12 Gregory Price. We're the Attorney Examiners assigned
13 by the Commission to hear this case.

14 Seeing as though it is day two, we will
15 dispense with appearances.

16 Mr. Settineri.

17 (EXHIBIT MARKED FOR IDENTIFICATION.)

18 MR. SETTINERI: Yes, your Honors. It's
19 our understanding that none of the parties have
20 cross-examination for Mr. Brian Earhart. We have
21 provided the Bench and the Court Reporter with a copy
22 of his direct testimony marked as RESA Exhibit 1.

23 Given that there is no
24 cross-examination, and our understanding is there are
25 no questions from the Bench for Mr. Earhart, we would

1 like to simply go ahead and move for the admission of
2 that testimony, RESA Exhibit 1, into the record at
3 this time.

4 ATTORNEY EXAMINER SCHABO: There are no
5 objections?

6 MR. CAMPBELL: Not from the company.

7 ATTORNEY EXAMINER SCHABO: All right.
8 Seeing none, we'll go ahead and we will admit the
9 direct testimony of Brian Earhart marked RESA
10 Exhibit 1 into evidence.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 MR. SETTINERI: Thank you, your Honor.
13 At this time we'd like to call Mr. James Crist to the
14 stand.

15 ATTORNEY EXAMINER PRICE: Mr. Crist, do
16 you swear the testimony you're about to give is the
17 truth, the whole truth, and nothing but the truth?

18 MR. CRIST: I do.

19 ATTORNEY EXAMINER PRICE: Please be
20 seated, and state your name and business address for
21 the record.

22 THE WITNESS: I'm James L. Crist. I'm
23 President of Lumen Group. My address is Suite 101,
24 4226 Yarmouth Drive, Allison Park, Pennsylvania
25 15101. I'm here today testifying on behalf of RESA.

1 MR. SETTINERI: Your Honor, at this time
2 if I may mark RESA Exhibit 2, the direct testimony of
3 James L. Crist, PE, on behalf of the Retail Energy
4 Supply Association, dated January 17th, 2019.

5 ATTORNEY EXAMINER PRICE: So marked.

6 (EXHIBIT MARKED FOR IDENTIFICATION.)

7 - - -

8 James L. Crist, PE,
9 being first duly sworn, as prescribed by law, was
10 examined and testified as follows:

11 DIRECT EXAMINATION

12 By Mr. Settineri:

13 Q. Good morning, Mr. Crist.

14 A. Good morning.

15 Q. Do you have before you what's been
16 marked as RESA Exhibit 2?

17 A. I do.

18 Q. And can you identify that for the
19 record, please?

20 A. Yes, that's my direct testimony in this
21 proceeding.

22 Q. Was that prepared by you or at your
23 direction?

24 A. Yes, it was.

25 Q. And do you have any changes or revisions

1 to that testimony today?

2 A. I do not.

3 Q. And if I asked you the questions in that
4 testimony, would your answers be the same today?

5 A. Yes, they would be.

6 MR. SETTINERI: Your Honors, the witness
7 is available for cross-examination.

8 ATTORNEY EXAMINER PRICE: Thank you.

9 MS. O'BRIEN: Good morning, Mr. Crist.

10 ATTORNEY EXAMINER PRICE: I was going to
11 make the signatory parties go first so they could not
12 engage in friendly cross, which is the -- because you
13 can't trust -- no.

14 IGS?

15 MR. OLIKER: No thank you, your Honor.

16 ATTORNEY EXAMINER PRICE: Mr. Keaney,
17 right?

18 MR. KEANEY: No cross.

19 MR. PRITCHARD: The company has no
20 cross.

21 ATTORNEY EXAMINER PRICE: Thank you.
22 Ms. O'Brien.

23 - - -

24 CROSS-EXAMINATION

25 By Ms. O'Brien:

1 Q. Good morning, Mr. Crist.

2 A. Good morning, Ms. O'Brien.

3 Q. I'd like to first direct you to your
4 direct testimony filed on January 17th, and to the
5 Stipulation, paragraph 15, which deals with marketer
6 and supplier provisions.

7 MR. SETTINERI: And, counsel, did you
8 ask him to look at the Stipulation, or the testimony?

9 MS. O'BRIEN: Well, right now, the
10 Stipulation.

11 MR. SETTINERI: Thank you.

12 THE WITNESS: I've got the Stipulation.
13 By Ms. O'Brien:

14 Q. All right. Now, in your direct
15 testimony you testify in support of a number of
16 supplier issues set forth in paragraph 15; is that
17 correct?

18 A. That is correct.

19 Q. And among these issues are the exit the
20 merchant function, billing system upgrades, and the
21 provision of certain customer information to Choice
22 Suppliers; is that correct?

23 A. Correct.

24 Q. Now, with respect to these issues,
25 paragraph 15 of the Stipulation provides that Vectren

1 will meet with the Stipulation signatories and other
2 interested parties to discuss proposals to implement
3 these issues; is that correct?

4 MR. SETTINERI: Counsel, could we direct
5 him to the exact paragraph of the Stipulation?

6 MS. O'BRIEN: Well, I think with respect
7 to -- it's actually several paragraphs with respect
8 to the exit the merchants function, and the billing
9 system upgrades, and the provision the top 25 percent
10 list.

11 By Ms. O'Brien:

12 Q. You would agree that the Stipulation
13 requires Vectren to meet with the signatories to the
14 Stipulation and other interested parties to discuss
15 those issues?

16 MR. SETTINERI: I'll just object to the
17 characterization that the top 25 percent list
18 requires those meetings.

19 By Ms. O'Brien:

20 Q. Would you agree that the Stipulation
21 requires Vectren to meet with the signatories to the
22 Stipulation, and other interested parties, to discuss
23 marketer and supplier issues?

24 A. To be specific, the Stipulation, under
25 the section SCO, supplier coordination issues,

specifies that there will be a meeting 120 days -- within 120 days of the approval of the Stipulation, and at least three times annually.

Then again, in the section entitled "Billing Enhancements", it again says that the company agrees to participate in the first of these interested party meetings within 120 days of the approval of the Stipulation, and at least three times annually.

Q. Okay. Thank you for clarifying that.

Does the Retail Energy Suppliers Association support allowing the OCC to participate in these meetings?

MR. SETTINERI: Calls for speculation. Objection.

ATTORNEY EXAMINER PRICE: Can I have the question again, please? What is the objection?

MS. O'BRIEN: Well, he's testifying on behalf of the retail energy marketing association, so my question goes to whether he knows if they would be --

ATTORNEY EXAMINER PRICE: I understand. I just wanted to hear the question again. She'll read it to me.

(Question read back.)

1 ATTORNEY EXAMINER PRICE: And you're
2 objecting as to speculation?

3 MR. SETTINERI: Yes, your Honor.

4 ATTORNEY EXAMINER PRICE: Overruled.
5 You can proceed.

6 THE WITNESS: It certainly allows for
7 the signatory parties to be participants. I believe
8 that all interested parties would be permitted.
9 By Ms. O'Brien:

10 Q. Would you agree that OCC, who represents
11 Vectren's residential customers, would be an
12 interested party?

13 A. They would be an interested party.

14 Q. So do you agree that OCC should be
15 permitted to participate in these meetings?

16 MR. SETTINERI: Object, asked and
17 answered.

18 ATTORNEY EXAMINER PRICE: Overruled. He
19 hasn't answered it yet.

20 THE WITNESS: As I said before, all
21 interested parties, and OCC would be an interested
22 party, therefore they would be permitted to
23 participate in these discussions.

24 By Ms. O'Brien:

25 Q. Okay. Thank you. Now I'd like to

1 direct you to page 4 of your testimony, beginning on
2 line 15. Beginning on line 15 you discuss the SCO
3 supplier coordination provisions in the Stipulation;
4 is that correct?

5 A. Yes.

6 Q. And now with respect to the Stipulation
7 at paragraph 15 b, that provides that Vectren will
8 transfer a customer call to the Standard Choice Offer
9 supplier when it determines that the customer has a
10 question regarding the SCO supplier; is that correct?

11 A. Correct.

12 Q. Now, my understanding is that under the
13 SCO arrangement, the customer does not independently
14 or actively select the supplier. Is my understanding
15 correct?

16 A. If they don't select a supplier, they
17 are assigned a supplier.

18 Q. Okay. So like you said, Vectren assigns
19 a supplier to the customer, correct?

20 A. Correct.

21 Q. Okay. Now, is it fair to say that the
22 SCO customer's primary relationship would then be
23 with Vectren?

24 A. The customer would have two
25 relationships. I can't really say what is primary or

1 secondary. The relationship with their distribution
2 utility would clearly be with Vectren, the
3 relationship with their gas supplier would be with
4 their supplier.

5 Q. But you just testified that Vectren
6 assigns the supplier to the customer, the Standard
7 Choice customer, correct?

8 A. That's accurate. But I didn't make a
9 segue and tie that into a relationship.

10 ATTORNEY EXAMINER PRICE: What is the
11 nature of a relationship between a retail -- a
12 Standard Choice Offer customer and the Standard
13 Choice provider? Is there a difference in the
14 quality of gas from one marketer to the next
15 marketer?

16 THE WITNESS: There is not.

17 ATTORNEY EXAMINER PRICE: Is there a
18 difference in the price from one marketer to the next
19 marketer?

20 THE WITNESS: Not under --

21 ATTORNEY EXAMINER PRICE: I meant the
22 Standard Choice Offer.

23 THE WITNESS: Not under the Standard
24 Choice Offer.

25 ATTORNEY EXAMINER PRICE: Can they

1 expect better customer service from one marketer to
2 the next marketer?

3 THE WITNESS: That's a marketer specific
4 thing. It could be different with customer service
5 specifically to that marketer.

6 ATTORNEY EXAMINER PRICE: One question
7 regarding Standard Choice Offer service. What would
8 be different from one marketer to the next marketer?

9 If price is not different, if quality of
10 gas is not different, if Vectren's obligated to
11 provide the gas when a customer asks, through the
12 distribution system, what customer-specific issue
13 would one have between one marketer to the next
14 marketer?

15 THE WITNESS: I'm not sure that I can
16 envision a customer-specific issue like that, your
17 Honor.

18 ATTORNEY EXAMINER PRICE: Thank you.

19 MR. OLIKER: Was your hypothetical
20 speaking of SCO marketers, or marketers in general?

21 ATTORNEY EXAMINER PRICE: Standard
22 Choice.

23 MR. OLIKER: Because I wasn't sure if
24 the record was clear on that.

25 ATTORNEY EXAMINER PRICE: The whole

1 colloquy was related to marketers under the Standard
2 Choice Offers program.

3 MR. OLIKER: Thank you.

4 ATTORNEY EXAMINER PRICE: Thank you,
5 Ms. O'Brien.

6 By Ms. O'Brien:

7 Q. Now, would it be fair to say that the
8 SCO customers may be more familiar with Vectren
9 since, as you stated, Vectren provides the
10 distribution, than with their SCO supplier?

11 A. Please state your question again. I'm
12 not quite sure I heard.

13 Q. What I'm asking is, would you agree that
14 SCO customers may be more familiar with Vectren as
15 their distribution utility as --

16 A. Yes.

17 Q. -- opposed to the SCO supplier?

18 A. Yes, the customers would be more
19 familiar with Vectren, and would be aware that
20 Vectren was the distribution utility, or at least
21 understand Vectren's a gas company.

22 Q. And on the bottom of page 4 of your
23 testimony you acknowledge that the customer may call
24 Vectren instead of the SCO supplier because of
25 supplier name recognition or because Vectren has

1 served that customer for a number of years; is that
2 correct?

3 A. That is correct.

4 Q. Now, under what circumstances do you
5 believe Vectren's call center should transfer a call
6 to the SCO supplier?

7 A. If the customer has a question about gas
8 supply issues, it's a question that the Vectren call
9 center rep, under their discretion and judgment,
10 can't simply answer.

11 Q. Do you know whether any of the suppliers
12 within the Retail Energy Supply Association have
13 developed specific criteria under which a call should
14 be transferred to the SCO supplier?

15 MR. SETTINERI: Object to the extent it
16 calls for a decision by Vectren transferring the
17 call, versus RESA.

18 ATTORNEY EXAMINER PRICE: You can answer
19 the question if you know.

20 THE WITNESS: I'm unaware of that.

21 By Ms. O'Brien:

22 Q. In your opinion, should an SCO customer
23 be able to request to not have his or her call
24 transferred by Vectren?

25 A. They should be able to decline to have

1 the call transferred if they wish.

2 Q. In other words, they -- if they have a
3 question they should be able to get that answer from
4 Vectren; is that correct?

5 A. If they can't get the answer from
6 Vectren, and Vectren offers to transfer, the customer
7 can simply hang up if they wish.

8 ATTORNEY EXAMINER PRICE: Is there
9 anything in the Stipulation that provides that
10 Vectren will give that option to the customer, that
11 they may hang up if they choose to not be
12 transferred?

13 THE WITNESS: Well, the way the
14 Stipulation reads --

15 ATTORNEY EXAMINER PRICE: No, first you
16 have to answer my question, then I'll let you
17 explain. Is there anything that gives the customer
18 the option to hang up?

19 THE WITNESS: Is there anything in the
20 Stipulation that requires Vectren to advise the
21 customer they may hang up rather than be transferred?
22 I'm not aware of anything that requires Vectren to
23 advise the customer they may hang up.

24 ATTORNEY EXAMINER PRICE: And now you
25 can further explain.

1 THE WITNESS: So the Stipulation says
2 within the company's reasonable discretion the
3 company determines the SCO customer has specific
4 questions with respect to, or in relation to, the
5 SCO, and that it is reasonable under the
6 circumstances for the call -- to either transfer the
7 call or direct the SCO customer to the applicable SCO
8 supplier.

9 So they can direct the customer or tell
10 them they are going to transfer, and the customer can
11 always simply hang up their phone.

12 By Ms. O'Brien:

13 Q. Okay. Now, in the event Vectren
14 transfers a customer call to the SCO supplier, what
15 in the Stipulation prevents the supplier from
16 offering or marketing additional products or services
17 to the customer?

18 A. Nothing in the Stipulation prohibits
19 that.

20 Q. Okay. Thank you. Now I want to direct
21 your attention --

22 ATTORNEY EXAMINER PRICE: Before you
23 move on I would like to follow up with that.

24 So a supplier who has a customer
25 directed to it could sell to the customer competitive

1 retail electric service; is that correct?

2 THE WITNESS: Or other products.

3 ATTORNEY EXAMINER PRICE: Or other
4 products.

5 THE WITNESS: First they could address
6 the customer's question, of course, relating to
7 supply, and then they could discuss any matter.

8 ATTORNEY EXAMINER PRICE: Magazine
9 subscriptions?

10 THE WITNESS: It's unclear to me what
11 they all can offer --

12 ATTORNEY EXAMINER PRICE: There's no
13 limit?

14 THE WITNESS: There's nothing specified
15 in the Stip that limits the SCO supplier.

16 ATTORNEY EXAMINER PRICE: Thank you.
17 By Ms. O'Brien:

18 Q. Now I'd like to direct your attention to
19 the Stipulation at paragraph 15 e, which addresses
20 the exit the merchant function.

21 MR. SETTINERI: What was that paragraph
22 reference again?

23 MS. O'BRIEN: Paragraph 15 e -- c, I'm
24 sorry.

25 ATTORNEY EXAMINER PRICE: I think we're

1 talking c.

2 MS. O'BRIEN: I'm sorry. My apologies.

3 By Ms. O'Brien:

4 Q. And then we're going to look at page 6
5 of your testimony, and at line 11 you refer to
6 developing a, quote, sound plan for Vectren to exit
7 the merchant function; is that correct?

8 A. Correct.

9 Q. What do you consider to be a sound exit
10 plan?

11 A. A sound plan has many components to it.
12 Identifies how the customers that are exiting an SCO
13 would end up being assigned suppliers once Vectren
14 exits the merchant function. It would have a
15 communication component to explain what's going on to
16 the customers.

17 There's a number of complexities, which
18 is why they are having the meetings. That's why the
19 Stipulation proposes three meetings annually.

20 Q. And just to recap, you testified earlier
21 that OCC would be permitted to participate in those
22 proceedings?

23 A. As an interested party, correct.

24 Q. Now, would a sound plan -- would a plan
25 that results in customers paying more for natural gas

1 supply service than they would have paid under
2 Vectren's SCO be a sound plan?

3 MR. SETTINERI: Just object as to
4 ambiguity. There's no definition and no foundation
5 for what that plan would constitute.

6 MS. O'BRIEN: Well, your Honor, I think
7 that, you know, we just discussed several components
8 of a sound plan for exiting the merchants function.

9 My question is if he considers the
10 customer paying a higher price for natural gas
11 service, if that could be part of a sound plan.

12 ATTORNEY EXAMINER PRICE: Objection is
13 overruled. You may answer if you know.

14 THE WITNESS: There may be some products
15 that a marketer sells to a customer that might be
16 priced higher or lower than the SCO offering. So
17 price in itself isn't the sole determination of what
18 makes a good product or a bad product.

19 By Ms. O'Brien:

20 Q. And now would a plan that results in a
21 customer paying more for natural gas supply, would
22 that plan benefit consumers, or benefit the customer?

23 MR. SETTINERI: Objection, asked and
24 answered.

25 MS. O'BRIEN: Actually my question is

1 different. This one determines whether or not the
2 increased price for natural gas service would
3 actually be a benefit to customers.

4 MR. PRITCHARD: And I also would add an
5 objection that we're talking about a plan that
6 doesn't exist, and we don't have any hypothetical
7 facts for what this undetermined plan would be.

8 ATTORNEY EXAMINER PRICE: So from your
9 perspective, Mr. Pritchard, the vagueness of the plan
10 is a feature, not a bug, but I believe OCC would
11 believe this to be a bug, not a feature.

12 Your objection is overruled.
13 Mr. Settineri, your objection is overruled. You may
14 answer the question.

15 THE WITNESS: Well, again, price isn't
16 the sole determinant of whether something is good or
17 something is bad.

18 We're in a dynamic situation; prices
19 change daily. So that's not going to be any criteria
20 I would use to determine if a plan is good or bad.

21 By Ms. O'Brien:

22 Q. Do you know if any of the Retail Energy
23 Supply marketers have conducted any surveys with
24 their customers to determine whether or not paying a
25 higher price for natural gas supply service would be

1 beneficial to them?

2 A. I'm unaware whether they have or have
3 not conducted such surveys.

4 Q. Okay. So now I'd like to direct your
5 attention to paragraph --

6 ATTORNEY EXAMINER PRICE: I don't want
7 to leave this topic just yet, Ms. O'Brien.

8 Can you explain to the Bench why the
9 elimination of the Standard Choice option is a
10 benefit to ratepayers and in the public interest?

11 THE WITNESS: Once you take the Standard
12 Choice option out, now the entire market is subject
13 to competitive retail competitive choice. So the
14 suppliers are now competing for a larger number of
15 customers, so that's a benefit in the sense that now
16 we have more competition.

17 ATTORNEY EXAMINER PRICE: Don't you have
18 less competition since you've eliminated the Standard
19 Choice option?

20 THE WITNESS: No, the Standard Choice
21 option has a lot of customers participating in that.
22 But once they are in the Standard Choice option, it's
23 not the same level playing field that the marketers
24 are doing to compete for other customers' patronage,
25 those customers not in the SCO.

1 So Vectren gets these customers, assigns
2 them an SCO supplier. There's work that the utility
3 is doing simply to assign to a supplier, and it kind
4 of takes them out of play for the Choice --

5 ATTORNEY EXAMINER PRICE: Why are they
6 out of play? You can market to those customers until
7 your heart is content.

8 THE WITNESS: True, but they are already
9 assigned an SCO supplier. It would be fairer if they
10 were simply all in the competitive market --

11 ATTORNEY EXAMINER PRICE: Aren't these
12 customers who have specifically chosen to remain with
13 the utility?

14 THE WITNESS: Some have chosen to remain
15 with the utility.

16 ATTORNEY EXAMINER PRICE: If you lived
17 in a community with an opt out aggregation, and you
18 decided to stay with the utility rather than go to
19 the aggregation, you would have made the specific
20 choice to the utility to turn in your opt out and
21 stay with the utility; isn't that correct?

22 THE WITNESS: That is correct, your
23 Honor.

24 ATTORNEY EXAMINER PRICE: Do you know
25 what the switching percentage is in the Vectren

1 service territory as of January 2018?

2 THE WITNESS: I don't have that data in
3 front of me. I believe I looked at it previously,
4 and it's not as high as some of the other natural gas
5 utilities in the State of Ohio.

6 ATTORNEY EXAMINER PRICE: You don't know
7 those for Dominion East Ohio Gas service territory as
8 of January 2018?

9 THE WITNESS: No.

10 ATTORNEY EXAMINER PRICE: Would it
11 surprise you if it was somewhere in the range of 72
12 percent?

13 THE WITNESS: For Dominion?

14 ATTORNEY EXAMINER PRICE: For Dominion.

15 THE WITNESS: It wouldn't surprise me.
16 Dominion has been particularly pro competition.

17 ATTORNEY EXAMINER PRICE: Let's get back
18 to the Standard Choice, to the exit the merchant
19 function.

20 In your testimony you say the -- "I
21 expect the meetings will allow participants to work
22 through any concerns and develop a sound plan for the
23 exit."

24 Do you believe that Vectren is obligated
25 to develop a plan and file an application under

1 this -- under this provision of the Stipulation?

2 THE WITNESS: They are not obligated to
3 file an application, but they are certainly obligated
4 to have the discussions.

5 ATTORNEY EXAMINER PRICE: Do you believe
6 any signatory party, including the Staff, is
7 obligated to support any plan that emerges from these
8 discussions?

9 THE WITNESS: Just a minute. I think
10 the obligation is limited to participating in the
11 discussions.

12 ATTORNEY EXAMINER PRICE: Have you ever
13 performed a study, or are you aware of a study -- not
14 aware.

15 Have you ever performed a study that the
16 elimination of a Standard Choice Offer in any gas
17 service territory will result in reducing the prices
18 available to customers in the service territory?

19 THE WITNESS: I've not performed the
20 type of study you've described, but I will again
21 comment that the price alone is not a significant --
22 or not the significant determination of whether it is
23 a benefit or not a benefit to a customer to have
24 other choices.

25 ATTORNEY EXAMINER PRICE: Is there a

1 different quality of gas?

2 THE WITNESS: No.

3 ATTORNEY EXAMINER PRICE: Is there any
4 chance the customer won't be served because of
5 supplier defaults?

6 THE WITNESS: No. There's risk
7 management features having to do with the stability
8 of the gas price; for example, fixed versus variable.

9 ATTORNEY EXAMINER PRICE: And today, if
10 you were a customer in Vectren's service territory
11 and a -- there's nothing that prevents a supplier
12 from offering a one, two, three, four, or five-year
13 fixed product; is that not true?

14 THE WITNESS: You are correct.

15 ATTORNEY EXAMINER PRICE: And the
16 Standard Choice Offer in gas is a monthly variable
17 product that varies with the NYMEX public spread; is
18 that correct?

19 THE WITNESS: I believe so.

20 ATTORNEY EXAMINER PRICE: And there's
21 nothing that prevents a gas supplier in the Vectren
22 service territory from offering a percent off that
23 price; is that not true?

24 THE WITNESS: You're not referring to an
25 SCO supplier?

1 ATTORNEY EXAMINER PRICE: No, a
2 retail marketer offers a 5 percent off Standard
3 Choice Offer.

4 THE WITNESS: I believe they would have
5 that flexibility, although it's a little unclear to
6 me if the billing system can handle certain things
7 like that.

8 ATTORNEY EXAMINER PRICE: One final
9 question then I'll yield the floor back to
10 Ms. O'Brien.

11 Is there anything if a -- earlier we
12 were talking about the transfer -- the transfer of
13 the customer to the Standard Choice Offer supplier.

14 Is there anything preventing a supplier
15 in the Stipulation from offering a very low
16 introductory rate for three months, but then a much
17 higher standard offer rate when that call is
18 transferred?

19 THE WITNESS: The Stipulation is silent
20 on that point.

21 ATTORNEY EXAMINER PRICE: And you would
22 agree that during the summer months customers' gas
23 usage is very low?

24 THE WITNESS: Certainly for residential
25 and small commercial customers, it's very low.

1 ATTORNEY EXAMINER PRICE: I mean for
2 residential. Thank you.

3 So it could be advantageous in that
4 situation, and if you were to transfer a customer in
5 May, to offer a very low three-month introductory
6 rate with a much higher rate for the fall months and
7 say to the customer, look, this is much lower than
8 the rate from the Standard Choice offerer; would that
9 not be an option?

10 THE WITNESS: That would be an
11 opportunity to make such an offer, correct.

12 ATTORNEY EXAMINER PRICE: Thank you,
13 Ms. O'Brien, for your patience.

14 MS. O'BRIEN: Thank you, your Honor.
15 By Ms. O'Brien:

16 Q. Okay. Now turning to the billing
17 system. I'll refer you to the Stipulation at
18 paragraph 15 d.

19 And the Stipulation there lists a number
20 of billing upgrades that Vectren will explore with
21 the suppliers, including the fixed bill through
22 rate-ready code, the additional rate-ready codes,
23 billing a rate based on NYMEX prices, plus or minus
24 the value, permitting prepayment of the commodity
25 portion of the bill, and allowing a zero price

1 rate-ready code.

2 Now, can you tell me whether the RESA
3 suppliers have conducted any studies to determine the
4 cost of implementing these billing upgrades?

5 A. I'm unaware of any studies related to
6 the cost of the billing system upgrades.

7 Q. And you would agree with me that these
8 proposed billing upgrades benefit the suppliers,
9 correct?

10 A. Allowing more products benefits the
11 customers, clearly, and benefits suppliers.

12 Q. Okay. And the Stipulation expressly
13 conditions the billing upgrade provisions on the
14 Retail Electric Supply Association signatures, right?

15 And specifically I'm referring to the
16 Stipulation at page 19.

17 MR. SETTINERI: I just object as to the
18 form of the question.

19 ATTORNEY EXAMINER PRICE: Please
20 rephrase.

21 By Ms. O'Brien:

22 Q. Well, the -- I mean, with respect to the
23 Stipulation's provisions, in order to have the
24 discussions regarding the billing upgrades, or even
25 to have the conversation with Vectren in the first

1 place, the Retail Electric Supplier Association must
2 sign the Stipulation; is that correct?

3 A. I want to make sure I'm following you,
4 Ms. O'Brien.

5 You're asking -- I mean, RESA did sign
6 the Stipulation, and being a signatory party to the
7 Stipulation means that they will participate in the
8 meetings to discuss this.

9 But the billing enhancement discussions
10 can also include interested parties such as your own
11 organization.

12 Q. Well, let's move on. Let's see. And
13 you would agree that the proposed billing upgrades
14 would allow suppliers to provide new services to
15 customers; is that correct?

16 A. Correct. They'd allow -- I put a table
17 in my testimony, Table 1 on page 7, that talks about
18 a number of different products and services they will
19 be able to offer.

20 Q. Now, can you tell me whether or not the
21 RESA suppliers have conducted any studies or customer
22 surveys to determine whether the customers want the
23 services the billing enhancements will facilitate?

24 A. I'm unaware of any studies that the RESA
25 members have conducted regarding the customers in

1 Vectren's service territory.

2 However, my general familiarity with
3 this industry, I can tell you that there are
4 customers that purchase products like this in other
5 jurisdictions.

6 ATTORNEY EXAMINER PRICE: Look at
7 Table 1. I'm sorry, Ms. O'Brien. Looking at --
8 first of all, let's go to lines 13 and 14 of your
9 testimony.

10 Currently today a retail marketer in the
11 Vectren service territory can dual bill -- am I
12 reading your language correctly, that they have to
13 dual bill all their customers, or part of their
14 customers; is that right?

15 THE WITNESS: I'm not sure what they can
16 dual bill or can't dual bill, but I know the zero
17 price capability the suppliers are looking for would
18 allow them to zero bill a Choice customer so that
19 those Choice customers can then be combined and
20 aggregated in one bill by the supplier. Did that
21 address what you're asking?

22 ATTORNEY EXAMINER PRICE: No, it
23 doesn't, but that's okay.

24 Going to Table 1, the first fixed bill
25 through rate-ready code indicates offering -- allows

1 offering of innovative risk-managed fixed bill
2 product using a unique rate-ready code; is that
3 correct?

4 THE WITNESS: Yes, sir.

5 ATTORNEY EXAMINER PRICE: If a retail
6 supplier billed of its own accord, engaged in dual
7 billing, they could do that today; isn't that
8 correct?

9 THE WITNESS: Yes, they could.

10 ATTORNEY EXAMINER PRICE: And how about
11 the second enhancement, they could do that today if
12 they gave some dual -- participated in dual billing,
13 issuing their own bill?

14 THE WITNESS: Yes, if they engaged in
15 dual billing. Of course, the purpose of this is to
16 get away or not force them to get the dual billing.
17 Customers generally prefer one bill.

18 ATTORNEY EXAMINER PRICE: Have you ever
19 performed a study to indicate that customers
20 generally prefer one bill?

21 THE WITNESS: I personally haven't
22 performed such a study, but I've seen market research
23 on that topic.

24 ATTORNEY EXAMINER PRICE: But leaving
25 aside that, there's nothing in Table 1 that a

1 marketer could not do today if he engaged in dual
2 billing?

3 THE WITNESS: I believe that is correct.

4 ATTORNEY EXAMINER PRICE: Thank you,
5 Ms. O'Brien.

6 MS. O'BRIEN: Thank you, your Honor.

7 By Ms. O'Brien:

8 Q. I'd like to refer you to the Stipulation
9 paragraph 15 g, specifically the provision that
10 billing upgrade costs will be recovered through the
11 Exit Transition Cost Rider. And you would agree that
12 the Exit Transition Cost Rider is a charge to
13 customers, correct?

14 A. Correct.

15 Q. Now, at page 9 of your testimony,
16 beginning at lines 14 -- beginning at line 14, you
17 reference the \$850,000 cap to the ETC Rider and
18 discuss how Vectren can explore alternative options
19 for cost recovery of the billing enhancements,
20 including recovery from customers under other
21 Commission approved riders; is that correct?

22 A. Correct.

23 Q. Would another alternative to billing
24 enhancement cost recovery be charging the suppliers
25 that seek the billing enhancements?

1 A. That could be another alternative.

2 Q. Okay. And what specific billing upgrade
3 costs have RESA suppliers committed to pay?

4 A. RESA suppliers haven't committed to pay
5 any part of the billing upgrade cost.

6 Q. Okay. Thank you. Now I'd like to move
7 on to the Stipulation paragraph 15 e.

8 This stipulation provides that Vectren
9 will explore the feasibility of providing Choice
10 Suppliers with a list of Choice customers whose
11 current commodity rates are in the top 25 percent of
12 all Choice customer rates?

13 A. Correct.

14 Q. Can you confirm that any such list would
15 include only Vectren's Choice customers, and not the
16 Standard Choice customers?

17 A. I'll read from the Stipulation. On
18 page 22 in that paragraph e, it explains about
19 providing the Choice Suppliers, as defined in the
20 company's tariff, a list of Choice customers whose
21 current commodity rates are in the top 25 percent of
22 all Choice customer rates.

23 Q. Thank you for clarifying that, but my
24 question is whether or not RESA will commit that the
25 top 25 percent list will contain only information

1 about Choice customers.

2 MR. SETTINERI: Object, calls for
3 speculation. That list is being developed by
4 Vectren. More so, the Stipulation is clear. And he
5 asked and answered the question.

6 ATTORNEY EXAMINER PRICE: His objection
7 is sustained on the asked and answered.

8 By Ms. O'Brien:

9 Q. Well, let me phrase it another way. Can
10 you --

11 ATTORNEY EXAMINER PRICE: I don't think
12 you want to say that.

13 MS. O'BRIEN: No, I'm backing up.

14 By Ms. O'Brien:

15 Q. Will RESA commit not to include any
16 information regarding the Standard Choice customer on
17 the top 25 percent list?

18 MR. SETTINERI: Objection, asked and
19 answered.

20 ATTORNEY EXAMINER PRICE: That's a
21 slightly different question. You can answer.

22 THE WITNESS: RESA doesn't assemble the
23 list, Ms. O'Brien, you'll have to direct that
24 question to Vectren.

25 Vectren assembles the top 25 percent

1 list, and according to the Stipulation, Vectren
2 should identify the top 25 percent of all Choice
3 customers.

4 By Ms. O'Brien:

5 Q. So would RESA suppliers commit to not
6 asking for information regarding the Standard Choice
7 Offer customers?

8 MR. SETTINERI: Objection, asked and
9 answered.

10 MS. O'BRIEN: It's a slightly different
11 version. I'm asking whether they would commit to not
12 seeking that information.

13 ATTORNEY EXAMINER PRICE: I'll allow it.

14 THE WITNESS: I believe that RESA would
15 want what it says in the Stip that they have already
16 signed and agreed to, which is the top 25 percent of
17 all Choice customers.

18 By Ms. O'Brien:

19 Q. And you would agree that the Stipulation
20 doesn't provide for providing any information
21 regarding the Standard Choice customers; is that
22 correct?

23 A. This section of the Stip on the top 25
24 list, it specifically addresses Choice customers.

25 Q. Does the Stipulation address providing

1 any information of the Standard Choice customer to
2 the RESA suppliers?

3 ATTORNEY EXAMINER PRICE: I think that
4 we have thoroughly explored the topic and we should
5 move on to the next issue.

6 MS. O'BRIEN: Okay. Thank you, your
7 Honor.

8 By Ms. O'Brien:

9 Q. Have any of the RESA suppliers conducted
10 any studies to determine the cost -- potential costs
11 of providing these lists?

12 A. I'm not aware of any studies such as you
13 described.

14 Q. Now, the Stipulation provides that the
15 cost of the list will be recovered through the
16 customer list fee; is that correct?

17 MR. SETTINERI: Object as to
18 mischaracterizing the Stipulation.

19 ATTORNEY EXAMINER PRICE: I guess my
20 understanding was that was how it was
21 being collected. How did she mischaracterize the
22 Stipulation?

23 MR. SETTINERI: I'm -- costs associated
24 with this provision shall be recovered through the
25 customer list fee. And to the extent such fees do

1 not cover the incremental cost of the top 25 percent
2 list, the company has no obligation to implement this
3 provision unless the requesting Choice Supplier pays
4 for the incremental cost.

5 ATTORNEY EXAMINER PRICE: Sustained.

6 MS. O'BRIEN: Well, your Honor, my --
7 By Ms. O'Brien:

8 Q. Mr. Crist, my question actually was with
9 respect to the customer list fee. So could you
10 please tell me what that -- what that charge is and
11 who will be paying for it?

12 A. I'm not sure what the charge is
13 specifically, but the suppliers pay the customer list
14 fee.

15 Q. So sitting here today, you can't tell me
16 what that -- what the customer list fee actually
17 entails; is that correct?

18 A. Correct.

19 Q. And your testimony is that you're
20 supporting a Stipulation and a customer list fee that
21 you don't understand; am I getting that right?

22 A. What I'm testifying to is that the
23 Stipulation allows for the recovery of the top 25
24 percent list through the customer list fee.

25 ATTORNEY EXAMINER PRICE: Let's approach

1 this from a different way.

2 Does the Stipulation preclude recovering
3 any costs of the top 25 -- of implementing the top 25
4 percent list from customers of Vectren?

5 THE WITNESS: Does it preclude
6 recovering the costs from the customers? It's pretty
7 specific. It says it shall be recovered either from
8 the fee, or if the fees don't cover the cost, then
9 they can go to the supplier.

10 ATTORNEY EXAMINER PRICE: It says the
11 company has no obligation to implement this provision
12 unless the requesting Choice Suppliers pay for any
13 incremental-cost.

14 Does that allow the company to go ahead
15 and provide it and then seek recovery of these fees
16 from the ratepayers, perhaps in the next rate case,
17 perhaps through some other rate --

18 THE WITNESS: The Stipulation doesn't
19 prohibit that, but it sure doesn't specifically
20 address that.

21 ATTORNEY EXAMINER PRICE: Thank you.

22 MS. O'BRIEN: Thank you, your Honor.

23 ATTORNEY EXAMINER PRICE: On this top 25
24 percent list, I'm going to ask you to step outside
25 the synergy for a second. Do you have a mortgage?

1 THE WITNESS: I used to.

2 ATTORNEY EXAMINER PRICE: Used to.

3 Excellent. And your mortgage servicer was aware of
4 what your mortgage interest rate was; is that
5 correct?

6 THE WITNESS: Yes.

7 ATTORNEY EXAMINER PRICE: And as a
8 mortgage customer, how would you have felt if you
9 received a letter from your mortgage servicer
10 indicating that they are going to give a list of
11 the 25 percent highest mortgage rates paid by their
12 customers to any mortgage broker who requests it?

13 THE WITNESS: I probably would have been
14 a little confused by that, by why they are doing
15 that.

16 But continuing with your hypothetical
17 example, if my mortgage happened to be high priced,
18 ergo in the top 25 percent, and then I started
19 receiving letters in the mail from other mortgage
20 providers explaining to me that they had a good deal
21 for me, I'd be receptive to at least reading and
22 considering that.

23 ATTORNEY EXAMINER PRICE: Okay. But the
24 difference in the mortgage industry and this
25 industry, is in this industry you have contract

1 termination fees, do you not?

2 THE WITNESS: In some requirements, some
3 contracts may have termination fees.

4 ATTORNEY EXAMINER PRICE: And when the
5 retail suppliers market their products to the
6 customers on this top 25 percent list, they will not
7 know that the customer is on the hook for a
8 termination fee, will they?

9 THE WITNESS: They will not.

10 ATTORNEY EXAMINER PRICE: So we hope the
11 customers know, otherwise they may end up worse off
12 economically because of the marketing call; is that
13 correct?

14 THE WITNESS: If they had a termination
15 fee, and then if they went and switched to some new
16 offer without paying attention to their termination
17 fee, or being notified when they were in the process
18 of doing the switch, they might incur an experience
19 for that.

20 ATTORNEY EXAMINER PRICE: And the
21 marketing call -- there's no prohibition on any
22 language or requiring the marketing call to be
23 recorded, or the marketing materials, a link with the
24 marketing the materials?

25 THE WITNESS: The calls would be

1 consistent with the other consumer protections.

2 ATTORNEY EXAMINER PRICE: As long as
3 they are truthful?

4 THE WITNESS: Correct.

5 ATTORNEY EXAMINER PRICE: And so it
6 would be truthful for a marketer to call a customer
7 on the 25 percent list and say your utility told me
8 that you pay an above average price for your gas?
9 That would be truthful, is it not true?

10 THE WITNESS: I'm not quite sure how
11 they would phrase it, but they might say --

12 ATTORNEY EXAMINER PRICE: I'm just
13 asking would that be a truthful statement?

14 MR. SETTINERI: Your Honor, if he may be
15 allowed to finish his answers, with all due respect.

16 ATTORNEY EXAMINER PRICE: I appreciate
17 that. But he needs to answer my question first, then
18 I've given him patience to explain it, explain later.
19 Go ahead.

20 THE WITNESS: So they get the call that
21 says you pay an above average price of gas, and so
22 I'm -- the next part of the question is would they be
23 receptive to that?

24 ATTORNEY EXAMINER PRICE: No, I'm saying
25 would that be a truthful statement?

1 THE WITNESS: That they could indeed
2 receive a call like that?

3 ATTORNEY EXAMINER PRICE: Yes.

4 THE WITNESS: Yes.

5 ATTORNEY EXAMINER PRICE: Would it be
6 truthful for the marketer to say your utility told me
7 you pay a very high price for natural gas?

8 THE WITNESS: Very high gets to be a
9 little subjective or whatever.

10 ATTORNEY EXAMINER PRICE: Above average
11 would be safe?

12 THE WITNESS: Above average.

13 ATTORNEY EXAMINER PRICE: High would be
14 safe?

15 THE WITNESS: They specifically would
16 say the price you're paying is in the top 25 percent
17 of the prices paid for the customers under Choice in
18 the Vectren service territory.

19 ATTORNEY EXAMINER PRICE: And then let's
20 go back to my discussion about introductory rates.

21 At that point, when they talk to the
22 customer, they could offer an introductory rate,
23 which is probably safely below the customer, but the
24 long-term fixed rate might be much higher than what
25 the customer is paying?

1 THE WITNESS: Well, there's a number of
2 components to a gas product, and so length of the
3 term, exit fee, is it fixed or variable, and so
4 forth.

5 So a lot of this stuff -- again, it
6 doesn't really end up price being the only
7 determinative of a purchase decision.

8 ATTORNEY EXAMINER PRICE: I understand
9 that. But my point is that they could offer an
10 introductory rate that seems to be economically
11 beneficial to the customer, but turns out not to be
12 because it might be back loaded on a much higher rate
13 when the use adjustment occurs, it might have a much
14 higher termination fee, as you pointed it, if you're
15 marketing to a customer who is one month away from
16 the end of their contract term?

17 THE WITNESS: That is possible.

18 ATTORNEY EXAMINER PRICE: Given all
19 that, how is this in the public interest?

20 THE WITNESS: The top 25 list at least
21 lets the Choice Suppliers know what customers are
22 paying more, generally, than the bottom 75 percent.
23 So it helps you target --

24 ATTORNEY EXAMINER PRICE: But you just
25 told me that more -- I'm sorry to interrupt and I'll

1 come back to that.

2 THE WITNESS: So now you've got a group
3 that, as a marketer, you think well, they are paying
4 more, I don't know what else is connected with their
5 contract, but at least here is a group that I know
6 that their price is flagged by Vectren is in the
7 top 25 percent, therefore I might want to focus the
8 marketing efforts on it.

9 ATTORNEY EXAMINER PRICE: But you just
10 told me earlier, a few minutes ago, that price is not
11 the sole determinative in the value of these
12 contracts.

13 THE WITNESS: That's true.

14 ATTORNEY EXAMINER PRICE: So it's a very
15 rough --

16 THE WITNESS: It's a rough determinant,
17 but -- if you're a gas marketer and you have this
18 list, it's a rough determinant, but it still might
19 help you focus on this group.

20 ATTORNEY EXAMINER PRICE: I agree it's
21 very beneficial for the gas marketers. I'm asking
22 how it's beneficial for the customers.

23 THE WITNESS: Because now this customer
24 group is, I say more in play. That is, they are
25 receiving offers to consider from a variety of

1 marketers, presumably, that have got access to the
2 top 25 list, so they are going to have more
3 information coming to them, more offers.

4 That's when they will probably engage to
5 figure out hey, do I have a termination fee, what is
6 the term of my contract, and so forth. So it just
7 creates more awareness and more choices for them.

8 ATTORNEY EXAMINER PRICE: Thank you.

9 THE WITNESS: You're welcome.

10 ATTORNEY EXAMINER PRICE: Thank you,
11 Mr. O'Brien.

12 MS. O'BRIEN: Thank you, your Honor. I
13 have no further questions.

14 ATTORNEY EXAMINER PRICE: Ms. Fleisher?

15 MS. FLEISHER: No questions.

16 ATTORNEY EXAMINER PRICE: Mr. Keaney?

17 MR. KEANEY: No questions.

18 ATTORNEY EXAMINER PRICE: Mr. Margard?

19 MR. MARGARD: No questions. Thank you.

20 ATTORNEY EXAMINER PRICE: Redirect?

21 MR. SETTINERI: If we may have a moment,
22 your Honor.

23 ATTORNEY EXAMINER PRICE: You may.
24 We're off the record.

25 (Discussion off the record.)

1 ATTORNEY EXAMINER PRICE: Go back on the
2 record. Redirect?

3 MR. SETTINERI: Yes, your Honor, just a
4 few questions, if I may.

5 - - -

6 REDIRECT EXAMINATION

7 By Mr. Settineri:

8 Q. Mr. Crist, do you recall some questions
9 from OCC's counsel regarding OCC's participation in
10 some of the meetings that would occur on the Stip?

11 A. Yes, I do.

12 Q. And you had mentioned that there would
13 be meetings, and if I recall, you mentioned
14 specifically under the SCO supplier coordination
15 section of the Stipulation, and that would be
16 Section 15 b.

17 Am I correct that was a mistake on your
18 part? You should have been referencing Section 15 c
19 which would be exit the merchants function?

20 A. That is correct.

21 Q. And you had a number of questions, both
22 from the Bench and OCC, on the SCO supplier
23 coordination components of the Stipulation including
24 the transfer of calls from an SCO customer to its SCO
25 supplier. Do you recall those?

1 A. Yes, I do.

2 Q. All right. Generally, what are the
3 benefits to the SCO customers when a call is being
4 transferred to the SCO supplier?

5 A. It reminds them of the relationship that
6 they have with the supplier, reminds them who their
7 supplier is, makes them more aware of competition,
8 makes them more aware that there's a competitive
9 market.

10 Q. Okay. And do you see that as being a
11 positive step forward to developing the competitive
12 markets?

13 A. Absolutely. Customer engagement,
14 customer awareness, clearly benefits the development
15 of the competitive market, and benefits the
16 customers.

17 Q. And do you recall questions regarding
18 possible marketing of products by the SCO suppliers
19 when they are contacted by the SCO customers, when
20 the calls are transferred?

21 A. Yes.

22 Q. All right. Assuming Vectren actually
23 transfers calls today to the SCO suppliers, is it
24 possible that SCO suppliers could be doing those
25 marketing activities today?

1 A. After they address the supply question,
2 it's possible they could be doing such marketing
3 activities today.

4 Q. And you would assume that an SCO
5 customer could terminate a call at any time on their
6 part?

7 A. Absolutely. A customer can always hang
8 up.

9 Q. You were also asked some questions from
10 the Bench regarding the top 25 percent list, and I
11 think there was an example, and I'll paraphrase
12 somewhat about a -- someone on the top 25 percent
13 being solicited, receiving an introductory or teaser
14 offer, and then -- let's say in the spring, and then
15 ratcheting up to a higher fixed price, let's say in
16 the fall.

17 A. Yes, I recall that whole line of
18 questioning.

19 Q. In the event something like that
20 happened, is it possible, and probably likely, that
21 that customer would end up back on the top 25 percent
22 list?

23 A. That is possible and likely.

24 ATTORNEY EXAMINER PRICE: And if there
25 is a second termination fee, and they receive yet

1 another call and change again, they will be on the
2 hook once again for a second termination fee; is that
3 not true?

4 THE WITNESS: Under what you just
5 described, that could be true. However, now that
6 they are getting engaged, the customers will become
7 more aware of the details of their contracts and
8 commitments, and will have thought that through
9 presumably before they make an election.

10 ATTORNEY EXAMINER PRICE: We hope that
11 is true.

12 THE WITNESS: We all hope that's true.
13 Marketers would hope that would be true, also.

14 ATTORNEY EXAMINER PRICE: But we do not
15 necessarily know that to be true.

16 THE WITNESS: At this point, we do not.

17 ATTORNEY EXAMINER PRICE: Thank you.

18 By Mr. Settineri:

19 Q. Mr. Crist, and for -- just to be clear
20 for the record, for the top 25 percent customers, the
21 customers that are on that top 25 percent list, those
22 are Choice customers, correct?

23 A. Correct.

24 Q. And those would be customers that have
25 already executed contracts with a Choice Supplier,

1 correct?

2 A. That is correct.

3 MR. SETTINERI: No further questions,
4 your Honor. Thank you.

5 ATTORNEY EXAMINER PRICE: Thank you.
6 Mr. Keaney?

7 MR. KEANEY: No questions.

8 ATTORNEY EXAMINER PRICE: Company?
9 Mr. Pritchard.

10 MR. PRITCHARD: Yes, just briefly.

11 - - -

12 RECROSS-EXAMINATION

13 By Mr. Pritchard:

14 Q. Mr. Crist, do you recall some questions
15 and answers just a second ago about transferring
16 calls to the SCO supplier?

17 A. Yes.

18 Q. Now, would you turn to page -- to
19 provision 15 b on page 20 of the Stipulation?

20 A. Yes, I'm there.

21 Q. About four lines down, you would agree
22 with me that the Stipulation also provides for
23 Vectren to, quote, identify the relevant SCO supplier
24 contact information for the SCO customer, correct?

25 A. Correct.

1 Q. So it's not your testimony here today
2 that your understanding is Vectren, under this
3 provision, would have to transfer calls, correct?

4 A. Correct.

5 MR. PRITCHARD: That's the only question
6 I have, your Honor. Thank you.

7 ATTORNEY EXAMINER PRICE: Thank you.
8 Consumers' Counsel?

9 MS. O'BRIEN: No further questions.

10 ATTORNEY EXAMINER PRICE: Ms. Fleisher?

11 MS. FLEISHER: No questions, your Honor.

12 ATTORNEY EXAMINER PRICE: I have no
13 further questions. Thank you. You're excused.

14 (Witness excused.)

15 MR. SETTINERI: Your Honor, at this time
16 we'd like to move into the record RESA Exhibit 2, the
17 direct testimony of James L. Crist.

18 ATTORNEY EXAMINER PRICE: Any objections
19 to RESA Exhibit 2?

20 Hearing none, it will be admitted.

21 (EXHIBIT ADMITTED INTO EVIDENCE.)

22 ATTORNEY EXAMINER PRICE: Go off the
23 record.

24 (Discussion off the record.)

25 ATTORNEY EXAMINER PRICE: Let's go on

1 the record.

2 Mr. Margard?

3 MR. MARGARD: Staff would call Mr. David
4 Lipthratt.

5 ATTORNEY EXAMINER PRICE: Do you swear
6 the testimony you're about to give is the truth, the
7 whole truth, and nothing but the truth?

8 MR. LIPTHRATT: I do.

9 ATTORNEY EXAMINER PRICE: Please be
10 seated, and state your name and business address for
11 the record.

12 THE WITNESS: David Lipthratt, 180 East
13 Broad, Columbus, Ohio 43215.

14 ATTORNEY EXAMINER PRICE: You may
15 proceed, Mr. Margard.

16 MR. MARGARD: Thank you. Your Honor, I
17 have placed before the Bench, the Court Reporter, and
18 the witness, a document marked for purposes of
19 identification as Staff Exhibit No. 1, the Testimony
20 in Support of the Stipulation and Recommendation of
21 the David M. Lipthratt.

22 (EXHIBIT MARKED FOR IDENTIFICATION.)

23 - - -

24 David M. Lipthratt,
25 being first duly sworn, as prescribed by law, was

1 examined and testified as follows:

2 DIRECT EXAMINATION

3 By Mr. Margard:

4 Q. Mr. Lipthratt, do you have that document
5 before you?

6 A. I do.

7 Q. And is this the testimony that you have
8 prepared for this hearing?

9 A. Yes, sir.

10 Q. Prepared by you or at your direction,
11 correct?

12 A. Yes.

13 Q. Have you had an opportunity to review
14 this testimony prior to taking the stand today?

15 A. I have.

16 Q. Do you have any changes, corrections,
17 amendments, modifications of any kind to your
18 testimony as contained herein?

19 A. No, sir.

20 Q. And if I asked you the questions
21 contained in this testimony, would your responses be
22 the same?

23 A. Yes, sir.

24 Q. In your opinion, would those responses
25 be true and reasonable?

1 A. Yes, sir.

2 Q. Now, just for clarification,
3 Mr. Lipthratt, you also have submitted an additional
4 piece of testimony; is that correct?

5 A. Yes, sir.

6 Q. And you understand that all that we're
7 offering at this time is what's been marked as Staff
8 Exhibit No. 1?

9 A. Yes, sir.

10 MR. MARGARD: Your Honor, I respectfully
11 move for admission to Staff Exhibit 1 subject to
12 cross-examination. I tender the witness.

13 ATTORNEY EXAMINER PRICE: Mr. Keaney?

14 MR. KEANEY: No questions.

15 ATTORNEY EXAMINER PRICE: Mr. Olikier?

16 MR. OLIKER: No thank you, your Honor.

17 ATTORNEY EXAMINER PRICE: Company?

18 MR. CAMPBELL: No thank you.

19 ATTORNEY EXAMINER PRICE: Consumers'
20 Counsel.

21 MS. BOTSCHER-O'BRIEN: Thank you, your
22 Honor.

23 - - -

24 CROSS-EXAMINATION

25 By Ms. Botscher-O'Brien:

1 Q. Good morning, Mr. Lipthratt.

2 A. Good morning.

3 Q. On page 3 of your testimony, lines 14
4 to 17, you state that the Stipulation recognizes,
5 quote, some of the objections to the Staff Report of
6 Investigation raised by intervening parties. How are
7 those objections recognized?

8 A. As stated -- as stated in Question and
9 Answer No. 12 -- Question 12 attempts to address
10 how -- the objections that were addressed and
11 recognized as part of the Stipulation. The answer to
12 that question attempts to itemize those up.

13 Q. You state that alternatives approaches
14 were considered. What alternative approaches were
15 considered? What were the alternatives to that?

16 MR. MARGARD: Your Honor, I'll object to
17 the extent that this is asking questions about what
18 occurred in the confidential negotiations.

19 MS. BOTSCHER-O'BRIEN: He states on
20 page 3, line 16, considering alternative approaches.
21 So I'm just asking, what are the alternative
22 approaches?

23 MR. MARGARD: The fact that alternative
24 approaches may have been considered may be relevant.
25 Asking what those approaches are, however, is not.

1 ATTORNEY EXAMINER PRICE: Objection
2 sustained.

3 By Ms. Botcher-O'Brien:

4 Q. On page 3, lines 17 through 21 of the
5 Stipulation, you cite that the reduced revenue
6 increase in the Stip, as compared to the amount
7 requested by VEDO in its application as one of the
8 key benefits achieved in the Stipulation.

9 A. Yes, ma'am.

10 Q. Every time a settlement is filed that
11 includes a figure that is less than what a utility
12 asks for doesn't necessarily mean it's a benefit; is
13 that correct?

14 A. It is dependent on the stipulation and
15 all that's included in those stipulations, and the
16 case that you are referring to.

17 Q. You didn't analyze whether the revenue
18 increase is a benefit in and of itself only in
19 relation to what the company asked for?

20 A. I disagree in that the Staff Report,
21 which this is embedded upon, goes into that analysis.
22 So I would not agree to that question.

23 Q. In your discussion of a lower federal
24 income tax of the Tax Cuts and Jobs Act of 2017,
25 TCJA, on page 4, lines 1 to 6, the lowered federal

1 tax is not reflected in a reduction in base rates; is
2 that correct?

3 A. No, that's not correct.

4 Q. Can you explain?

5 A. Yes. The federal income tax has been --
6 the lower federal income tax rate of 21 percent has
7 been reflected in the revenue requirement.

8 Q. So it has been reflected in the base
9 rates?

10 A. Yes, ma'am.

11 Q. Okay. On page 4, lines 7 to 9, you list
12 as one of the benefits of the settlement is a monthly
13 customer charge that is \$2.46 lower than what the
14 utility requested. You stated recommended, but
15 requested.

16 You didn't analyze whether the SF -- the
17 straight fixed-variable rate is a benefit in and of
18 itself, only in relation to what the utility asked
19 for?

20 A. I think that's assumed, given the fact
21 that Commission precedent over the last decade plus
22 in the cases that have been before the Commission
23 kind of speaks to that, and it's inherent as a
24 benefit.

25 Q. I'm sorry?

1 A. The entire response?

2 Q. Yeah.

3 A. I think the fact that the Commission has
4 spoken on straight fixed-variable over the last
5 decade plus, the cases that have been before the
6 Commission that has been ruled upon, is kind of
7 inherent that is a benefit to the customers.

8 Q. Do you consider the extent -- did you
9 consider the extent to which circumstances that may
10 have supported SFV in the past may have changed?

11 MR. CAMPBELL: Your Honor, I'm going to
12 object. That's beyond the scope of the witness'
13 direct.

14 SFV rate design and questions related to
15 that are addressed in testimony of Matthew Snider in
16 response to their objection. The objection is the
17 second phase of the hearing. So we think it's beyond
18 the scope of this phase.

19 MR. MARGARD: Company beats me to the
20 punch.

21 ATTORNEY EXAMINER PRICE: You're both
22 correct. Sustained.

23 By Ms. Botcher-O'Brien:

24 Q. On page 4, lines 10 to 14, specific to
25 the DARR -- I'm sorry, I guess I should say it out --

1 the Distribution Acceleration Risk Reduction, DARR,
2 and Integrity Management Program, you discuss how the
3 settlement allows for sufficient funding to ensure
4 safe and reliable service.

5 A. Yes, ma'am.

6 Q. Can you quantify what criteria Staff
7 used to evaluate the settlement to determine that
8 sufficient funding was available for Vectren to
9 provide safe and reliable service?

10 A. Can you restate your question, please?

11 Q. You say that the settlement allows for
12 sufficient funding to ensure safe and reliable
13 service.

14 What is the criteria Staff used to
15 evaluate settlement to determine that sufficient
16 funding was available?

17 A. I relied on the SME team and other
18 members of Staff to come to that conclusion. The
19 Stipulation was all parties, including many members
20 of Staff, and Staff as a whole has come to that
21 conclusion. I cannot speak to the specifics of that
22 analysis.

23 Q. Okay. Do you know, was there any kind
24 of evaluation performed to determine if the
25 settlement provided more funding than necessary for

1 Vectren to provide safe and reliable service?

2 A. I'm sorry?

3 Q. If you know.

4 A. I'm not picking up your question.

5 Q. Did Staff perform any kind of evaluation
6 to determine if the settlement provided more funding
7 than necessary for Vectren to provide safe and
8 reliable service?

9 A. Given that the settlement is largely
10 based upon the Staff Report, which we spent five
11 months working on, I believe that Staff has come to
12 the conclusion that the amounts included are the
13 reasonable amounts.

14 Q. Okay. On page 4, line 15 to 18, in your
15 statement about VEDO's commitment to partner with the
16 City of Dayton to provide not less than \$75,000 --

17 A. Yes.

18 Q. -- those are not shareholder dollars,
19 correct?

20 A. Those are shareholder dollars.

21 Q. They are shareholder dollars?

22 A. They are.

23 Q. Okay. What criteria did Staff evaluate
24 to determine that the VEDO partnership with the City
25 of Dayton benefitted customers and the public

1 interest?

2 A. As the Stipulation on page 15 states --
 3 I mean, this is \$75,000 that would not have --
 4 annually, that would not have been available to the
 5 City of Dayton otherwise. And it is intended for
 6 neighborhood development projects involving
 7 neighborhoods that VEDO currently serves, or to which
 8 VEDO plans to provide service.

9 I think that on the face of it, not much
 10 analysis is needed to determine that that is a public
 11 benefit.

12 Q. Does VEDO serve people outside the City
 13 of Dayton?

14 A. I believe they do.

15 Q. Do you know the percentage of VEDO
 16 customers who live in Dayton compared to the
 17 percentage that do not live in Dayton?

18 MR. MARGARD: Objection. I'm not sure
 19 how this is relevant to the citizens of the City of
 20 Dayton.

21 MS. BOTSCHER-O'BRIEN: Because those
 22 people are paying for the benefit to Dayton.

23 MR. CAMPBELL: Objection, that
 24 mischaracterizes the evidence. It's shareholder
 25 funded, so there's no subsidy.

1 ATTORNEY EXAMINER PRICE: Sustained,
2 both grounds.

3 By Ms. Botscher-O'Brien:

4 Q. Does the settlement require the City of
5 Dayton -- is there a requirement in the settlement
6 that requires the City of Dayton to use the funds in
7 a manner that benefits VEDO customers in Dayton?

8 MR. MARGARD: And again, I guess I would
9 object on the characterization, as the witness has
10 already indicated it's not only customers that VEDO
11 currently serves, but customers that VEDO may intend
12 to serve.

13 MS. BOTSCHER-O'BRIEN: I'll move on.
14 By Ms. Botcher-O'Brien:

15 Q. Regarding VEDO's capital expenditure
16 recovery, or CEP Rider referenced on page 4, the
17 Stipulation included a provision for \$1.50 a month
18 residential rate cap?

19 A. Yes, ma'am.

20 Q. Which is intended to be a cumulative cap
21 on the cumulative deferred post in-service carrying
22 costs and property tax and depreciation expenses
23 associated with CEP capital investments for the 2018
24 through 2024 period.

25 MR. MARGARD: Can I ask counsel if she

1 would, please, to direct the witness to the specific
2 provision in the Stipulation to which she refers?

3 MS. BOTSCHER-O'BRIEN: Sure.

4 MR. MARGARD: Mr. Lipthratt, do you have
5 a copy of the Stipulation before you?

6 THE WITNESS: Yes, sir.

7 By Ms. Botcher-O'Brien:

8 Q. Do you have a copy of the Stipulation?

9 A. Yes, ma'am.

10 Q. Page 8. And page 8 through 9 -- 8 to 9.

11 A. Your question again, please?

12 Q. Yes. Are you looking at the
13 Stipulation?

14 A. Yes, ma'am.

15 Q. Okay. VEDO's application in these cases
16 did not include or propose any cap on the CEP; is
17 that correct?

18 A. Their application?

19 Q. Yes.

20 A. Let me check. From memory, that sounds
21 correct.

22 Q. Okay. Staff recommended in the Staff
23 Report that you referenced earlier that the CEP
24 should have a cap, correct?

25 A. That is correct.

1 Q. And the \$1.50 a month cap in the
2 Stipulation was what was agreed to in the Stipulation
3 as a compromise between VEDO's and Staff's position;
4 is that a fair characterization?

5 A. I think so, yes.

6 Q. Okay. Joint Exhibit 3.0 in the
7 Stipulation provides an illustrative example of how
8 the CEP cap is intended to work; is that correct?

9 A. That is correct.

10 Q. But the illustrative example is a
11 revenue requirement calculation on the cumulative
12 deferred post in-service carrying costs, and property
13 tax and depreciation expenses associated with the CEP
14 capital investments for the 2018 through 2024 period,
15 correct?

16 A. For the revenue cap.

17 Q. It does not specify how much cumulative
18 or annual capital investments by VEDO will cause the
19 \$1.50 a month cap to be reached, does it?

20 MR. CAMPBELL: Can I ask a question?
21 Are you referring to the illustrative exhibit, or the
22 Stipulation right now?

23 MS. BOTSCHER-O'BRIEN: Right now I'm
24 talking about the illustrative example.

25 MR. CAMPBELL: Would you read that back?

1 (Question read back.)

2 MR. CAMPBELL: Could I have just one
3 moment? I'm not going to object.

4 THE WITNESS: One more time.

5 (Question read back.)

6 THE WITNESS: It does not, because it's
7 illustrative, and because it's a revenue cap, and so
8 yes.

9 By Ms. Botcher-O'Brien:

10 Q. Did the Staff calculate how much annual
11 and cumulative investment the \$1.50 a month cap on
12 CEP deferrals would permit?

13 A. That analysis has many different -- is
14 dependent upon the type of capital expenditures, the
15 depreciation that's associated with it. So I think
16 Staff's view is that a revenue cap. As a cost
17 control, a rate shock control mechanism, was most
18 appropriate.

19 Q. Did VEDO provide a projection budget or
20 any other estimate to Staff regarding how much the
21 annual -- how much annual and cumulative investment
22 the \$1.50 cap on CEP deferrals will permit?

23 A. Not to my knowledge.

24 Q. Do you have an idea how much annual or
25 cumulative CEP investment there will be?

1 MR. MARGARD: And I'll object. I think
2 the witness has indicated that it's a
3 multidimensional determination and requires many more
4 inputs than the Staff has provided.

5 ATTORNEY EXAMINER PRICE: The question
6 was asked and answered. Sustained.
7 By Ms. Bortscher-O'Brien:

8 Q. Does the Staff assess the prudence of
9 utility capital expenditures when it performs a
10 plant-in-service inspection in a base rate case or
11 rider case that involves recovery of capital
12 investments, or is Staff's investigation more of a
13 financial audit and confirmation that a utility's
14 plant assets are in service and is used and useful?

15 ATTORNEY EXAMINER PRICE: That was
16 compound three different ways. Let's break them up.

17 MS. BOTSCHER-O'BRIEN: I'm so sorry.
18 Let me break that down.

19 By Ms. Botcher-O'Brien:

20 Q. Does the Staff assess the prudence of
21 utility capital expenditures when it performs a
22 plant-in-service inspection in a base rate case or
23 rider case?

24 A. Yes, it does.

25 Q. Okay. So Staff's investigation -- you

1 would say it goes beyond a financial audit and
2 confirmation that a utility's assets are in service
3 and used and useful?

4 A. Yes, ma'am; for example, ensure there's
5 no gold plating or things of that nature.

6 Q. So Staff assesses prudence. Can you
7 identify some of the criteria Staff uses to determine
8 prudence?

9 A. Capacity; for example, you know, is
10 there over-capacity for the needed service, is it
11 excessive. Vehicles, for example, if we're reviewing
12 vehicles, \$90,000 vehicles may be called into
13 question, things of that nature.

14 Q. You would agree with me, would you not,
15 that generally the larger a utility's rate base is,
16 the larger its profits, since rate base is multiplied
17 by the utility's rate of return?

18 A. Your question is the larger the rate
19 base, the larger the profits?

20 Q. Uh-huh.

21 A. Perhaps. Again, you've got to look at
22 the income statement and the year-over-year earnings,
23 revenues, expenses. But generally the larger the
24 rate base, there's the potential for larger earnings.

25 Q. Would you agree that a utility has an

1 incentive to increase its rate base in order to
2 garner larger returns?

3 A. There's also the incentive -- or there's
4 the potential for disallowance. So I think that
5 mitigates over aggressive behavior, and perhaps
6 inciting unnecessary rate base growth, if you will.

7 Q. Okay. As the Chief of Research and
8 Policy Division of the Rates and Analysis Department,
9 part of your job, I would imagine, is to supervise
10 the Staff teams that perform Staff investigations of
11 rate and rider cases?

12 A. That is correct.

13 Q. Including the Staff teams that conduct
14 utility plant-in-service investigations; is that
15 correct?

16 A. That is correct.

17 Q. Okay. Are any of the Staff members that
18 currently conduct plant-in-service investigations in
19 rate and rider cases, a natural gas distribution
20 systems engineer, a design engineer, or construction
21 engineer?

22 MR. CAMPBELL: Your Honor, I'm going to
23 object at this point to relevance. The company --
24 the Stipulation provides for annual or biannual
25 audits of the CEP rider.

1 Questions about the sufficiency of those
2 audits, by necessity, is going to address in a future
3 case, so I just -- getting involved in detail, I'm
4 not seeing the relevance.

5 ATTORNEY EXAMINER PRICE: Sustained.

6 MS. BOTSCHER-O'BRIEN: I'll move on.

7 By Ms. Botscher-O'Brien:

8 Q. How does Staff know or determine if a
9 natural gas utility is overbuilding its system or
10 making unnecessary investment in order to inflate its
11 rate base?

12 MR. CAMPBELL: Same objection. She's
13 going into the future audits.

14 MS. BOTSCHER-O'BRIEN: This would be
15 past audits.

16 MR. CAMPBELL: I think he said
17 sustained.

18 MS. BOTSCHER-O'BRIEN: Your Honor, he's
19 testified that Staff does these reviews, and he's in
20 charge of these reviews --

21 ATTORNEY EXAMINER PRICE: And if you had
22 an objection to the review conducted in this rate
23 case, you would have filed an objection to the Staff
24 Report, and this states not on the objection of the
25 Staff Report, even if you had filed one, which I

1 doubt, but this is on the terms of the Stipulation.
2 Sustained.

3 By Ms. Botcher-O'Brien:

4 Q. All right. Mr. Lipthrott, do you think
5 it is a good idea to only review VEDO CEP investments
6 every one to two years?

7 A. Do I think it's a good idea? Is that
8 your question?

9 Q. Yep.

10 A. I think Staff has determined that is an
11 appropriate method given that we have signed the
12 Stipulation.

13 Q. Would it be a good idea that these
14 investigations be performed by -- let me rephrase the
15 question.

16 These investigations are performed by
17 Staff, but would you think it might be a good idea to
18 have a third-party consultant with the appropriate
19 skills also doing the investigations?

20 MR. CAMPBELL: I object to the
21 mischaracterization of the Stip. The Stip says PUCO
22 Staff or its designee. She's characterizing as --
23 the Staff as the default party to do the audit.

24 ATTORNEY EXAMINER PRICE: Sustained.

25 By Ms. Botscher-O'Brien:

1 Q. On page 5, lines 3 to 7, where you
2 reference increases to recommendations made in the
3 Staff Report --

4 A. Yes, ma'am.

5 Q. -- you state that the Stipulation
6 reflects an increase of 509,000 in net
7 plant-in-service for vehicles that was not
8 recommended in the Staff Report due to lack of
9 support.

10 A. Yes, ma'am.

11 Q. What support was Staff looking for in
12 connection with the Staff Report?

13 A. The original list Staff was using was --
14 for vehicle verification was an operational list, not
15 necessarily tied back to the continuing property
16 records, upon -- during the course of negotiations,
17 worked with the company to identify multiple sources
18 of documentation, vehicle registrations, payment
19 cards for fuel purchases, things of that nature, that
20 tied it back to operations here in Ohio to the point
21 that we felt it was sufficient evidence to include it
22 in rate base.

23 Q. What documentation was eventually
24 provided?

25 A. I gave you a couple examples. Would you

1 like more than that?

2 Q. I would.

3 A. I believe there was insurance records,
4 continuing property records. There was vehicle --
5 there was pictures of the vehicles with the VIN
6 numbers, payment card transactions that all tied back
7 and supported one another. And they tied back to the
8 continuing property records.

9 Q. And Staff verifies the documentation?

10 A. That is correct.

11 Q. How do you verify that documentation?

12 A. Sitting at a table comparing that
13 documentation, making sure it all ties out. I don't
14 know specifically how you want me to answer that
15 question.

16 Q. That's okay. Beginning with line 8 on
17 page 5, can you explain what you mean by loading
18 rates?

19 A. It's like overhead rates, if you will.

20 Q. How many times during the course of the
21 investigation did Vectren update its loading rates?

22 A. I can't answer that.

23 Q. What was the time period used in the
24 Staff Report for the loading rates?

25 A. I do not recall right offhand.

1 Q. It's referenced on line 15. When did
2 Vectren update its loading rates to September 2018?

3 A. I'm not sure right here.

4 Q. Did Staff review the updated loading
5 rates for accuracy?

6 A. Yes, they did.

7 Q. What did Staff review to make sure the
8 loading rates are correct?

9 A. Our team who specialized in this area,
10 and have worked many rate cases, were specifically
11 involved in that process. So I can't speak to it in
12 that level of detail sitting here today.

13 Q. Well, what was the reason, in your view,
14 for the increase in the company's loading rates?

15 A. To more accurately reflect the proper
16 loading rates. I'm not sure I understand your
17 question.

18 Q. Okay. Beginning with line 1 of page 6
19 related to the property tax, are the property taxes
20 for 2019 for Vectren known?

21 A. I'm sorry, can you point to me line --
22 you mean line 5, or page 5? Is that where you're
23 referring?

24 Q. No, I'm on page -- turn the page,
25 line 1.

1 A. Okay.

2 Q. Relating to property tax. Are the
3 property taxes for 2019 for Vectren known?

4 A. They are known.

5 Q. And you discussed, at the top of page 6,
6 in accordance with Revised Code 4909.191?

7 MR. CAMPBELL: Will you clarify? When
8 you say property taxes for 2019, make sure the record
9 is going to be clear. Are you talking about taxes
10 incurred, or taxes paid?

11 MS. BOTSCHER-O'BRIEN: Incurred.

12 MR. CAMPBELL: Taxes incurred in 2019?

13 MS. BOTSCHER-O'BRIEN: Yes.

14 MR. CAMPBELL: As opposed to the tax
15 bills payable in 2019?

16 MS. BOTSCHER-O'BRIEN: Yes.

17 MR. MARGARD: And specifically with
18 respect to whether that is known?

19 MR. CAMPBELL: Clarifying what her
20 question referred to. I'm not --

21 MS. BOTSCHER-O'BRIEN: I believe the
22 witness was responding to me. I mean --

23 ATTORNEY EXAMINER PRICE: Why don't we
24 back up and start over on this question and ask it
25 again? I think now the record is so confused.

1 By Ms. Botcher-O'Brien:

2 Q. I'm asking the witness, Mr. Lipthratt,
3 are the property taxes incurred for 2019 for Vectren
4 known?

5 A. So what was built in the revenue
6 requirement, if I am recalling this correctly, are
7 2018 property taxes that are known and measurable,
8 but not yet paid. Bills have -- the payment -- they
9 have been accrued for, however the payment has not
10 yet occurred.

11 Q. Okay. So you're citing the part of
12 4909.191 addressing costs that are known and actual?

13 MR. CAMPBELL: Objection to the
14 characterization of that statute.

15 MS. BOTSCHER-O'BRIEN: He -- he cites in
16 the top of his testimony. So I'm asking the witness,
17 not Mr. Campbell --

18 MR. CAMPBELL: I'm referring to the
19 assumption that 4909.191 uses the phrase "known and
20 actual".

21 MS. BOTSCHER-O'BRIEN: All right. Just
22 known. He's citing that statute. So I'm just asking
23 the witness his understanding.

24 ATTORNEY EXAMINER PRICE: What are you
25 asking? I'm not sure. Can you rephrase your

1 question at this point? I'm not sure what you're
2 asking the witness. He definitely cited the statute.

3 By Ms. Botcher-O'Brien:

4 Q. Looking at the top of your testimony,
5 Mr. Lipthratt, on page 6, this perhaps could be a
6 typo, but you say, "to account for property tax
7 expenses reasonably expected to be paid."

8 So I'm asking, isn't 4909.1 -- .191
9 addressing costs that are known, not expected to be
10 paid? If you could just clarify that, what you mean.

11 MR. CAMPBELL: I have to object to the
12 form. I mean, first I was going to object, you're
13 calling for a legal conclusion. But then you
14 switched at the last minute, so I'm not sure what
15 direction you're going with this.

16 ATTORNEY EXAMINER PRICE: He can answer.

17 MS. BOTSCHER-O'BRIEN: He can answer
18 it -- I'm sorry, Mr. Price.

19 ATTORNEY EXAMINER PRICE: He can answer
20 to the best of his understanding of the question.

21 THE WITNESS: Okay. So if you refer to
22 page 3 of the Stipulation, in accordance with Revised
23 Code 4909.191, in the event VEDO's of actual property
24 taxes spent in the 12 months following the test
25 period represented as the total of all property tax

1 bills received and paid through September 30, 2019,
2 is less than the amount included in the stipulated
3 rates, there would be an adjustment from the revenue
4 requirement down. I paraphrased that last part.

5 My understanding of this provision of
6 the statute is that for gas -- natural gas and oil
7 companies, there is a provision that allows for
8 reasonable adjustments outside the test year to be
9 captured and reflected in rates.

10 Staff's analysis with this expense type,
11 property taxes, there's a timing issue in that the
12 company is aware that their property taxes are higher
13 than what was in the test year.

14 It is known and measurable. I'm using
15 the accounting term. You could also say is expected
16 to be paid. Therefore, Staff thought it was
17 appropriate to be billed in the rates.

18 By Ms. Botcher-O'Brien:

19 Q. Okay. So your understanding of 4901 is
20 tax expenses that are reasonably expected to be paid
21 and known?

22 ATTORNEY EXAMINER PRICE: You just did
23 not properly say the statute. I think, rephrase your
24 question. You said 4901.

25 By Mr. Margard:

1 Q. I'm sorry. 4909.191, your understanding
2 is it's property tax expenses reasonably expected to
3 be paid, and those expenses that are known?

4 A. I'm using from a -- speaking more from a
5 Staff's perspective in that it's known and
6 measurable. I think that gives us assurance that
7 it's appropriate to be included.

8 Q. I guess it's just a part of the top
9 where you say expenses reasonably expected to be
10 paid.

11 MR. CAMPBELL: Is there a question?

12 THE WITNESS: Yeah, I don't understand
13 the question.

14 By Ms. Botscher-O'Brien:

15 Q. Why is that included?

16 ATTORNEY EXAMINER PRICE: He's already
17 said because 4909.191 allows him to include it.

18 MS. BOTSCHER-O'BRIEN: I'll move on.

19 By Ms. Botcher-O'Brien:

20 Q. Do you know the exact Vectren property
21 tax expense for 2019?

22 A. I don't have that information right here
23 today.

24 Q. Okay. On page 6, lines 4 to 7,
25 regarding your statement about conservation expenses.

1 A. Yes, ma'am.

2 Q. You state that the Stipulation includes
3 an addition of \$105,321 conservation expenses, thus
4 ensuring the EEFR, the Energy Efficiency Funding
5 Rider, recovers a hundred percent of approved covered
6 expenses.

7 Does the settlement include a total
8 funding level for Vectren's conservation program, or
9 identify a number for what is considered a percent of
10 approved program expenses?

11 A. I'm sorry, did you say the Stipulation?

12 Q. Yes.

13 A. I think the Stipulation only speaks to
14 the amount that was previously embedded -- or I guess
15 currently embedded in base rates that Staff
16 recommended in the Stipulation reflects being moved
17 out of base rates, the 4 million, and placed into the
18 rider for recovery.

19 ATTORNEY EXAMINER PRICE: Can you just
20 point to where in the Stipulation you're talking
21 about?

22 THE WITNESS: Page 5, Paragraph 6, start
23 at 6 b.

24 By Ms. Botscher-O'Brien:

25 Q. I'm sorry. How did you arrive at the

1 addition of the 105,321?

2 A. So through the company's application
3 there was a certain amount of revenues and expenses
4 embedded in their application for this program.

5 This program has historically been split
6 between rider funded and base rate funded funding, if
7 you will.

8 Staff's recommendation is that -- and
9 the Stipulation reflects that going forth it won't be
10 split funded, if you will, rather the rider will be
11 responsible for the funding and recovery of this
12 program entirely.

13 So Staff attempted to remove the 4
14 million from base rates as an expense; however, in
15 doing so, we failed to capture approximately
16 \$105,000.

17 Q. On page 6 of that page -- of your
18 testimony, page 6, line 6, what -- can you explain
19 what you mean by approved program expenses? And
20 approved by who?

21 A. You're still on the Energy Efficiency
22 Funding Rider?

23 Q. Yes.

24 A. Okay. So my understanding is that
25 through the collaborative network -- collaborative

1 process and the portfolios that the applicant -- the
2 company is required to file and approved by the
3 Commission, there are certain programs, if you will,
4 that are eligible for recovery. That is what I'm
5 referring to.

6 Q. Have the programs proposed in this
7 proceeding been officially approved by the PUCO?

8 MR. CAMPBELL: Your Honor, I'm going to
9 object at this point. Sorry, Vern.

10 MR. MARGARD: I was going to object on
11 the basis that this application isn't proposing the
12 approval of any specific programs. It
13 mischaracterizes the application.

14 MS. BOTSCHER-O'BRIEN: So when he's
15 making reference to approved, what is the approved
16 part?

17 MR. MARGARD: That's a fair question.

18 ATTORNEY EXAMINER PRICE: You may
19 answer.

20 THE WITNESS: Whatever the Commission,
21 in that collaborative process, has deemed appropriate
22 for inclusion.

23 By Ms. Botcher-O'Brien:

24 Q. Okay. Thank you.

25 Still on page 6, lines 8 through 14 of

1 your testimony, you discuss a revenue requirement
2 increase through the settlement of \$1,375,325 for
3 recovery of the DARR accrual balance as of
4 12-31-2018, and increases in the DIMP and TIMP, and
5 DARR being the Distribution Acceleration Risk
6 Reduction, DIMP being Distribution Integrity
7 Management Program and TIMP being the Transmission
8 Integrity Management Program.

9 A. Yes.

10 Q. Is the 1,375,325 increase in operating
11 income an increase from the 3,058,682 that was
12 included in the Staff Report?

13 A. Just want to confirm that number you
14 cited. Could you restate that amount, please.

15 Q. Sure. Is the 1,375,325 increase in
16 operating income, an increase from the 3,058,682 that
17 was included in the Staff Report?

18 A. Just to be clear, it's not really
19 operating income, it's expense. But yes, that would
20 be an increase in the amount in the Staff Report on
21 Schedule C-3.17.

22 Q. Okay. Can you confirm if the 4
23 million -- you reference the Schedule C 3.17.

24 A. Yes.

25 Q. Can you confirm that if the 4,434,407

1 operating income adjustment under the settlement,
2 Schedule C 3.17, is an increase from the amount VEDO
3 requested in their application?

4 A. Sitting here today, I can't recall the
5 amount requested in the application.

6 Q. Would you agree, subject to check, that
7 the Schedule C 3.17 filed under VEDO's application
8 shows an operating income adjustment of 5,581,822.

9 A. That number --

10 Q. Operating income adjustment of
11 \$5,581,822?

12 A. Subject to check. I mean, I'll --

13 Q. I think -- I'm trying to get at where
14 does the 4,434,407 come from?

15 MR. CAMPBELL: Objection. Vague.

16 MS. BOTSCHER-O'BRIEN: It's on the
17 settlement schedule under Total Operation Maintenance
18 Expenses.

19 MR. CAMPBELL: Can you point to a
20 specific reference in the schedule?

21 MS. BOTSCHER-O'BRIEN: Sure.

22 By Ms. Botscher-O'Brien:

23 Q. This is Joint Exhibit 2.0, page 18
24 of 19, vertical column DARR, and IM program expenses,
25 Schedule C 3.17, horizontal column, total operation

1 maintenance expenses, there is the figure of
2 4,434,007 as an operating income adjustment. Do you
3 see that?

4 A. I do.

5 Q. Okay. And I'm just trying to get, where
6 is that number coming from? What comprises that
7 number?

8 A. Okay. So that number ties -- that
9 number pulls from the C 3.17 that I referenced
10 earlier.

11 In the -- in the Staff Report as
12 originally filed by the Staff, it details and lays
13 out how Staff came up with this adjustment. We used
14 the -- so there's a couple different things going on.

15 There's the DARR program deferral and
16 the ongoing annual expenses associated with the DARR,
17 the DIMP, and TIMP, and it describes how we came to
18 our adjustment.

19 We moved from an historical on the DIMP
20 and TIMP -- let me make sure I'm stating that
21 correctly.

22 We moved away from using an historical,
23 I think it was either three or five year average, I'm
24 not entirely sure here on the spot, but we -- we
25 modified our adjustment to true-up the actuals, and

1 that gives you the difference that I think you're
2 referring to.

3 Q. Thank you. Under the settlement, the
4 DARR deferral of 10,118,118, is amortized over five
5 years at an annual level of 2,023,764; is that
6 correct?

7 MR. CAMPBELL: Can you point to a
8 reference of what you're referring to?

9 MS. BOTSCHER-O'BRIEN: Yes.

10 I'm going to move on. Sorry.

11 By Ms. Botcher-O'Brien:

12 Q. Turning to your testimony on page 7,
13 line 1 to 3, you conclude that the Stipulation
14 complies with all relevant and important regulatory
15 principles and practices.

16 A. Yes, ma'am.

17 Q. Who decided what were the relevant and
18 important regulatory principles and practices? Well,
19 if you can answer.

20 ATTORNEY EXAMINER PRICE: I'm not sure
21 if I understand your question. Who do you mean, who
22 among the Staff?

23 MS. BOTSCHER-O'BRIEN: What is he
24 referring to, yes.

25 ATTORNEY EXAMINER PRICE: He says Staff.

1 MS. BOTSCHER-O'BRIEN: Complies with all
2 relevant and important regulatory principles and
3 practices. Let me rephrase.

4 By Ms. Botcher-O'Brien:

5 Q. Which principles and practices were
6 determined relevant?

7 A. The rates --

8 Q. I'm sorry, go ahead.

9 A. That the rates that were recommended
10 here are reasonable and appropriate to ensure
11 reliable service, that customers will be served, that
12 the company has a reasonable opportunity to earn a
13 rate of return, a return, that the expenses included
14 were proper for inclusion, they were prudent. That,
15 you know, the cost causation principles had been
16 adhered to in ratemaking, no improper subsidization,
17 things of that nature.

18 Q. Would you agree that protecting
19 residential Ohioans is an important and relevant
20 principle and practice?

21 A. I would agree.

22 Q. Okay. Would you agree that conservation
23 is an important principle and practice?

24 A. I agree.

25 Q. Mr. Lipthratt, what was your specific

1 involvement in this proceeding?

2 A. In this proceeding?

3 Q. Specific.

4 A. I was responsible for the, if you will,
5 general management of the Staff Report. I
6 coordinated various teams' activities to ensure that
7 the Staff Report came together appropriately. I was
8 involved in negotiations, keeping management abreast
9 of key issues, things of that nature.

10 MS. BOTSCHER-O'BRIEN: Thank you.
11 That's all I have.

12 ATTORNEY EXAMINER PRICE: Thank you.
13 Ms. Fleisher?

14 MS. FLEISHER: Yes, your Honor.

15 ATTORNEY EXAMINER PRICE: Three
16 questions.

17 - - -

18 CROSS-EXAMINATION

19 By Ms. Fleisher:

20 Q. If I can just follow up quickly on one
21 of the questions from OCC.

22 When you refer to applicable principles
23 and practices in your testimony, just to be explicit,
24 does that include the application of Ohio Revised
25 Code 4905.22 requiring just and reasonable rates?

1 A. I would believe so.

2 Q. And does that mean that each of the
3 individual rate components provided for in the
4 Stipulation must be individually just and reasonable?

5 A. I'm not sure each individual. I think
6 there's many guiding principles, and absolute perhaps
7 is not always the best total product. So in general,
8 yes, but there could perhaps be exception.

9 Q. And can you go to your testimony,
10 page 4, line 1? And here you testify -- excuse me --
11 that one of the benefits of the Stipulation is that
12 it, quote, establishes a framework for returning, end
13 quote, the tax credit due to customers; is that
14 correct?

15 A. Well, it says establishes a framework
16 for returning excess accumulated deferred income
17 taxes.

18 Q. Okay. And that when you refer to that
19 framework, that's the part of the Stipulation that
20 provides for Vectren to file a separate application
21 proposal to return the tax credit, correct?

22 A. Yes, ma'am.

23 Q. Okay. So do you consider the tax credit
24 itself to be a benefit of this stipulation?

25 A. I think so, because it establishes an

1 understanding in a time frame in which customers can
2 expect to start to receive that flowing back to them.

3 Q. Okay. And was -- did the company's
4 original application in this case include a proposal
5 to flow back that tax credit to customers?

6 A. They did.

7 Q. And on pages 3 and 4 of your testimony,
8 in several places -- happy to point you to specific
9 ones -- you evaluate the benefits of the Stipulation
10 in comparison to Vectren's application; is that
11 correct?

12 A. Yes, ma'am.

13 Q. And why is that your point of comparison
14 for determining the benefits of the Stipulation?

15 A. It's just one of the benefits. It just
16 highlights the fact that if -- without these
17 negotiations and without Staff's involvement in the
18 investigation, rates would be higher, you know,
19 customer charges would be higher, things of that
20 nature, and that the company's willing to compromise.

21 It's not a -- there's some give and take
22 that a fair and reasonable framework or stipulation
23 was the outcome of those open negotiations.

24 Q. Okay. Could it also be appropriate to
25 compare the Stipulation to the Staff Report to

1 determine if it benefits customers?

2 A. I think that's a proper method as well.

3 MS. FLEISHER: That's all I have, your
4 Honor. Thank you.

5 ATTORNEY EXAMINER PRICE: Thank you.
6 Recross -- or redirect?

7 MR. MARGARD: I doubt it, but if I could
8 have a moment.

9 ATTORNEY EXAMINER PRICE: You may.
10 Let's go off the record.

11 (Recess taken.)

12 ATTORNEY EXAMINER PRICE: Back on the
13 record. Mr. Margard?

14 MR. MARGARD: Your Honor, I'm happy to
15 confirm that I have no redirect. And I respectfully
16 renew my motion to admit Staff Exhibit 1.

17 ATTORNEY EXAMINER PRICE: I have one
18 more question. Not yet.

19 Mr. Lipthratt, Ms. Fleisher asked you a
20 question about whether the Staff Report was a proper
21 comparison for the Stipulation, correct?

22 THE WITNESS: Yes, ma'am -- yes, sir.
23 Sorry.

24 ATTORNEY EXAMINER PRICE: And in your
25 testimony you explained that -- some instances, if

1 not all instances, where the Staff Report -- where
2 the Stipulation deviates from the Staff Report; is
3 that correct?

4 THE WITNESS: That is correct.

5 ATTORNEY EXAMINER PRICE: Thank you.
6 You're excused.

7 (Witness excused.)

8 ATTORNEY EXAMINER PRICE: Any objections
9 to the admission of Staff Exhibit 1?

10 Hearing none, it will be admitted.

11 (EXHIBIT ADMITTED INTO EVIDENCE.)

12 ATTORNEY EXAMINER PRICE: At this time
13 we'll adjourn until 10:00 on Friday, at which time
14 we'll take the testimony of Dr. Vilbert.

15 Anything else before we go off the
16 record? Seeing none, we're off the record.

17 (Discussion off the record.)

18 (Thereupon, the hearing was
19 adjourned at 12:02 p.m.)

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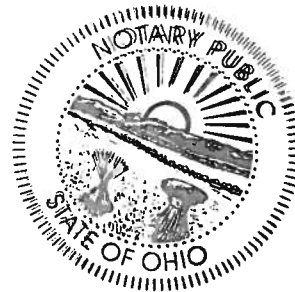
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CERTIFICATE

I do hereby certify that the foregoing
is a true and correct transcript of the proceedings
taken by me in this matter on Wednesday, January 30,
2019, and carefully compared with my original
stenographic notes.

Valerie J. Grubaugh
Valerie J. Grubaugh,
Court Reporter and Notary
Public in and for the State
of Ohio.

My commission expires August 11, 2021.



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Case No(s). 18-0298-GA-AIR, 18-0299-GA-ALT, 18-0049-GA-ALT

Summary: Transcript Volume II - In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. For Approval of an Increase in Gas Rates; In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. For Approval of an Alternative Rate Plan and In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc. For Approval of an Alternative Rate Plan, hearing held on January 30th, 2019. electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Grubaugh, Valerie