Case No. 21-0620-GA-RDR

Audit of the Plant in Service and Capital Expenditure Program of Vectren Energy Delivery of Ohio, Inc.

Submitted on June 15, 2021

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DISCLAIMER

The word *audit* is intended, as it is commonly understood in the utility regulatory environment, to mean a regulatory review, a field investigation, or a means of determining the appropriateness of a financial presentation for regulatory purposes. It is not intended in its precise accounting sense as an examination of booked numbers and related source documents for financial reporting purposes. Neither is the term *audit* in this case an analysis of financial statement presentation in accordance with the standards established by the American Institute of Certified Public Accountants. The reader should distinguish regulatory reviews such as those that Blue Ridge performs from financial audits performed by independent certified public accountants.

This document and the opinions, analyses, evaluations, and recommendations are for the sole use and benefit of the contracting parties. There are no intended third-party beneficiaries, and Blue Ridge shall have no liability whatsoever to third parties for any defect, deficiency, error, or omission in any statement contained in or in any way related to this document or the services provided.

This report was prepared based in part on information not within the control of the consultant, Blue Ridge Consulting Services, Inc. While it is believed that the information that has been provided is reliable, Blue Ridge does not guarantee the accuracy of the information relied upon.

ORGANIZATION OF BLUE RIDGE'S REPORT

This report is organized according to the following major sections:

- *Executive Summary*: This section provides a summary of Blue Ridge's observations, findings, conclusions, and recommendations presented in more detail in the body of the report.
- *Elements of Analysis*: This section provides the following elements used in Blue Ridge's analysis: background; project purpose and scope; audit standard; materiality; information reviewed; interviews; policies and practices; variance, transactional, and other analyses, and field observations.
- *Project Requirements and Related Summary Conclusions*: This section identifies the requirements of the Request for Proposal for this project and specifies Blue Ridge's summary conclusions regarding those requirements.
- *Detailed Analysis, Findings, and Recommendations*: This section documents some of the more detailed of Blue Ridge's analyses that led to our observations, findings, and recommendations regarding the plant-in-service balances and the Capital Expenditures Program (CEP).
- *Appendices*: The appendices include information reviewed and workpapers that support recommended adjustments.

EXECUTIVE SUMMARY

In Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT (2018 Rate Case), the Commission approved a stipulation and recommendation that, among other things, provided a process for the filing of the capital expenditure program (CEP) rider of Vectren Energy Delivery of Ohio, Inc. (VEDO or "Company"). VEDO sought and was granted authority to incorporate into rates all assets since date certain of the prior rate case, including all CEP assets from October 1, 2011, through December 31, 2017. Simultaneously, the Company sought and was granted authority to establish a CEP Rider and authority to recover deferrals (as authorized in Case Nos. 12-530-GA-UNC et al. and 13-1890-GA-UNC et al.). The Company did not seek authority to recover the underlying CEP assets. The Company was also authorized to adjust the CEP Rider rate each year to collect from customers the prior calendar year's deferrals. In Case Nos. 20-0099-GA-RDR and 20-0101-GA-RDR, the Company filed applications to adjust the CEP Rider rates for 2018 and 2019. The filings were subjected to an audit and the Commission approved the CEP Rider rates, as adjusted.

On January 27, 2021, the Public Utilities Commission of Ohio ("Commission" or PUCO) issued a request for proposal seeking proposals to conduct a two-part audit of VEDO's plant in service with a focus on CEP assets. The first part of the audit is to review and attest to the accounting accuracy and used and useful nature of VEDO's capital expenditures and corresponding depreciation reserve for the period January 1, 2020, through December 31, 2020. The second part of the audit is to simultaneously assess and form an opinion on the necessity, reasonableness, and prudence of VEDO's capital expenditures and related assets, with an emphasis on the CEP expenditures and assets from December 31, 2019, through December 31, 2020. Blue Ridge Consulting Services, Inc. (Blue Ridge) submitted a proposal and was selected to perform the review.

Part 1 Plant In-Service Balances

For the first part of the audit, Blue Ridge audited VEDO's plant-in-service investment for the scope period of January 1, 2020, through December 31, 2020. Blue Ridge reviewed the accounting accuracy and used and useful nature of VEDO's capital expenditures and corresponding depreciation reserve for the scope period. Through our analysis, Blue Ridge found that the Company was able to provide detailed continuing property records to support its plant-in-service balances. For the work order / projects detail that the Company provided, Blue Ridge found that all the work included in the projects sampled are capital in nature and the scope of work and cost detail coincided with the applicable FERC 300 accounts to which the work applies in accordance with the FERC Uniform System of Accounts (CFR 18). The projects were classified to the proper intangible distribution and general equipment FERC accounts.

CEP work appeared to be attributed specifically to the gas distribution function and not related to affiliate work. All work fit into appropriate categorical types of CEP work.

For the sample investigated, the Company included detailed justification and support that all the projects were necessary, reasonable, and prudent.

One of the 34 work orders sampled in the CEP selection was labeled as a replacement but had no associated retirement charges. Blue Ridge found that the Company overstated gross plant as of the end of the scope period as a result of not retiring the assets. That resulted in additional depreciation being accrued. This appears to be an isolated incident, not material, and thus, not requiring an adjustment.

In reviewing depreciation, Blue Ridge confirmed the Company's calculations. We also found the depreciation accrual rates to be not unreasonable

Part 2 CEP Program Compliance

For the second part of the audit, Blue Ridge

Blue Ridge examined the Company's policies and practices and found them to be satisfactory. Blue Ridge concluded that Vectren's controls were adequate and not unreasonable. Furthermore, we were satisfied with actions taken with regard to internal and other audits reviewed.

Blue Ridge concluded that Vectren's cost containment strategies and practices were adequate and not unreasonable.

Blue Ridge found that the Company's CEP backlog of $125.4 million is extensive. A substantial backlog of work orders can, among other things, make a depreciation study more difficult to perform and potentially misstate the accumulated reserve. Blue Ridge recommends that the Company make a concerted effort to unitize work orders on a timely basis, in particular, those over four months old. This will help ensure the 120 days and over will coincide with Company policy.

Revenue Requirement

CEP Adjustments

The following table summarizes the effect on the CEP revenue requirements of Blue Ridge's recommended adjustments. The adjustments are summarized below the table.

Table 1: Blue Ridge Recommended CEP Revenue Requirement[1]

Adj #	Description	Rate Base	Operating Exp	Revenue Req
	Company - As Filed	**$ 15,641,648**	**$ 366,773**	**$ 1,744,802**
1	Property Tax - Prior Year True Up	4,689	-	413
2	Property Tax - Good % Input	(6,187)	(100)	(645)
3	Recovery of Annual CEP Audit Cost	-	(50,925)	(50,925)
4	Retirements Recorded Late (WO# 17202803054014)	(115)	(2)	(12)
	Impact of All Adjustments	**(1,613)**	**(51,027)**	**(51,169)**
	Blue Ridge - Recommended	**$ 15,640,034**	**$ 315,746**	**$ 1,693,633**

CEP Adjustment #1: The Company provided the native Microsoft Excel files for the Rider CEP Schedules accompanying its application.[2] Blue Ridge performed mathematical checks on the revenue requirement, monthly activity, cumulative balances, and other supporting calculations. Blue Ridge identified cell referencing issues that had de minimis impact on the revenue requirement but should be corrected to ensure the integrity of the computation model. Specifically, Workpaper 5.1 references the wrong prior taxable value assessment for Federal Pipeline Safety Requirements and Distribution

[1] The Company's calculation of the revenue requirement impact for Adjustments #1 and #2 is slightly different than Blue Ridge's. For Adjustment #1, Blue Ridge calculated $(1,871), whereas Vectren calculated $(1,808). For Adjustment #2, Blue Ridge calculated $(104). whereas Vectren calculated $(98). The difference is inconsequential.

[2] Vectren response to 2021 Blue Ridge Data Request No. 3 Attachment.

Replacements.[3] The impact to the cumulative deferred CEP balance and revenue requirement is an increase of $4,689 and $413, respectively.

CEP Adjustment #2: Blue Ridge confirmed that the hard value inputs into the spreadsheet calculation model were consistent with source documents and the terms of the current CEP program. We noted exceptions with respect to the "% Good" applied in the computation of deferred property taxes on Schedule 5. Accordingly, the Company provided revised Workpapers 5.2, 5.3, and 5.4.[4] The impact to the CEP revenue requirement is a reduction of $645.

CEP Adjustment #3: In regard to Case No. 20-99-GA-RDR Entry (January 29, 2020) wherein the Commission directed Staff to issue an RFP for audit services to review the accounting accuracy, prudency, and used and usefulness of Vectren Energy Delivery of Ohio, Inc.'s total rate base investments for 2018 and 2019 as well as to review and evaluate its capital expenditure program and distribution replacement rider investments and program compliance, the Entry stated that Vectren would bear the costs of the audit service. The Company included 50% of the cost of the audit in Case No. 20-99-GA-RDR in the Case No. 21-0620-GA-RDR CEP Revenue Requirements filing. Blue Ridge recommends that the Company comply with the Commission's order. The effect on the CEP Revenue Requirements is a reduction of $50,925.

CEP Adjustment #4: In FERC account 369 (Meas & Reg Sta Equip), one CEP work order (WO# 17202803054014) had retirements booked late in April 2021. The retirements, totaling $2,231.76, should have been recorded between July 2017 and October 2018.[5] However, as the CEP balances for 2017 and 2018 were previously reviewed and approved, Blue Ridge recommends removing the late recorded amounts as of January 1, 2020. The net impact on deferred depreciation, PISCC, and income taxes in rate base is a reduction of $115. The corresponding effect on the CEP revenue requirement is a reduction of $12.

Besides the recommended adjustments, Blue Ridge presents the following recommendations:

1. Blue Ridge found that the approval policy allows projects to be placed in service prior to the approval for the additional costs incurred over 10% of the estimate. However, Blue Ridge believes that projects should not be placed in service without the proper cost approvals. Blue Ridge recommends that the Company review the current policy to ensure that a project placed in service has the proper approval for the costs incurred. An exception would be if the initial work order was closed and trailing charges caused the project to be over budget by more than 10%, In a case such as that, the supplement should still be approved.
2. Blue Ridge found that the Company's CEP backlog of $125.4 million is extensive. A substantial backlog of work orders can, among other things, make a depreciation study more difficult to perform and potentially misstate the accumulated reserve. Blue Ridge recommends that the Company make a concerted effort to unitize work orders on a timely basis, in particular, those over 4 months old. This will help ensure the 120 days and over will coincide with Company policy.
3. The Company states in many instances where pipe is removed, the Company pays the contractor to remove the pipe and dispose of it. Estimated proceeds received by the contractor for the scrap sale are taken into consideration in the contractor price charged to

[3] WP V&V BR DR-03 VEDO CEP 21-0620-GA-RDR Filing.
[4] Vectren response to 2021 Blue Ridge Data Request No. 3 Supplemental.
[5] Vectren response to 2021 Blue Ridge Data Request No. 41 Supplemental.

the Company for cost of removal. Blue Ridge recommends that the Company ensure that for those projects in which the Company expects contractors to remove the scrap that it is clear through either "boiler plate" wording or an invoice credit line item netted against the contractor cost what the scrap proceeds were. The proceeds from scrap should also be supported with documentation from the scrap company.

ELEMENTS OF ANALYSIS

BACKGROUND

In Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT (2018 Rate Case), the Commission approved a stipulation and recommendation that, among other things, provided a process for the filing of the capital expenditure program (CEP) rider of Vectren Energy Delivery of Ohio, Inc. (VEDO or "Company"). VEDO sought and was granted authority to incorporate into rates all assets since date certain of the prior rate case, including all CEP assets from October 1, 2011, through December 31, 2017. Simultaneously, the Company sought and was granted authority to establish a CEP Rider and authority to recover deferrals (as authorized in Case Nos. 12-530-GA-UNC et al. and 13-1890-GA-UNC et al.). The Company did not seek authority to recover the underlying CEP assets. The Company was also authorized to adjust the CEP Rider rate each year to collect from customers the prior calendar year's deferrals. In Case No. 20-0099-GA-RDR and 20-0101-GA-RDR, the Company filed applications to adjust the CEP Rider rates for 2018 and 2019. The filings were subjected to an audit and the Commission approved the CEP Rider rates, as adjusted.

On January 27, 2021, the Public Utilities Commission of Ohio ("Commission" or PUCO) issued a request for proposal seeking proposals to conduct a two-part audit of VEDO's plant in service with a focus on CEP assets. The first part of the audit is to review and attest to the accounting accuracy and used and useful nature of VEDO's capital expenditures and corresponding depreciation reserve for the period January 1, 2020, through December 31, 2020. The second part of the audit is to simultaneously assess and form an opinion on the necessity, reasonableness, and prudence of VEDO's capital expenditures and related assets, with an emphasis on the CEP expenditures and assets from December 31, 2020, through December 31, 2020. Blue Ridge Consulting Services, Inc. (Blue Ridge) submitted a proposal and was selected to perform the review.

PURPOSE AND SCOPE OF PROJECT

This audit includes two major parts:

1) **Plant In-Service Balances**: Comprehensive audit of VEDO's non-IRP plant-in-service investment for 2020, including these encompassing scope items:
    a. Review and attest to the accounting accuracy and used-and-useful nature of VEDO's capital expenditures and corresponding depreciation reserve from January 1, 2020, through December 31, 2020.
    b. Simultaneously assess and form an opinion on the necessity, reasonableness, and prudence of VEDO's capital expenditures and related assets, with an emphasis on the CEP expenditures and assets from January 1, 2020, through December 31, 2020.
2) **CEP Program Compliance**: Comprehensive audit and review of VEDO's CEP assets, deferrals, schedules, and related program elements

AUDIT STANDARD

Blue Ridge's focus is on the accounting accuracy; used and useful nature; and the necessity, reasonableness and prudence of the non-IRP capital expenditures. Blue Ridge used the following standard during the course of the audit when assessing the attributes required in the project scope:

<u>Accounting Accuracy</u>: The stated value is supported by accurate and complete plant accounting property records. Transactions are properly recorded as capital expenditures in the appropriate FERC account.

Used and Useful: The assets are used in providing services and are useful to the ratepayer.

Necessity, Reasonableness, and Prudence: The decision to make the investment was reasonable at the time the decision was made and based on information then available. The decision is one that a reasonable person could have made in good faith, given the information and decision tools available at the time of the decision.

MATERIALITY

Materiality relates to the importance or significance of an amount, transaction, or discrepancy. The assessment of materiality depends on certain factors, such as an organization's revenues and expenses. For a regulated utility, the impact on a company's ratepayer should also be considered.

Under traditional cost-of-service ratemaking, revenue requirements, or cost of service, equates to the total of operating expenses, depreciation, taxes, and a rate-of-return allowance on the utility's investment in rate base. Blue Ridge used the traditional cost-of-service concept to identify materiality as it relates to changes in the plant-in-service component of rate base. Materiality was calculated by backtracking through the Company's revenue requirements calculation to determine the amount of change in gross plant in-service that would result in a 5.0 percent change in an average residential customers monthly bill (without fuel). In the 2020 PIS-CEP Audit, Blue Ridge found the materiality thresholds: CEP—$4.53 million, DRR (mains and services)—$3.49 million, and all other plant (based on an average of CEP and DRR)—$4.01 million. Blue Ridge maintained the same materiality thresholds for the current 2021 PIS-CEP Audit.[6]

These materiality thresholds were used to determine the *tolerable error* in the calculation of the sample size for detailed transactional testing. Blue Ridge's findings were not limited by the tolerable error. We reported on all our findings regardless of amount.

INFORMATION REVIEWED

Blue Ridge reviewed the following information as required by the RFP:

- Generally accepted accounting principles (GAAP)
- Federal Energy Regulatory Commission (FERC) Uniform System of Accounts
- Various accounting and tax changes or decisions issued during calendar year 2020
- The operations and regulatory environment of natural gas distribution utilities
- The capital spending practices and requirements of natural gas distribution utilities
- The Pipeline and Hazardous Materials Safety Administration's (PHMSA) Pipeline Safety Regulations (49 C.F.R. Parts 190-199)
- Stipulation, Opinion and Order and other filings from the Company's 2018 Rate Case (Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT)
- Stipulation, Opinion and Order and other filings from Case No 20-99-GA-RDR
- The Company's CEP application in Case No. 21-620-GA-RDR
- Stipulation, Opinion and Order and other filings from the Company's CEP-related cases (Case Nos. 12-530-GA-UNC, 12-531-GA-AAM, 13-1890-GA-UNC, and 13- 1891-GA-AAM).

[6] WP-Vectren Sensitivity Analysis-Sample Size Calc-Intervals.

During the audit process, Blue Ridge requested and was provided additional information. A list of the data requested is included as Appendix B. Electronic copies of the information obtained were provided to Staff.

INTERVIEWS

Blue Ridge conducted desk-top interviews of Company personnel changes in Accounting and Regulatory and Rates. The interview notes are included within the electronic appendices to this report. Key personnel in Property Accounting and Engineering remained unchanged from the prior audit.

POLICIES AND PRACTICES

Blue Ridge did not perform a management audit but did review the Company's processes and controls to ensure that they were sufficient so as not to adversely affect the balances in distribution utility net plant in service. Blue Ridge also reviewed internal audit reports conducted on various areas of the Companies' operations that could impact utility plant-in-service balances. Blue Ridge also reviewed applicable SOX and FERC audits. The results of our review are discussed in the section of the report labeled Policies and Procedures.

VARIANCE ANALYSIS, TRANSACTIONAL TESTING, AND OTHER ANALYSES

To identify, quantify, and explain any significant net plant increases within the individual accounts, Blue Ridge performed account variance analyses. The Company was asked to explain any significant changes. The results of the analysis are included in this report under the section labeled Variance Analysis.

In addition, to conduct detailed transactional testing, Blue Ridge selected a sample number of work orders from the population of work orders supporting the gross plant in service. The sample was selected using a statistically valid sampling technique that would allow conclusions to be drawn in regard to the total population. Additional work orders were selected based on professional judgment. The results of the transactional testing are included in the section labeled Detailed Transactional Testing.

Blue Ridge also performed other various analyses, including mathematical verifications and source data validation of the schedules that support Rider CEP.

FIELD OBSERVATIONS

Due to the limitations resulting from the pandemic, Blue Ridge performed virtual inspections through the use of online communication tools. The objectives of the field inspections focused on (1) Used and Usefulness: whether the Company assets were used and useful, providing service to the customer, and, therefore, properly included in utility plant in service. (2) Necessity, Reasonableness, and Prudence: whether the decision to make the investment was reasonable at the time the decision was made and based on information then available. The reviews also determined whether the assets appeared overbuilt (gold plated) and whether the Company selected a reasonable option to execute the work. The reviews included inspection of drawings, schematics, notes, and other documentation that supported the reasonableness of the decision to execute the work.

Additional discussion on the team's observations are included in the section labeled Physical Inspections and Desktop Reviews. The field observation notes and photos are included within the electronic appendices to this report.

Project Requirements and Related Summary Conclusions

The Request for Proposal (RFP) included general project requirements for the auditor investigation that were separated into two parts: (1) Plant In-Service Balances and (2) Capital Expenditures Prudence. The two parts are interrelated and the findings in each part are used to support Blue Ridge's ultimate recommendations. To ensure that we have addressed the specific requirements in the RFP, we have maintained the integrity of the work scope by category. The following lists include the subject areas of the RFP's required audit components and how this section of the report is organized.

1. Historical Context
    a. Requirement: Review CEP Case No. 20-99-GA-RDR, Case Nos. 12-530-GA-UNC and 13-1890-GA-UNC et al., and Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT
    b. Requirement: Read and become familiar with all applicable testimony and work papers
2. Policies and Practices
    a. Requirement: Identify and assess the necessity, reasonableness, and prudence of the Applicant's policies and practices for plant additions, new construction, plant replacement, and plant retirements for the period January 1, 2020, through December 31, 2020
3. Plant-in-Service
    a. Requirement: Determine total company plant in-service for each account and subaccount from January 1, 2020, through December 31, 2020
    b. Requirement: Audit the Applicant's plant in-service to determine the proper value for investments by account and subaccount, with an emphasis on CEP expenditures and investments
4. Necessity, Reasonableness, and Prudence
    a. Requirement: Identify and assess the necessity, reasonableness, and prudence of the Applicant's capital expenditures and assets for the period January 1, 2020, through December 31, 2020, with an emphasis on CEP expenditures and assets
5. Depreciation Reserve
    a. Requirement: Determine total company depreciation reserve for each account and subaccount, from January 1, 2020, through December 31, 2020
    b. Requirement: Audit the Applicant's depreciation reserve to determine the proper value for investments by account and subaccount, with an emphasis on CEP expenditures and investments
6. Historical Records
    a. Requirement: Provide a determination as to the accuracy and completeness of the Applicant's historical plant records and continuing property record
7. Classification—Capital vs. Expense
    a. Requirement: Ensure plant in-service transactions were properly classified as a capital expenditure
8. Cost Allocations
    a. Requirement: Identify the basis used in allocating costs
9. Physical Inspections
    a. Requirement: Perform physical inspections to confirm the assets used and usefulness
10. Rider CEP Schedules

a. Requirement: Review and audit all CEP-related schedules and workpapers to ensure accuracy of the required CEP formula as filed in Case Nos. 13-1890-GA-UNC and 21-620-GA-RDR. This includes, but is not limited to, PISCC, property tax, depreciation, and incremental revenue
b. Requirement: Review and audit all CEP-related schedules filed by the Applicant to verify beginning balances and accurate accounting of investments and deferrals
c. Requirement: Confirm the accuracy and reasonableness of the depreciation expense
d. Requirement: Recommend and support specific adjustments pertaining to the CEP schedules

11. CEP Compliance to Commission Rules and Orders
    a. Requirement: Conduct an analysis of the CEP program assessing compliance with Commission rules and orders
12. Causes for Increased CEP Spending
    a. Requirement: Identify and assess the necessity, reasonableness, and prudence of the principal causes for increases in the Applicant's capital expenditures coinciding with the CEP program for the period January 1, 2020, through December 31, 2020
13. Cost Containment
    a. Requirement: Identify and assess the reasonableness and prudence of the Applicant's cost containment strategies and practices in the use of outside contractors for capital expenditures and assets for the period January 1, 2020, through December 31, 2020, with an emphasis on CEP expenditures and assets
    b. Requirement: Identify and assess the reasonableness and prudence of the Applicant's cost containment strategies and practices in the use of internal company labor for capital expenditures and assets for the period January 1, 2020, through December 31, 2020, with an emphasis on CEP expenditures and assets
    c. Requirement: Utilize the auditor's and/or retained subcontractor's familiarity and experience with natural gas distribution utility operations and capital spending practices to identify and assess the reasonableness and prudence of the Applicant's capital spending policies and practices or lack of such practices not specifically identified herein
14. Summary of Recommendations and Adjustments
    a. Requirement: Provide a report of findings that include the rationale and a detailed description of any recommended adjustments
    b. Requirement: The report shall include recommendations based on the findings of the accounting accuracy and used and useful nature of the Applicant's capital expenditures and related assets, as well as corresponding depreciation reserves
    c. Requirement: Recommend and support specific adjustments to the plant-in-service balance based on any findings or lack of necessity, unreasonableness, or imprudence with an emphasis on CEP expenditures and assets
    d. Requirement: The report shall include recommendations based on findings of the necessity, reasonableness, and prudence of the Applicant's capital expenditures and related assets, with an emphasis on the CEP expenditures and assets

Several of the sections cover common review areas. However, where there is a CEP-specific component, we have presented those analyses and findings separately.

The following subsections address the RFP requirements delineated above and Blue Ridge's summary conclusions based on our analysis. Additional information related to the analysis is provided in the next section of this report: Detailed Analysis, Findings, and Recommendations.

1. Historical Context

Requirement: Review CEP Case No. 20-99-GA-RDR, Case Nos. 12-530-GA-UNC and 13-1890-GA-UNC et al., and Case Nos. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT

Requirement: Read and become familiar with all applicable testimony and work papers

Capital Expenditure Program (CEP)

In September 2011, R.C. 4929.111 permitted natural gas companies to apply to the Public Utilities Commission of Ohio (Commission) for approval of a capital expenditure program (CEP) for investment related to infrastructure expansion, improvement, or replacement; programs to install, upgrade, or replace technology systems; and programs to comply with government rules and regulations. With approval of a CEP, natural gas companies can establish a regulatory asset to defer for future recovery the post-in-service carrying costs (PISCC) and depreciation and property tax expenses associated with the CEP assets.

In Case No. 12-530-GA-UNC and 12-531-GA-AAM, VEDO sought and was granted authority to create a CEP and to begin deferring the related PISCC and depreciation and property tax expenses (the CEP Deferral) for capital investments that were not part of its accelerated infrastructure replacement program (IRP), which is called the distribution replacement rider (DRR). The Commission authorized the CEP Deferral for the period October 1, 2011, through December 31, 2012, and determined that VEDO could only accrue the deferral up to the point where the deferred amount would exceed $1.50 per month for the Residential and General Service, Group 1 class of customers if it were included in customer rates.

Subsequently, in Case No. 13-1890-GA-UNC, the Commission authorized the Company to continue the CEP Deferral for the period January 1, 2013, through December 31, 2013, and beyond, up to the point where the deferred amount would exceed $1.50 per month for the Residential and General Service, Group 1 class of customers, if it were put into rates. The Commission also restated its determination that it would consider the prudence, reasonableness, and magnitude of the CEP Deferral and capital expenditures when VEDO applied for recovery.

In the 2018 Rate Case, VEDO sought and was granted authority to incorporate into rates all assets since date certain of the prior rate case, including all CEP assets from October 1, 2011, through December 31, 2017. Simultaneously, the Company sought and was granted authority to establish a CEP Rider and authority to recover deferrals (as authorized in Case Nos. 12-530-GA-UNC et al. and 13-1890-GA-UNC et al.). The Company did not seek authority to recover the underlying CEP assets. The Company was also authorized to adjust the CEP Rider rate each year to collect from customers the prior calendar year's deferrals. The Commission prescribed a CEP Rate Cap of $1.50 per month.[7]

Date Certain Balances

On August 28, 2019, in Case No 18-298-GA-AIR et al., the Commission adopted the stipulation resolving all issues related to VEDO's combined applications for an increase in rates and for alternative rate plans. The Stipulation established that the value of all VEDO's property used and useful as of the approved date certain of December 31, 2017, is $622,297,988 and set a rate of return on 7.48 percent.[8]

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[7] Case No. 21-0620-GA-RDR Request for Proposal No. RAD21-CEP-2, page 1.
[8] Case No. 18-298-GA-AIR, et al., (August 28, 2019), ¶3.

Case No. 20-0099-GA-RDR

On January 29, 2020, the Commission directed Staff to issue an RFP for audit services to review the accounting accuracy, prudency, and used and usefulness of Vectren Energy Delivery of Ohio, Inc.'s total rate base investments for 2018 and 2019 as well as to review and evaluate its capital expenditure program and distribution replacement rider investments and program compliance. The Entry stated that Vectren would bear the costs of the audit service.[9]

On December 16, 2020, the Commission issued its Opinion and Order regarding Case No. 20-0099-GA-RDR. The Order approves the application of Vectren Energy Delivery of Ohio, Inc. to adjust its CEP rider, as revised.[10]

Appendix A provides excerpts from Commission Opinions and Orders and the Combined Stipulations specifically related to the last Rate Case and CEP.

2. Policies and Practices

Requirement: Identify and assess the necessity, reasonableness, and prudence of the Applicant's policies and practices for plant additions, new construction, plant replacement, and plant retirements for the period January 1, 2020, through December 31, 2020

Blue Ridge did not perform a management audit but did review the Company's processes and controls to ensure that they were sufficient so as not to adversely affect the balances in distribution utility net plant in service. Based on the documents reviewed, Blue Ridge was able to understand the Company's processes and controls that affect each of the plant balances. Blue Ridge also reviewed internal audit reports, conducted on various areas of the Companies' operations that could impact utility plant-in-service balances, and applicable SOX compliance audits. In addition to the review of the formal policies and procedures, Blue Ridge conducted desk-top interviews with two key personnel new to their positions in Accounting and Regulatory and Rates since the last audit.

Summary of Policies and Procedures

The audit of VEDO's plant-in-service balances does not call for a regulatory management audit (i.e., a diagnostic examination purposed to assess the effectiveness and efficiency of operation of a specific regulated utility). However, while Blue Ridge did not perform such a management audit, we did review the Company's processes and controls to obtain an understanding of their impact on the plant balances. In particular, Blue Ridge reviewed the following policies and procedures:

1. Plant Accounting:
    a. Capitalization vs Expense
    b. Preparation and approval of work orders
    c. Recording of CWIP, including the systems that feed the CWIP trial balance
    d. Application of AFUDC
    e. Recording and closing of additions, retirements, cost of removal and salvage to plant
    f. Unitization process based on the retirement unit catalog
    g. Application of depreciation
    h. Contributions in Aid of Construction (CIAC)
    i. Damage Claims

[9] Case No. 20-0099-GA-RDR Entry (January 29, 2020), page 4.
[10] Case No. 20-0099-GA-RDR Opinion and Order (December 16, 2020), page 19.

2. Purchasing/Procurement
3. Accounts Payable/Disbursements
4. Accounting/Journal Entries
5. Payroll (direct charged and allocated)
6. Insurance recovery
7. Allocations
8. Work Management System
9. Information Technology
10. Capital Project selection and prioritization
11. System planning and load growth

Current Policies and Procedures

Blue Ridge reviewed current policies and procedures in the areas that provide input into distribution plant, including capitalization, purchasing and procurement, accounts payable and disbursements, accounting and journal entries, payroll, insurance recovery, allocations, and work management system. The Company had updated certain policies and procedures during 2020 and provided both the old and new documents.[11] While Information Technology does not have a specifically devoted policy, investment there is covered by the other policies listed.[12]

Blue Ridge found that the Company's current policies and procedures are necessary and not unreasonable and reflect necessary prudence.

Review of Other Audits

Blue Ridge requested and reviewed a list of the audits performed by the internal audit group during the 2020 scope year.[13] Blue Ridge requested information on one internal audit to examine any potential findings that could have had an impact on the internal controls of the feeder systems that charge distribution work orders or feed CWIP. Based upon our review, the audit conclusions did not engender a level of concern that the Company's controls were less than adequate.[14]

Blue Ridge reviewed the SOX compliance audits on elements that feed CWIP performed during 2020. There were no deficiencies reported.[15]

Blue Ridge requested copies of all FERC and other regulatory audit reports produced for audits conducted during 2020. The Company responded that no FERC or other regulatory audits were conducted during that time period or conducted prior to 2020 but issued in 2020.[16]

Blue Ridge concluded that Vectren's controls were adequate and not unreasonable.

[11] Vectren response to 2021 Blue Ridge Data Request No. 6 (including attachments).
[12] Vectren response to 2021 Blue Ridge Data Request No. 6, part i.
[13] Vectren response to 2021 Blue Ridge Data Request No. 12.
[14] Vectren response to 2021 Blue Ridge Data Request Nos. 12 and 29.
[15] Vectren response to 2021 Blue Ridge Data Request No. 13 and attachment.
[16] Vectren response to 2021 Blue Ridge Data Request No. 11 and 28.

3. Plant-in-Service Balances

Requirement: Determine total company plant in-service for each account and subaccount from January 1, 2020, through December 31, 2020

Requirement: Audit the Applicant's plant in-service to determine the proper value for investments by account and subaccount, with an emphasis on CEP expenditures and investments

CEP Plant in Service

The CEP revenue requirement reflects a return on and of deferred plant-related expenses associated with the capital additions (presented net of retirements) in the table below.

Table 2: CEP Cumulative Plant in Service from Date Certain

	Net Plant Additions			Balance as of
Description	**12/31/2018**	**12/31/2019**	**12/31/2020**	**12/31/2020**
Infrastructure Expansion	$ 8,620,974	$ 12,697,243	$ 11,644,621	$ 32,962,839
Infrastructure Improvement	8,069,943	6,201,002	10,773,983	25,044,928
Programs Reasonably Necessary to Comply	6,236,712	3,467,330	3,820,623	13,524,666
Federal Pipeline Safety Requirements	21,696,962	26,661,446	24,025,148	72,383,556
Distribution Replacement	8,514,866	8,136,750	6,060,848	22,712,464
Total CEP Plant in Service	**$ 53,139,458**	**$57,163,772**	**$56,325,224**	**$166,628,453**

The Company's filing provided details on gross plant in service and related retirements (Schedule 2). The audit covered net additions in calendar year 2020. Blue Ridge's investigation included data requests, interview notes, field inspections, and analyses, including variance analyses and detailed transactional testing. Blue Ridge's investigation identified some adjustments that should be applied to the plant-in-service schedules. These adjustments are addressed within the report and are summarized in Section 14 Summary of Recommendations and Adjustments. The recommended adjustments result in the following adjusted CEP plant-in-service balances as of December 31, 2020:

Table 3: Recommended Revised CEP Plant in Service Balances as of 12/31/2020

Description	**As Filed 12/31/2020**	**Adjustments**	**As Adjusted 12/31/20**
Infrastructure Expansion	$ 32,962,839		$ 32,962,839
Infrastructure Improvement	25,044,928		$ 25,044,928
Programs Reasonably Necessary to Comply	13,524,666		$ 13,524,666
Federal Pipeline Safety Requirements	72,383,556		$ 72,383,556
Distribution Replacement	22,712,464		$ 22,712,464
Total CEP Plant in Service	**$166,628,453**	**$ -**	**$166,628,453**

Other Non CEP Plant In-Service

The Company non-CEP plant in service in 2020 included the following items. Blue Ridge did not have any recommended adjustments for these Other Non-CEP plant balances.

Table 4: All-Other Plant in Service Balances as of 12/31/2020

Descripton	Other Plant Activity		Balance as of
	12/31/19	12/31/20	12/31/20
DRR	$ 55,235,062	$ 70,686,902	$ 125,921,964
All Other - WPAFB	$ 2,212,584	$ 380,728	$ 2,593,312
All Other - ARO	$ 887,887	$ 5,821,687	$ 6,709,574
All Other	$ 1,083,509	$ 7,917,945	$ 9,001,454
All Other - Infrastructure Development Rider	$ -	$ 954,071	$ 954,071
Grand Total	**$ 59,419,042**	**$ 85,761,333**	**$ 145,180,375**

4. Necessity, Reasonableness, and Prudence

Requirement: Identify and assess the necessity, reasonableness, and prudence of the Applicant's capital expenditures and assets for the period January 1, 2020, through December 31, 2020, with an emphasis on CEP expenditures and assets

The necessity, reasonableness, and prudence of VEDO's capital expenditures was considered throughout the entire audit, including the variance analysis, transactional testing, and physical inspections and desktop reviews. Our work in that regard is discussed in the various sections of this report.

5. Depreciation Reserve

Requirement: Determine total company depreciation reserve for each account and subaccount, from January 1, 2020, through December 31, 2020

Requirement: Audit the Applicant's depreciation reserve to determine the proper value for investments by account and subaccount, with an emphasis on CEP expenditures and investments

CEP Expenditures and Investments Depreciation Reserve

The CEP revenue requirement (Schedule 1) reflects a regulatory asset for deferred depreciation, as opposed to a depreciation reserve offset, in the return component of the calculation. Annual deferred depreciation on CEP plant, along with the cumulative balance as of December 31, 2020, is presented in the table below.

Table 5: CEP Regulatory Asset for Deferred Depreciation – As Filed

Description	Deferred Activity		Balance as of
	12/31/2019	12/31/2020	12/31/2020
Infrastructure Expansion	$ 672,913	$ 888,454	$ 1,561,367
Infrastructure Improvement	335,076	518,752	853,827
Programs Reasonably Necessary to Comply	448,846	456,746	905,592
Federal Pipeline Safety Requirements	622,576	1,481,244	2,103,821
Distribution Replacement	762,242	758,940	1,521,182
Total CEP Deferred Depreciation	**$ 2,841,654**	**$ 4,104,136**	**$ 6,945,790**

The derivation of deferred depreciation by CEP category is presented on Schedules 3a through 3e. Blue Ridge reviewed the incremental monthly deferrals by account and cumulative total. We found the calculations to be mathematically accurate and not unreasonable.

The calculation of depreciation accrual rates related to the plant balances, net of retirements, applies the updated rates approved in Case No. 18-0298-GA-AIR. The calculation utilizes the half-month convention in relation to current month plant additions. Blue Ridge found the depreciation accrual rates and their application to be not unreasonable.

6. Historical Records

Requirement: Provide a determination as to the accuracy and completeness of the Applicant's historical plant records and continuing property record

Through our analysis, Blue Ridge found that the Company was able to provide detailed continuing property records to support its plant-in-service balances.

For the work order / projects detail that the Company provided, Blue Ridge performed detailed transactional testing. The results of that analysis are discussed in this report's Detailed Transactional Testing subsection.

7. Classification—Capital vs. Expense

Requirement: Ensure plant in-service transactions were properly classified as a capital expenditure

Through our transactional detail testing (specifically, step T3), Blue Ridge found that the work included in the projects sampled are capital in nature and the scope of work and cost detail coincided with the applicable FERC 300 accounts to which the work applies in accordance with the FERC Uniform System of Accounts (CFR 18). The projects were classified to the proper intangible, distribution, and general equipment FERC accounts.

8. Cost Allocations

Requirement: Identify the basis used in allocating costs

Gas operations determines the allocation of costs to the CEP for service replacement work. That allocation is applied by property accounting to the service replacement addition activity. This allocation is done on a monthly basis and reviewed quarterly.

9. Physical Inspections

Requirement: Perform physical inspections to confirm the assets used and usefulness

Blue Ridge selected 12 CEP classified work orders for detailed desktop review.[17] We concluded that the assets in service were used and useful and provide benefit to the ratepayer. The assets also did not appear over built, and Company personnel appeared knowledgeable about the projects.

Due to the limitation for onsite travel resulting from the COVID-19 pandemic, virtual detailed desktop reviews of the selected work orders were conducted with support from VEDO personnel. None of the work orders selected for review required field work. The bulk of the work performed by the Company was primarily main and service work with underground assets that cannot be virtually seen; the remaining work was related to regulator station. We performed "desktop" reviews, which

[17] Vectren response to 2021 Blue Ridge Data Request No. 43.

consisted of reviewing obtained project detail, including project-specific questions and discussions with knowledgeable personnel.

Based on these detailed reviews, we found the personnel knowledgeable of the nuances of the projects to answer our detailed questions. They provided supporting documentation, such as gas flow diagrams, before and after photographs, and project justification and budget in sufficient detail to conclude that the 11 work orders selected can be deemed prudent as well as used and useful.

In summary, we did not find anything in the detailed desktop reviews of the 11 projects in service that was unreasonable.

Additional details of the virtual desktop reviews are included in this report's Field Inspections and Desktop Review subsection. The inspection forms and photos are included in Appendix C.

10. Rider CEP Schedules

Requirement: Review and audit all CEP-related schedules and workpapers to ensure accuracy of the required CEP formula as filed in Case Nos. 13-1890-GA-UNC and 21-620-GA-RDR. This includes, but is not limited to, PISCC, property tax, depreciation, and incremental revenue

Requirement: Review and audit all CEP-related schedules filed by the Applicant to verify beginning balances and accurate accounting of investments and deferrals *a*

Requirement: Confirm the accuracy and reasonableness of the depreciation expense

Requirement: Recommend and support specific adjustments pertaining to the CEP schedules

CEP Schedules

The Rider CEP application filed on March 1, 2021, in Case No. 21-0620-GA-RDR in support of the proposed revenue requirement and rates included the following schedules:

Associated with VEDO Witness Brittany A. Fleig[18]:

- BAF-1, Schedule 1 Cumulative Revenue Requirement Calculation
- BAF-1, Schedule 2 Monthly CEP Investments
- BAF-1, Schedule 3a Deferred Depreciation – Infrastructure Expansion
- BAF-1, Schedule 3b Deferred Depreciation – Infrastructure Improvement
- BAF-1, Schedule 3c Deferred Depreciation – Programs Reasonably Necessary to Comply
- BAF-1, Schedule 3d Deferred Depreciation – Federal Pipeline Safety Requirements
- BAF-1, Schedule 3e Deferred Depreciation – Distribution Replacement
- BAF-1, Schedule 4 Post In-Service Carrying Costs (PISCC)
- BAF-1, Schedule 5 Property Tax Deferral
- BAF-1, Schedule 6 Calculation of Incremental Revenue Associated with CEP Investments
- BAF-1, Schedule 7 Actual-Authorized CEP Explanations
- BAF-1, Schedule 8 Estimated Capital Budget for the 12 Months Ended December 31, 2020
- BAF-1, Schedule 9 Estimated Capital Budget for the 12 Months Ended December 31, 2021

[18] Names of schedules are taken from the exhibit schedules. References to them in testimony do not always use the same names.

Associated with VEDO Witness Angie M. Bell:

- AMB-1, Schedule 1 CEP Rider Reconciliation Variance and Amortization
- AMB-1, Schedule 2 Calculation of CEP Rider Rates

Development of Schedules

Blue Ridge reviewed the direct testimony of Company witness Brittany A. Fleig on the development of the Rider CEP filing and supporting schedules. We found the accounting procedures and computation methods within to be not inconsistent with prior CEP Orders and Settlement terms. The data and information presented were also not inconsistent with the annual CEP reports filed in Case No. 13-1890, covering years 2013 to 2019.

BAF-1 Schedule 1 presents the Rider CEP revenue requirement, which consists of a *return on* deferred plant-related expenses and *recovery of* amortization expense until the balances are transitioned into base rates. The deferred plant-related expenses, which are capitalized to a regulatory asset, include depreciation, PISCC, and property taxes. The expenses are offset by a regulatory liability for deferred incremental revenues associated with the CEP investments. Pursuant to the 2018 Rate Case Stipulation and Order, the revenue requirement recognizes the impact of prior period amortization and estimated deferred income taxes attributable to deferred depreciation and PISCC in deriving the return component. The recovery component is determined based on 1.61 percent of the cumulative deferred balances as of the measurement date. This amortization rate equates to approximately 62 years.

BAF-1 Schedule 2 presents the monthly plant additions from January 1, 2019, through December 31, 2020, eligible for deferred accounting treatment under the current CEP program.

BAF-1 Schedules 3 through 6 present the derivation of the deferred plant-related expenses and incremental revenues as well as the cumulative balances through December 31, 2020.

BAF-1 Schedules 7 through 9 present supplemental information, including annual program budgets and variance explanations.

AM-1 Schedule 1 presents the reconciliation of Actual CEP Recoveries against Authorized CEP Recoveries.

AM-1 Schedule 2 presents the allocation of recoverable costs and calculation of CEP Rider Rates.

Mathematical Verification

The Company provided the native Microsoft Excel files for the Rider CEP Schedules accompanying its application.[19] Blue Ridge performed mathematical checks on the revenue requirement, monthly activity, cumulative balances, and other supporting calculations. Blue Ridge identified cell referencing issues that had de minimis impact on the revenue requirement but should be corrected to ensure the integrity of the computation model. Specifically, Workpaper 5.1 references the wrong prior taxable value assessment for Federal Pipeline Safety Requirements and Distribution

[19] Vectren response to 2021 Blue Ridge Data Request No. 3 Attachment.

Replacements.[20] The impact to the cumulative deferred CEP balance and revenue requirement is an increase of $4,689 and $413, respectively. [**ADJUSTMENT #1**]

Additionally, during the investigation, the Company identified and disclosed a footing error related to the derivation of CEP Rider Rates within Exhibit No. AMB-1. The correction reduced the rate per billing CCF for tariff class 320/321/325 from $0.00318 to $0.00284.[21]

Source Data Validation

Blue Ridge confirmed that the hard value inputs into the spreadsheet calculation model were consistent with source documents and the terms of the current CEP program. We noted exceptions with respect to the "% Good" applied in the computation of deferred property taxes on Schedule 5. Accordingly, the Company provided revised Workpapers 5.2, 5.3, and 5.4.[22] The impact to the CEP revenue requirement is a reduction of $645. [**ADJUSTMENT #2**]

Aside from the "% Good," Blue Ridge identified no other potential issues with the Rider CEP calculation inputs. The depreciation accrual and PISCC rates applied before September 1, 2019, matched those approved in Case No. 04-0571-GA-AIR and the Company's financial system of record. Beginning September 1, 2019, the depreciation accrual and PISCC rates applied matched those approved in Case No. 18-0298-GA-AIR and the Company's financial system of records. The pre-tax rate of return on the net regulatory asset balances was 8.81 percent, the amortization rate was 1.61 percent, and the federal statutory tax rate was 21 percent. These rates were all supported by the Stipulation and Order in the 2018 Rate Case as well as the outcome of the disputed issues in Case No. 20-0099-GA-RDR.

11. CEP Compliance to Commission Rules and Orders

Requirement: Conduct an analysis of the CEP program assessing compliance with Commission rules and orders

CEP Compliance

Blue Ridge determined 23 Commission requirements with regard to the CEP: 11 from Case No. 12-530-GA-UNC (Order dated 12/12/12), two from Case No. 13-1890-GA-UNC (Order dated 12/4/13), nine from Case No. 18-298-GA-AIR (Order approving Stipulation dated 8/28/19), and one from Case No. 20-99-GA-RDR (Entry dated January 29, 2020).

In our transactional testing and schedule review activities, Blue Ridge verified or confirmed most of the requirements.[23] Regarding property tax deferral requirements: "Calculate the depreciation and property tax deferrals for the CEP in a manner consistent with Staff's recommendations," Blue Ridge identified cell referencing issues in the formulas that had de minimis impact on the revenue requirement but should be corrected to ensure the integrity of the computation model. Specifically, Workpaper 5.1 references the wrong prior taxable value assessment for Federal Pipeline Safety

[20] WP V&V BR DR-03 VEDO CEP 21-0620-GA-RDR Filing.
[21] Vectren supplemental response to 2021 Blue Ridge Data Request No. 3.
[22] Vectren supplemental response to 2021 Blue Ridge Data Request No. 3.
[23] WP 21-0620-GA-RDR Vectren Compliance to Commission Orders.

Requirements and Distribution Replacements. The effect on the CEP Revenue Requirements is a reduction of $413 [**ADJUSTMENT #1**].

In regard to Case No. 20-99-GA-RDR Entry (January 29, 2020) wherein the Commission directed Staff to issue an RFP for audit services to review the accounting accuracy, prudency, and used and usefulness of Vectren Energy Delivery of Ohio, Inc.'s total rate base investments for 2018 and 2019 as well as to review and evaluate its capital expenditure program and distribution replacement rider investments and program compliance, the Entry stated that Vectren would bear the costs of the audit service. The Company included 50% of the cost of the audit in Case No. 20-99-GA-RDR in the Case No. 21-0620-GA-RDR CEP Revenue Requirements filing. Blue Ridge recommends that the Company comply with the Commission's order. The effect on the CEP Revenue Requirements is a reduction of $50,925 [**ADJUSTMENT #3**].

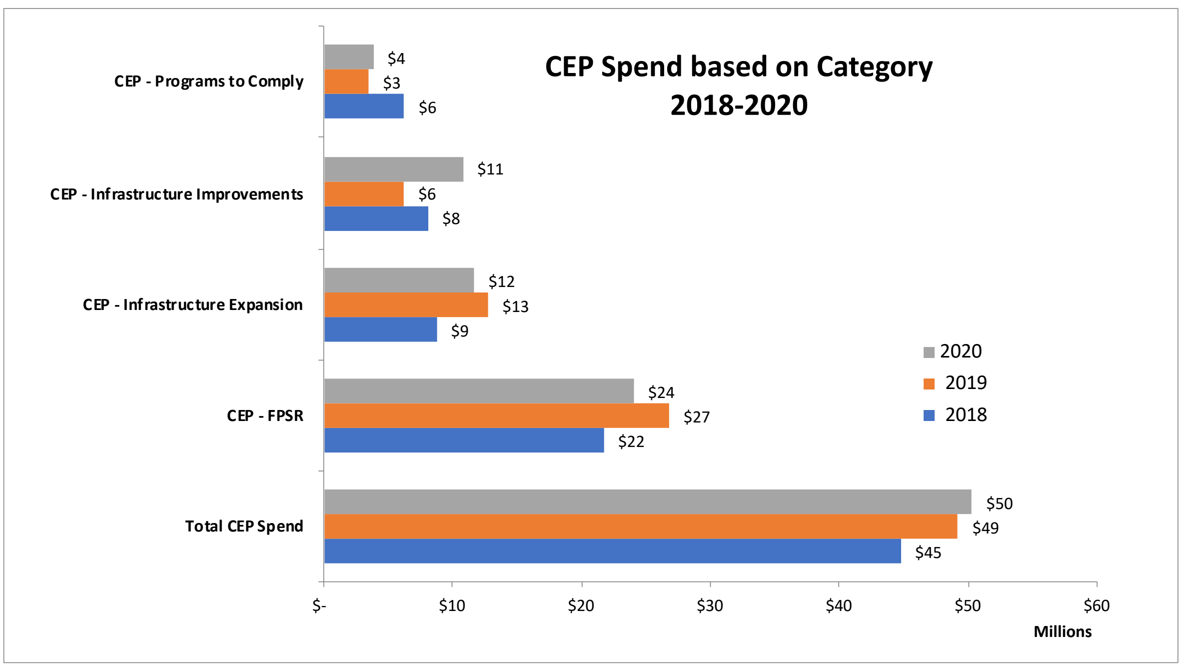
12. Causes for Increased CEP Spending

Requirement: Identify and assess the necessity, reasonableness, and prudence of the principal causes for increases in the Applicant's capital expenditures coinciding with the CEP program for the period January 1, 2020, through December 31, 2020

CEP Spending

The following figure compares the CEP send by category for 2018 through 2020.

Figure 1: CEP Spend based on Category[24]



[24] For 2019 amounts, VEDO response to 2020 Blue Ridge Data Request No. 6 and WP (SPENDING) Blue Ridge Data Request No. 06 Attachment—Capital Additions by Work Order.xlsx; for 2020 amounts, 2021 Blue Ridge Data Request No. 04, Attachment—Capital Additions by Work Order.xlsx.

The total CEP spending for the years 2019 and 2020 appears to be consistent. Within each of the CEP categories, the largest increase from 2019 to 2020 was in the CEP category of Infrastructure Improvements, which targets the system betterments programs of pipeline, services, regulating stations, and integrity improvements/ replacement.

13. Cost Containment

Requirement: Identify and assess the reasonableness and prudence of the Applicant's cost containment strategies and practices in the use of outside contractors for capital expenditures and assets for the period January 1, 2020, through December 31, 2020, with an emphasis on CEP expenditures and assets

Requirement: Identify and assess the reasonableness and prudence of the Applicant's cost containment strategies and practices in the use of internal company labor for capital expenditures and assets for the period January 1, 2020, through December 31, 2020, with an emphasis on CEP expenditures and assets

Requirement: Utilize the auditor's and/or retained subcontractor's familiarity and experience with natural gas distribution utility operations and capital spending practices to identify and assess the reasonableness and prudence of the Applicant's capital spending policies and practices or lack of such practices not specifically identified herein

Large replacement programs and other large capital projects are staffed completely with contract labor. Internal resources have been reserved to manage emergency response, operations and maintenance of equipment, and some portion of smaller scale capital work (such as blanket service replacements and leak repairs). The Company notes that this approach of utilizing contract resources for large programs and projects is driven by the prescriptive nature of pipeline regulations, which makes staffing skilled, trained, and qualified employees full time, for what, in the Midwest at least, is seasonal construction work (with periods of downtime), not cost effective. In addition, with the nature of emergency response work, which requires multiple shifts that need to be supervised and managed, staffing internal resources to support capital activities when staffing is needed to backfill for required rest time is also not cost effective. Because of this, almost all large-scale capital projects are engineered and designed assuming contract resources to complete the work, with the estimates developed accordingly. The work management system, Maximo, incorporates representative contractor rates into the estimating. If at the time of construction, Gas Operations determines that internal resources are available and equipped for the job, the work plan is adjusted without the estimate changed.[25]

Because contractors are the primary resource for all capital work, the Company does not specifically isolate the impact of contractors on the cost per mile rates. Contractor costs are roughly 50% of the overall capital project costs, for main/service installation with the remainder falling into materials, restoration, and other costs.[26]

The Company also utilizes a competitive bidding process for its capital work, either for each individual work order or as a package of work. In addition, the Company has negotiated rates with a majority of its capital-oriented contractors. Vectren states that it strives to provide defined scopes of work and detailed drawings to remove as many unknowns as possible to enable bidders to minimize the amounts included in bids for various risk factors. In addition, maintaining multiple qualified

[25] Vectren response to 2021 Blue Ridge Data Request No. 24(b).
[26] Vectren response to 2021 Blue Ridge Data Request No. 25(c).

vendors and following a rigorous bidding process for the majority of the project work helps control costs.[27]

The Company also notes that because it actively works to maintain a diverse and relatively large pool of qualified construction contractors, only occasional issues have been encountered where large/long-term projects in the region consume resources normally available to complete CEP and DRR projects. The Company has seen some incremental pricing increases in some of these cases which generally are more impactful to emergent work that arises during the construction season as opposed to the annual package of projects bid late in the year prior to their construction.[28]

The Vectren program management team, consisting of Operations, Engineering, and Strategic Sourcing, evaluates priorities, resource availability, and costs regularly to develop effective solutions to issues, such as resource constraints, pricing increases, and emergent projects. Access to multiple diverse and qualified contractors and the highly detailed long-term CEP/DRR Plan enable the Company to make adjustments to contractors or timing of project completion as needed to ensure deadlines are met and costs are contained. For example, resources may be moved between work types (such as bare steel/cast iron replacement to new business) when necessary to meet customer need dates, and then they may be shifted back when the issue has been addressed.[29]

Capital spending is budgeted based on historical trends with escalation factors for most categories along with risk prioritization models. Annual meetings are scheduled or communicated via email with stakeholders to gather information regarding current and future needs.[30] Variance analysis for actual to budget is performed monthly at the category level.[31]

Blue Ridge concluded that Vectren's cost containment strategies and practices were adequate and not unreasonable.

14. Summary of Recommendations and Adjustments

Requirement: Provide a report of findings that include the rationale and a detailed description of any recommended adjustments

Requirement: The report shall include recommendations based on the findings of the accounting accuracy and used and useful nature of the Applicant's capital expenditures and related assets, as well as corresponding depreciation reserves

Requirement: Recommend and support specific adjustments to the plant-in-service balance based on any findings or lack of necessity, unreasonableness, or imprudence with an emphasis on CEP expenditures and assets

Requirement: The report shall include recommendations based on findings of the necessity, reasonableness, and prudence of the Applicant's capital expenditures and related assets, with an emphasis on the CEP expenditures and assets

[27] Vectren response to 2021 Blue Ridge Data Request No. 25(d).
[28] Vectren response to 2021 Blue Ridge Data Request No. 25(e).
[29] Vectren response to 2021 Blue Ridge Data Request No. 25(f).
[30] Vectren response to 2021 Blue Ridge Data Request No. 21, Attachment.
[31] Vectren response to 2021 Blue Ridge Data Request No. 23.

CEP Adjustments

The following table summarizes the effect on the CEP revenue requirements of Blue Ridge's recommended adjustments. The adjustments are summarized below the table.

Table 6: Blue Ridge Recommended CEP Revenue Requirement[32]

Adj #	Description	Rate Base	Operating Exp	Revenue Req
	Company - As Filed	**$ 15,641,648**	**$ 366,773**	**$ 1,744,802**
1	Property Tax - Prior Year True Up	4,689	-	413
2	Property Tax - Good % Input	(6,187)	(100)	(645)
3	Recovery of Annual CEP Audit Cost	-	(50,925)	(50,925)
4	Retirements Recorded Late (WO# 17202803054014)	(115)	(2)	(12)
	Impact of All Adjustments	**(1,613)**	**(51,027)**	**(51,169)**
	Blue Ridge - Recommended	**$ 15,640,034**	**$ 315,746**	**$ 1,693,633**

CEP Adjustment #1: The Company provided the native Microsoft Excel files for the Rider CEP Schedules accompanying its application.[33] Blue Ridge performed mathematical checks on the revenue requirement, monthly activity, cumulative balances, and other supporting calculations. Blue Ridge identified cell referencing issues that had de minimis impact on the revenue requirement but should be corrected to ensure the integrity of the computation model. Specifically, Workpaper 5.1 references the wrong prior taxable value assessment for Federal Pipeline Safety Requirements and Distribution Replacements.[34] The impact to the cumulative deferred CEP balance and revenue requirement is an increase of $4,689 and $413, respectively.

CEP Adjustment #2: Blue Ridge confirmed that the hard value inputs into the spreadsheet calculation model were consistent with source documents and the terms of the current CEP program. We noted exceptions with respect to the "% Good" applied in the computation of deferred property taxes on Schedule 5. Accordingly, the Company provided revised Workpapers 5.2, 5.3, and 5.4.[35] The impact to the CEP revenue requirement is a reduction of $645.

CEP Adjustment #3: In regard to Case No. 20-99-GA-RDR Entry (January 29, 2020) wherein the Commission directed Staff to issue an RFP for audit services to review the accounting accuracy, prudency, and used and usefulness of Vectren Energy Delivery of Ohio, Inc.'s total rate base investments for 2018 and 2019 as well as to review and evaluate its capital expenditure program and distribution replacement rider investments and program compliance, the Entry stated that Vectren would bear the costs of the audit service. The Company included 50% of the cost of the audit in Case No. 20-99-GA-RDR in the Case No. 21-0620-GA-RDR CEP Revenue Requirements filing. Blue Ridge recommends that the Company comply with the Commission's order. The effect on the CEP Revenue Requirements is a reduction of $50,925.

CEP Adjustment #4: In FERC account 669 (Meas & Reg Sta Equip), one CEP work order (WO# 17202803054014) had retirements booked late in April 2021. The retirements, totaling $2,231.76,

[32] The Company's calculation of the revenue requirement impact for Adjustments #1 and #2 is slightly different than Blue Ridge's. For Adjustment #1, Blue Ridge calculated $(1,871), whereas Vectren calculated $(1,808). For Adjustment #2, Blue Ridge calculated $(104). whereas Vectren calculated $(98). The difference is inconsequential.
[33] Vectren response to 2021 Blue Ridge Data Request No. 3 Attachment.
[34] WP V&V BR DR-03 VEDO CEP 21-0620-GA-RDR Filing.
[35] Vectren response to 2021 Blue Ridge Data Request No. 3 Supplemental.

should have been recorded between July 2017 and October 2018.[36] However, as the CEP balances for 2017 and 2018 were previously reviewed and approved, Blue Ridge recommends removing the late recorded amounts as of January 1, 2020. The net impact on deferred depreciation, PISCC, and income taxes in rate base is a reduction of $115. The corresponding effect on the CEP revenue requirement is a reduction of $12.

Besides the recommended adjustments, Blue Ridge presents the following recommendations:

1. Blue Ridge found that the approval policy allows projects to be placed in service prior to the approval for the additional costs incurred over 10% of the estimate. However, Blue Ridge believes that projects should not be placed in service without the proper cost approvals. Blue Ridge recommends that the Company review the current policy to ensure that a project placed in service has the proper approval for the costs incurred. An exception would be if the initial work order was closed and trailing charges caused the project to be over budget by more than 10%, In a case such as that, the supplement should still be approved.
2. Blue Ridge found that the Company's CEP backlog of $125.4 million is extensive. A substantial backlog of work orders can make a depreciation study more difficult to perform and potentially misstate the accumulated reserve. Blue Ridge recommends that the Company make a concerted effort to unitize work orders on a timely basis, in particular, those over 4 months old. This will help ensure the 120 days and over will coincide with Company policy.
3. The Company states in many instances where pipe is removed, the Company pays the contractor to remove the pipe and dispose of it. Estimated proceeds received by the contractor for the scrap sale are taken into consideration in the contractor price charged to the Company for cost of removal. Blue Ridge recommends that the Company ensure that for those projects in which the Company expects contractors to remove the scrap that it is clear through either "boiler plate" wording or an invoice credit line item netted against the contractor cost what the scrap proceeds were. The proceeds from scrap should also be supported with documentation from the scrap company.

[36] Vectren response to 2021 Blue Ridge Data Request No. 41 Supplemental.

DETAILED ANALYSIS, FINDINGS, AND RECOMMENDATIONS

Blue Ridge's review was focused on whether VEDO has accurately accounted for its plant in service and depreciation reserve and whether those investments were used and useful, necessary, reasonable, and prudent. Our investigation covered capital assets from January 1, 2020, through December 31, 2020, with a focus on CEP expenditures.

The following sections discuss Blue Ridge's variance analysis and detailed transactional testing. We have also included our findings and our recommendations.

VARIANCE ANALYSIS

Total Plant Since Date Certain

Blue Ridge reviewed additions, retirements, and adjustments for 2020 and account balances from end-of-year 2019 to end-of-year 2020 from Vectren's Annual Reports to PUCO. Based on our analysis, several additions and adjustments warranted further investigation. Blue Ridge had concerns regarding total plant additions for many accounts that were less than CEP additions. A multi-part data requests were developed to ascertain explanations for the anomalies.[37]

Blue Ridge examined the responses provided by the Company. The explanations represented normal accounting activity. The Company's explanations were not unreasonable.

CEP Investments

Blue Ridge also reviewed CEP additions and retirements for 2020. Based on our analysis, several account additions, retirements, and adjustments warranted further investigation. Blue Ridge had concerns regarding significant additions over retirements, significant retirements with limited additions, and reasons for adjustments. Blue Ridge submitted a multi-part data request to the Company to obtain explanations for the anomalies.[38] Blue Ridge examined the responses provided by the Company and concluded in most cases the explanations represented normal accounting activity and were not unreasonable. The Company did mention, however, in FERC account 669 (Meas & Reg Sta Equip), one CEP work order (WO# 17202803054014) had retirements booked late in April 2021. The retirements, totaling $2,231.76, should have been recorded between July 2017 and October 2018. However, as the CEP balances for 2017 and 2018 were previously reviewed and approved, Blue Ridge recommends removing the late recorded amounts as of January 1, 2020. The net impact on deferred depreciation, PISCC, and income taxes in rate base is a reduction of $115. The corresponding impact on CEP revenue requirement is a reduction of $12. **[ADJUSTMENT #4]**

WORK ORDER / PROJECT ANALYSIS

The Company provided a list of 882 work orders / projects that support gross plant in service from January 1, 2020, through December 31, 2020. The list included 640 CEP-related work orders. These work orders / projects included $61,140,757 in assets.

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[37] Vectren response to 2021 Blue Ridge Data Request No. 44.
[38] Vectren response to 2021 Blue Ridge Data Request Nos. 34 and 41 and 41 Supplemental.

Table 7: Work Orders and Charges in each Recovery Mechanism[39]

Recovery Mechanism	Charges	# of Work orders
All-Other	$15,074,430	57
CEP	$61,140,757	640
DRR—NOT TESTED	$70,686,902	185
Total	**$146,902,089**	**882**

Blue Ridge reconciled the list of work orders to the Company's Annual Informational Reports and Plant-in-Service Schedules to ensure that the work order population was complete. From this population, Blue Ridge selected specific work orders/projects for detailed transactional testing.

DETAILED TRANSACTIONAL TESTING OVERVIEW

From the list of work orders provided, Blue Ridge selected projects for transactional testing.

Blue Ridge performed the following review steps.

1. Reaffirmed an understanding of CEP projects
2. Determined Work Order Sample

   Blue Ridge selected 34 CEP work orders / projects reflecting thousands of cost line items using the probability-proportional-to-size (PPS) sampling technique and professional judgement. The work orders selected based on professional judgment focused on individual (rather than blanket) work orders that have a high-dollar value and occurred from January 2020 through December 2020.
3. Conducting Work Order Testing

Blue Ridge's work order testing focused on additions to distribution plant-in-service from January 1, 2020, through December 31, 2020, for CEP projects.

The following areas were the determined focus for transactional testing review:

- Project descriptions, scope, and objective
- Whether the scope of work is includable within the CEP Deferral
- For CEP, whether the scope of work should generate revenue to be reflected in the Revenue Offset
- Project justifications and approvals
- Actual in-service dates for non-blanket projects within scope period January 1, 2020, through December 31, 2020
- Project budgeted and actual costs
- Variance from budget explanations
- Supporting cost detail for additions to plant
- Reasonableness of cost categories
- Proper charge of the actual detailed cost to the proper FERC account
- For replacement projects, supporting detail for retirements, cost of removal, and salvage charged or credited to plant
- Timeliness of recording of asset retirements for replacement work orders
- Appropriate charge of cost of removal and salvage, if applicable

[39] Vectren response to 2021 Blue Ridge Data Request No. 4—Capital Additions by Work Order.

- Used and useful status of selected assets (determined by field review)

To satisfy the review of these areas of focus, Blue Ridge formulated the objective criteria into the following transactional testing steps, labeled T1 through T13.[40] These criteria were applied to Total Company and CEP recovered plant. Blue Ridge's observations and findings against the criteria follow.

T1: Project Type
- T1A: Is the scope of work attributed to the gas distribution function? Specifically, is it not related to an affiliate?
- T1B: Is the work order / project CEP?
- T1C: Is the work order / project specific, blanket, or other?
- T1D: Is the work order / project an addition, replacement, non-project allocation, or other?

T2: CEP Project Category

For CEP work orders, does the work meet one of the following criteria:

a. *Infrastructure Expansion*: Expenditures in this category include main line extensions to serve new customers, main-to-meter service line installations for new customers, and meter installations for new customers.
b. *Infrastructure Improvement*: Expenditures in this category include distribution system betterments: pipeline, service line, regulating station, integrity management, or other improvements or replacements, including non-billable pipeline relocations associated with VEDO's distribution and transmission systems. Excluded from this category is VEDO distribution and transmission investment related to Federal Pipeline Safety Requirements (see (d) below) and Distribution Replacement (see (e) below)
c. *Programs reasonably necessary to comply with Commission Rules, Regulations and Orders*: Expenditures in this category include investments in buildings, fleet, tools and equipment, metering, and instrumentation.
d. *Federal Pipeline Safety Requirement*: This category includes projects required to meet mandates from existing and new transmission integrity management rules; projects identified as accelerated actions as mandated by certain distribution integrity management program requirements; and capital expenditures resulting from new rules issued by the Pipeline Hazardous Materials & Safety Administration.
e. *Distribution Replacement*: This category includes capital expenditures proposed for recovery in Case No. 13-1571-GA-ALT under VEDO's Distribution Replacement Rider ("DRR").[41]

T3: Capital Scope
- T3A: Is the scope of work properly classified as capital and charged to the proper FERC 300 account(s) as dictated by the FERC code of accounts (CFR 18)?

T4: Justification
- T4A: For specific work orders / projects (i.e., not blankets), does the project have detailed justification that supports that it was necessary and not unreasonable?

T5 Approval
- T5A: Did the work order / project have proper level of approval?

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[40] WP VEDO CEP Matrix CONFIDENTIAL FINAL.
[41] Vectren's application in Case No. 13-1890-GA-UNC and 13-1891-GA-AAM, pages 2 and 3.

T6: Budget
- T6A: Does the work order / project have an approved budget?
- T6B: Are the work order / project costs +/- 10% of the approved budget?
- T6C: Are explanations and approvals provided for cost overruns 10% and greater over the approved budget?

T7: In-Service Dates
- T7A: Is the actual in-service date in line (at or before) with the estimated in-service date.
- T7B: Was the work order / project in service and closed to UPIS within a reasonable time period from project completion, and if not, was AFUDC stopped?

T8: Allocations
- T9A: If the work order / project represents allocated charges are the allocations reasonable?

T9: Continuing Property Records
- T9A: Do the Continuing Property Records support the asset completely and accurately?

T10: Cost Categories
- T10A: For work orders / projects, are the cost categories (Payroll, M&S, etc.) not unreasonable and support the work order total?
- T10B: For "other" (referring to T1d above), are the description and costs not unreasonable?

T11: Revenue-Generating
- T11A: For CEP additions, will the work order / project generate revenue? If so, how has the revenue been quantified?

T12: Replacement projects
- T12A: Were assets retired?
- T12B: Was the date of retirement in line with the asset replacement date?
- T12C: Is the amount of the retired asset not unreasonable?
- T12D: Was salvage recorded?
- T12E: Was cost of removal charged? Is the amount not unreasonable?

T13: Field Verification
- T13A: Is the project a candidate for field verification?

The results of the detailed transactional testing performed on the work-order sample are included in the workpapers.[42] Specific observations and findings about the testing are listed below.

CEP TRANSACTIONAL TESTING

T1: Project Type
- T1A: Is the scope of work attributed to the gas distribution function? Specifically, is it not related to an affiliate?

Based on the single-line scope description for blanket and specific projects, the work does appear to be attributed specifically to the gas distribution function and not related to affiliate work.

- T1B: Is the work order / project CEP?

[42] WP VEDO CEP Matrix Confidential FINAL.

Blue Ridge tested 34 CEP work orders. Each of the work orders fit into one of the following detailed criteria for inclusion in the CEP recovery mechanism.

CEP: CEP-related capital investments involve the following categories of work:

a. Infrastructure Expansion:
b. Infrastructure Improvement:
c. Programs reasonably necessary to comply with Commission Rules, Regulations and Orders:
d. Federal Pipeline Safety Requirement (FPSR):
e. Distribution Replacement

Of the 34 CEP work orders in our sample, $13,055,349 of service replacement costs were transferred to the DRR. The Company performs the transference through a monthly allocation process.[43]

T1C: Is the work order / project specific, blanket, or other (provide description)?

Below is the breakdown of the 34 work orders sampled in the CEP selection:

Table 8: Types of Work Orders in CEP Selection

Type	# of Work Orders
Blanket	14
Specific	20
Total	**34**

T1D: Is the work order / project an addition, replacement, non-project allocation, or other (provide description)?

The following is the breakdown of the work orders sampled within the CEP selection.

Table 9: Additions, Replacements, and Retirements in the CEP Selection

Type	# of Work orders
Addition	23
Replacement	10
Retirement	1
Total	**34**

T2: CEP Project Category: For CEP work orders, does the work meet one of the following criteria:

CEP: CEP-related capital investments involve the following categories of work:

a. *Infrastructure Expansion*: Expenditures in this category include main line extensions to serve new customers, main-to-meter service line installations for new customers, and meter installations for new customers.

b. *Infrastructure Improvement*: Expenditures in this category include distribution system betterments: pipeline, service line, regulating station, integrity management, or other improvements or replacements, including non-billable pipeline relocations

[43] Vectren response to 2020 Blue Ridge Data Request No. 75.

associated with VEDO's distribution and transmission systems. Excluded from this category is VEDO distribution and transmission investment related to Federal Pipeline Safety Requirements (see (d) below) and Distribution Replacement (see (e) below)

c. *Programs reasonably necessary to comply with Commission Rules, Regulations and Orders*: Expenditures in this category include investments in buildings, fleet, tools and equipment, metering, and instrumentation.

d. *Federal Pipeline Safety Requirement*: This category includes projects required to meet mandates from existing and new transmission integrity management rules; projects identified as accelerated actions as mandated by certain distribution integrity management program requirements; and capital expenditures resulting from new rules issued by the Pipeline Hazardous Materials & Safety Administration.

e. *Distribution Replacement*: This category includes capital expenditures proposed for recovery in Case No. 13-1571-GA-ALT under VEDO's Distribution Replacement Rider ("DRR").[44]

The 34 work orders sampled in the CEP selection encompass the following categories. (Total presented is greater than 34 because some work orders pertain to multiple categories.)

Table 10: Work orders by CEP Category

CEP Category	# of work orders pertaining to Category
a. Expansion	16
b. Improvement	13
c. Compliance	4
d. FPSR	9
e. DRR	5

Table 11: List of Work Orders with a HB 95 Category of "DRR—Infrastructure Improvements"

Work Order Number	Long Description	Total Activity *BRDR#25*	Addition *BRDR#4*	Retirement *BRDR#4*
046632001	BLKT VEDO 0466 Gas Service Replacement	$2,161,251	$1,906,276	-$34,647
046732001	BLKT VEDO 0467 Gas Service Replacement	$843,530	$686,458	-$6,794
046832001	BLKT VEDO 0468 Gas Service Replacement	$4,618,568	$3,394,924	-$91,534
046932001	BLKT VEDO 0469 Gas Service Replacement	$3,532,312	$2,829,669	-$66,397
048132001	BLKT VEDO Gas Service Replacement	$1,899,689	$1,574,140	-$37,274

Company explanation: These charges are related to service replacements. Please reference the testimony of Witness Hoover within the DRR Proceedings (19-1011-GA-RDR and 20-0101-GA-RDR) for an explanation on this process.

For monthly processing throughout the year, these service replacement charges are classified as HB95. An analysis is performed at year-end, consistent with the testimony referenced, to

[44] Vectren's application in Case No. 13-1890-GA-UNC and 13-1891-GA-AAM, pages 2 and 3.

determine how much of the activity was incremental and thus DRR eligible with the remaining non-incremental and thus remains in the HB95 Category. Maintaining the HB95 category description on these work orders assists in the identification of these work orders. DRR eligible amounts are then reclassed out of HB95-recoverable categories and into DRR via the service replacements journal entry.[45]

Gas Operations provides the allocation between DRR and HB95 for service replacement work for the calendar year. Property accounting applies that allocation to the service replacement additions activity[46] This activity is performed monthly.[47]

Blue Ridge found the Company's explanation on the transferring of balances between the CEP and DRR not unreasonable. The Company stated that there are no service replacement retirements to transfer. The Company explained,

> The Service Replacements included for recovery within the DRR represent incremental replacements of services which were previously owned by the Customer. Prior to the Rate Case Order in 07-1080-GA-AIR (2009), VEDO's customers owned the service lines from the curb valve to the meter. In instances where a leak was detected and repairs or replacements of that portion of the service line were required, the Customer was responsible for contacting an appropriate contractor to do the work at their cost.
>
> In the 2009 rate case, VEDO took ownership of these service lines, which allowed VEDO to inspect and remediate issues without involving a contractor hired by the customer. VEDO could not establish an asset value for these services on its books.
>
> The DRR allowed for the inclusion of the costs of replacing this section of a customer's service line that was previously owned by the customer – "incremental service replacements." As such, all costs included in the DRR represent replacement of service lines that are now owned by the Company, but the Company does not have an asset on its books, thus no retirement is included. Replacement of service line assets that (1) are related to the meter to curb portion of the service line, or (2) have been previously replaced by VEDO after 2009, are not included in the DRR are left in the CEP, with the associated retirements.[48]

T3: Capital Scope

T3A: Is the scope of work properly classified as capital and charged to the proper FERC 300 account(s) as dictated by the FERC code of accounts (CFR 18)?

The Company provided short descriptions of the type of work included in specific work orders / projects in the sample. Blue Ridge evaluated the information to determine whether the work orders / projects in the sample were appropriately classified as capital and charged to the

[45] Vectren response to 2020 Blue Ridge Data Request No. 66.
[46] Vectren response to 2020 Blue Ridge Data Request Nos. 75 and 111.
[47] Vectren response to 2020 Blue Ridge Data Request No. 75 Attachment 1.
[48] Vectren response to 2020 Blue Ridge Data Request No. 111, as supplemented on June 16, 2020.

proper Distribution FERC 300 accounts. The Company currently uses the following FERC accounts for CEP charges.

a. Infrastructure Expansion:

Work orders in this category include some or all of the following utility accounts:

- Company account 676, FERC account 376—Mains
- Company account 680, FERC account 380—Services
- Company account 682, FERC account 382—Meter Installations
- Company account 683, FERC account 383—House Regulators
- Company account 685, FERC account 385—Indus Meas & Reg St Equip

b. Infrastructure Improvement:

Work orders in this category include some or all of the following utility accounts:

- Company account 667, FERC account 367—Mains (Transmission)
- Company account 676, FERC account 376—Mains (Distribution)
- Company account 678, FERC account 378—Meas & Reg Station Eq-Gen
- Company account 680, FERC account 380—Services
- Company account 682, FERC account 382—Meter Installations
- Company account 683, FERC account 383—House Regulators

c. Programs reasonably necessary to comply with Commission Rules, Regulations and Orders:

Work orders in this category include some or all of the following utility accounts:

- Company account 681, FERC account 380—Meters
- Company account 692.4, FERC account 392—Heavy Trucks

d. Federal Pipeline Safety Requirement (FPSR):

Work orders in this category include some or all of the following utility accounts:

- Company account 667, FERC account 367—Mains (Transmission)
- Company account 676, FERC account 376—Mains (Distribution)
- Company account 669, FERC account 369—Meas & Reg Station Equip (Transmission)

e. Distribution Replacement:

Work orders in this category include some or all of the following utility accounts:

- Company account 680, FERC account 380—Services.
- Company account 682, FERC account 382—Meter Installations
- Company account 683, FERC account 383—House Regulators

Blue Ridge found that all 34 work orders within the CEP selection have been charged to the proper FERC 300 account(s) as dictated by the FERC code of accounts.

T4: Justification

T4A: For specific work orders / projects (i.e., not blankets), does the project have detailed justification that supports that it was necessary and not unreasonable?

Blue Ridge asked for work order justification and approval. The Company provided only project approvals for the specific CEP-type projects. Blanket level projects represent recurring work that is done in the normal course of business. Examples include meter installations and service lines. Those types of projects use the project type to define the activities. The approvals are done on a functional basis, such as for Growth, Betterment, etc. included in Distribution, and the activities are then approved at the Board of Directors level.

T5 Approval

T5A: Did the work order / project have proper level of approval?

Based on the CNP Authorization Policy each of the 34 work orders were properly approved.[49]

Blue Ridge found that the approval policy allows projects to be placed in service prior to the approval for the additional costs incurred over 10% of the estimate. However, Blue Ridge believes that projects should not be placed in service without the proper cost approvals. Blue Ridge recommends that the Company review the current policy to ensure that a project placed in service has the proper approval for the costs incurred. An exception would be if the initial work order was closed and trailing charges caused the project to be over budget by more than 10%, In a case such as that, the supplement should still be approved.

T6: Budget

T6A: Does the work order / project have an approved budget?

T6B: Are the work order / project costs +/- 10% of the approved budget?

The following is a breakdown of actual work order cost in relationship to the work order approved budget

Table 12: Breakdown of over/under Budget by +/-10%

Charges to Final Approved Budget	# of Work Orders
Blanket – No Approved Budget	13
Under Budget by 10% or greater	7
Over Budget by 10% or greater	0
Within +/- 10% of Budget	14
Total	**34**

T6C: Are explanations and approvals provided for cost overruns 10% and greater over the approved budget?

Of the 34 work orders sampled in the CEP selection, no work orders had charges exceeding 10% of their approved budget.

T7: In-Service Dates

T7A: Is the actual in-service date in line (at or before) with the estimated in-service date.

[49] Vectren response to 2021 Blue Ridge Data Request No. 6 – Attachment (BR DR 06 (b) (3) – CNP Authorization Policy (Rev 12.2020) CONFIDENTIAL.

Of the 34 specific work orders sampled for the CEP selection, 19 of the work orders were completed on or before the estimated in-service date. Two work orders had delays between 90 and 114 days.

Table 13: List of Work Orders with greater than 90 day delay from estimate (all include AFUDC charges)

<table>
<tr><th>Work order #</th><th>Work Order Description</th><th>Estimated In-Service Date</th><th>In Service Date</th><th>Delay</th></tr>
<tr><td>1. 19046603061220</td><td>OH-BEAVERCREEK-GRE-CR142-1.21 DAYTON-XENIA RD ~~PID 98146</td><td>7/1/20</td><td>10/23/20</td><td>114</td></tr>
<tr><td></td><td colspan="4">Company explanation: The in-service date in Powerplant does not seem to be correct. The in-service date from project as-built drawings is 6/8/2020.[50]</td></tr>
<tr><td rowspan="2">2. 19046703061212</td><td>OH-GREENFIELD-MILL ST. IMPROVEMENTS-EMERGENT PROJECT</td><td>11/1/19</td><td>2/21/20</td><td>112</td></tr>
<tr><td colspan="4">Company explanation: The in-service date in Powerplant does not seem to be correct. The in-service date from as-builts is 12/11/2019. The work was done at the same time the general contractor was working on the roadway project which required a great deal of coordination between our contractor crews and roadway contractor crews. 2/21/2020 was the date documents were attached to the Maximo not the completion date.[51]</td></tr>
</table>

19046603061220 has a first Continuing Property Records (CPR) date (when the work order transfers dollars from 107 to 106 or 101) of October 2020. 19046703061212 has a first CPR date of February 2020.

These dates were updated when the field complete date was populated in the work management system. When a project is placed in service, the work order status in the work management system is to be changed by field construction personnel to field complete or "FCOMP" status. The date of the status change populates the in-service date in PowerPlant. In the event the FCOMP status is not changed at the time the project is placed in service due to an oversight or some other delay, an In-Service Date field in Maximo, the work management system, can be populated which will interface to PowerPlant with the correct In-Service Date. For these work orders, it appears the status was changed to field complete well after the project was placed in service and the In-Service Date was not correctly populated, resulting in an error. The subledger (PowerPlant) is the system of record for additions and retirements of plant. The first CPR date is the date that determines when assets become additions to plant. There is no reserve true up when/if in-service dates are adjusted. The reserve starts being credited during the month when the first CPR date is populated.[52]

Blue Ridge found that the Company's explanation is not unreasonable.

[50] Vectren response to 2021 Blue Ridge Data Request No. 46.
[51] Vectren response to 2021 Blue Ridge Data Request No. 46.
[52] Vectren response to 2021 Blue Ridge Data Request No. 58.

T7B: Was the work order / project in service and closed to UPIS within a reasonable time period from project completion, and if not, was AFUDC stopped?

As discussed and identified in testing step T7A, Blue Ridge found that all specific work orders were closed timely after the work was complete.

T8: Allocations

All but one work order in the CEP sample included A&G (Administrative and General) allocations, and all but four work orders in the CEP sample included E&S (Engineering and Supervision) allocations.

T8A: If the work order / project represents allocated charges are the allocations reasonable?

As discussed in testing step T8A, Blue Ridge found that 33 work orders had approximately 2.5% allocation for A&G and 30 work orders had 9% allocation for E&S. The Company is consistent in how they allocate both A&G and E&S. Those allocations are periodically reviewed and adjusted.

T9: Continuing Property Records

T9A: Do the Continuing Property Records support the asset completely and accurately?

Blue Ridge found that all 34 work orders in the CEP sample are supported by the CPR.

T10: Cost Categories

T10A: For work orders / projects, are the cost categories (Payroll, M&S, etc.) not unreasonable and support the work order total?

Below is a description of the cost categories and supporting policies

- **AFUDC**
  - AFUDC – BORROWED

A typical AFUDC calculation consists of Debt and Equity. The Company applies the debt rate to work orders. Of the 34 work orders selected for the CEP sample, 16 had AFUDC charges.

- **OVERHEAD & CR-Manual**

Of the 34 work orders selected in the CEP sample 33 had A&G charges, 30 had E&S charges, and eight had manual credits to those accounts. Further discussion can be found in testing step T8 Allocation section above.

- **Payables & Inventory**

Table 14: GL Journal Category: Payables with Number of Work Orders Associated

Payables / Inventory	# of Work orders
Material Issues	24
Material Returns	12
CONTRACT LABOR	32
Contract Materials	32

Payables / Inventory	# of Work orders
Contract Other Exp	5
Dues	6
Material Issues	7
Miscellaneous	4
Rights & Easements	6
Vehicle Purchases	1
Uniforms	1

- **Projects**

Table 15: GL Journal Category: Projects and Number of Work Orders Associated

Projects	# of Work Orders
401k	29
Auto Rental	1
Billing Reimbursement	10
Contract Labor	15
Contract Materials	9
Doubletime	18
Fringe-Benefits	29
Holiday	1
Lodging	2
Material Issues	2
Meals	3
Misc Cash Reimbursement	4
Miscellaneous	17
Nonproductive	29
Office Supplies	2
Other Labor	27
Overtime Labor	26
Payroll Tax	29
Pension	29
PO Loadings	32
Project Accrual	31
Project Accrual Receivable	1
Purchasing Accrual	3
Regular Labor	26
Sales Tax Corr	23
Stores Loading	24
Vehicle Cl 1	21
Vehicle Cl 2	26
Vehicle Cl 3	15

The following work orders had charge categories, or specific charges that needed further explanation to understand the nature of the charge.

1. Blanket Work Order #: 046732001—BLKT VEDO 0467 Gas Service Replacement

   a. Non-Productive Charge: $14,663
   a. Company Explanation: Non Prod means non productive time. It is an expenditure type to allocate vacation, sick, holiday and inclement weather hours.[53]
   b. Blue Ridge: The explanation was not unreasonable
2. Blanket Work Order #: 046831001—BLKT VEDO 0468 Gas New Business Services
   a. Credit: $88,151
   a. Company Explanation: This is a Project Accrual transaction. These are month-end accruals made to the project prior to final processing of invoices and charges. These transactions are reversed the following month. In this instance, the reversal of $88,151.40 is for a WINS (Miller Pipeline project cost tracking system) Download accrual from February 2020.[54]
   b. Blue Ridge: The explanation is not unreasonable
3. Blanket Work Order #: 046931001—BLKT VEDO 0469 Gas New Business Services
   a. Scope of Work for Miller and Ritter charge:
   b. Company Explanation: Below is the scope of work for Miller and Ritter:
      i. Provide OQ qualified resources
      ii. Contractor is to visit each job site to familiarize itself with the job
      iii. Service installation can involve open trench or horizontal direction drill. Plastic pipe will be the common material used.
      iv. Contractor is responsible to perform all work within the requirements of all applicable rules, regulations, polices, and procedures. This includes, but is not limited to:
      v. O&M Plan
      vi. Construction Standards
      vii. Material Standards
      viii. Safety Policies
      ix. Customer Service Policies
      x. Environmental Protocols
      xi. Emergency Response Plan (ERP)
      xii. Local Rules, Regulations, or Ordinances
      xiii. Construction requirements as presented in this document
      xiv. Work order / job specifications
      xv. Contractor is responsible for managing its resources and monitoring the job site readiness. Contractor provides crews, labor, tools and equipment necessary to complete work in a timely manner.
      xvi. As instructed by Company, Contractor will be required to perform activities such as, but not limited to:
         1. Requesting facility locates in connection with Contractor's activity
         2. Locating Company facilities in connection with Contractor's activity
         3. Determining the proposed service and meter set location (service spotting) Add header Waylon
         4. Performing adequate sewer facility investigation prior to construction to prevent transection with Company facilities as required by Company and Local Standards

[53] Vectren response to 2021 Blue Ridge Data Request No. 47
[54] Vectren response to 2021 Blue Ridge Data Request No. 48.

5. Monitoring job site readiness relative to job sites being conducive to performing Contractor's work
6. Communicating and Coordinating activities with the customer/ builder, inspector, and Company relative to meter setting relocations and construction activities
7. Manage Contractor crew resources in a manner that meets the needs of Company and its customers. Weekly update of crew locations and category of work.
8. Balancing construction material (material issued versus material used or returned to Company)
9. Contacting supply vendors relative to requesting backfill material; payment for said backfill material
10. Monitoring and completing pending site clean-up / restoration in a timely manner as directed by Company Supervisors.
11. Keeping Company informed relative to daily activity and completing required documentation of work.
12. Conducting weekly reconciles and agreement of completed work units with assigned inspector
13. Providing weekly status updates and completion forecast
14. Providing defined "Completed" and "As-Built" documentation accurately and complete in a timely manner as defined in section "Field As-Built Documentation".
15. Maintaining and practicing safe working practices and conditions for the public and employees in accordance with Company and Local Standards
16. Ensuring employees meet all Operator Qualifications (OQ) requirements for the work they are assigned (Reference overview of Vectren's OQ requirements can be found in Appendix G)
17. Maintaining and observing all traffic control requirements established by local jurisdiction
18. Obtaining necessary local permits
19. Store and manage material supplied by Company as well as manage and account for material required for each project
20. Confirming any new plastic installations must be documented as toneable/locatable after installation/construction using an electronic locating device.[55]

c. Blue Ridge: The explanation is not unreasonable

4. Specific Work Order #: 17202803054012—Work includes a launcher at Howell Station, Chromatograph and filter/separator at Howell Station, and replacement of 4 fittings.
   a. Payable Charge to Minnesota Limited: $235,025
   b. Company Explanation: This invoice for pipeline replacement work was mistakenly charged to project 17202803054012 Howell Station initially. The charges were transferred to the correct project 19202803054016 Z50W Pipeline Replacement in July 2020.[56]

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[55] Vectren response to 2021 Blue Ridge Data Request No. 49.
[56] Vectren response to 2021 Blue Ridge Data Request No. 50.

Blue Ridge found the Company's explanations not unreasonable.

T10B: For "other" (referring to T1d above), are the description and costs not unreasonable?

Blue Ridge did not identify any work orders within the CEP selection that were labeled as either a Transfer or an Adjustment.

T11: Revenue-Generating

T11A: For CEP additions, will the work order / project generate revenue? If so, how has the revenue been quantified?

Of the 34 work orders sampled in the CEP selection, the below 5 work orders will generate additional revenue.

1. Work Order #: 046631001—BLKT VEDO 0466 Gas New Business Services
    a. Reasoning that it could generate revenue: Project appears to be new business services
2. Work Order #: 046831001—BLKT VEDO0468 Gas New Business Services
    a. Reasoning that it could generate revenue: Project appears to be new business services
3. Work Order #: 046931001—BLKT VEDO 0469 Gas New Business Services
    a. Reasoning that it could generate revenue: Project appears to be new business services

Company explanation for #1—3 above: These work orders helps to generate residential revenues. The Company's residential revenue credit calculation on Schedule 6 captures the impact of all residential customer additions against the rate case baseline. Residential revenue credits are determined in accordance with the formula defined in Case No. 12-0530-GA-UNC where the actual residential customers for the period are compared against the authorized residential customers within the Company's rate case, with any excess customers used to determine the revenue credit. Please see the documents provided in DR3, specifically WP6.1-1, WP6.1-2, and WP6.1-3 for this calculation. The 0466, 0468, and 0469 designation in the work order description references different operating centers/areas in the Company's Ohio region.[57]

4. Work Order #: 19046703051213—H-JEFFERSONVILLE-EAST HIGH ST (SR 729) ~~ SYSTEM IMPROVEMENT
    a. Reasoning that it could generate revenue: Project appears to be a betterment
    b. Company explanation: This work order was required to increase system pressure in conjunction with the installation of a main extension and service to a new customer.[58]
5. Work Order #: 048131001—BLKT VEDO Gas New Business Services
    a. Reasoning that it could generate revenue: Project appears to be new business services

Company explanation: this work order helps to generate residential revenues. The Company's residential revenue credit calculation on Schedule 6 captures the impact of all residential customer additions against the rate case baseline. Residential revenue credits are

[57] Vectren response to 2021 Blue Ridge Data Request No. 45.
[58] Vectren response to 2021 Blue Ridge Data Request No. 45.

determined in accordance with the formula defined in Case No. 12-0530-GA-UNC where the actual residential customers for the period are compared against the authorized residential customers within the Company's rate case, with any excess customers used to determine the revenue credit. Please see the documents provided in DR3, specifically WP6.1-1, WP6.1-2, and WP6.1-3 for this calculation.[59]

Blue Ridge found the Company's explanation not unreasonable. Blue Ridge confirmed that the CEP reflects an offset for incremental revenue.

The following 5 work orders could generate incremental revenue either through increasing the total length of pipe or increasing pipe size.

1. Work Order #: 1904663061220—OH-BEAVERCREEK-GRE-CR142-1.21 DAYTON-XENIA RD ~~PID 98146
   a. Reasoning that it could generate revenue: Project appears to be a betterment
   b. Company explanation: This work order was required for relocation of the Company's assets due to a municipal public project. No revenue resulted from the project.[60]
2. Work Order #: 19046703061212—OH-GREENFIELD-MILL ST. IMPROVEMENTS-EMERGENT PROJECT
   a. Reasoning that it could generate revenue: Project appears to be a betterment
   b. Company explanation: This work order was required for relocation of the Company's assets due to a municipal public project. No revenue resulted from the project.[61]
3. Work Order #: 19048103041274—OH-SIDNEY-2400 INDUSTRIAL DR ~~GAS MAIN RELO
   a. Reasoning that it could generate revenue: Project appears to be a betterment
   b. Company explanation: This work order was completed to relocate and replace an existing service line.[62]
4. Work Order #: 20046603061213—16511265-OH-FAIRBORN-GRE-CR502 -1.1
   a. Reasoning that it could generate revenue: Project appears to be a betterment
   b. Company explanation: This work order was required for relocation of the Company's assets due to a municipal public project. No revenue resulted from the project.[63]
5. Work Order #: 20046903061213—17524479-OH-WEST CARROLLTON-N. ELM
   a. Reasoning that it could generate revenue: Project appears to be a betterment
   b. Company explanation: This work order was required for relocation of the Company's assets due to a municipal public project. No revenue resulted

[59] Vectren response to 2021 Blue Ridge Data Request No. 53.
[60] Vectren response to 2021 Blue Ridge Data Request No. 45.
[61] Vectren response to 2021 Blue Ridge Data Request No. 45.
[62] Vectren response to 2021 Blue Ridge Data Request No. 45.
[63] Vectren response to 2021 Blue Ridge Data Request No. 53.

from the project.[64]

Blue Ridge found the Company's explanation for each of the 5 work orders mentioned above not unreasonable.

T12: Replacement projects

Of the 34 work orders sampled in the CEP selection, 22 were labeled as replacements. Of the remaining 12 work orders sampled, two were listed as non-replacements but had retirement and/or cost of removal charges. The Company demonstrated that they booked retirements.[65]

Table 16: Non-Replacement CEP work order with Retirement and/or COR Charges[66]

Work order #	Work Order Description	Retirement Costs	Removal Costs
1. 046851001	Gas Dist Mains Blkt – VEDO	$1,148	$0
2. 202921004	BLKT VEDO Gas Meter Purch	$149,340	$91,876

T12A: Were assets retired?

Of the 34 work orders sampled in the CEP selection, 22 work orders included retirements. The following work order was labeled as a replacement but had no associated retirement charges.

1. Work Order #: 18202803054012—20" Z50 MEMORIAL REPLACEMENT
    a. Activity Cost: $220,877
    b. Retirement: $0
    c. COR: $578
    d. What was retired: None
    e. Company explanation:
    a. The work order indicates assets being retired in the month the asset was placed in service. Cost of Removal on this project totals $37,461.79 which is shown below. (The $577 was charged in 2020 to Cost of Removal, not in total.[67]
2. Work Order #: 20046703051212—17411151-OH-JEFFERSONVILLE-STATE ST
    a. Activity Cost: $303,190
    b. Retirement: $0
    c. COR: $0
    d. What was retired: None
    e. Company explanation:
    a. The Work Order does not indicate assets were retired because no assets were retired as part of Work Order 20046703051212. The purpose of the work order project was to increase capacity on the system by installing a new 8" main. Although originally the plan was to retire the existing 4" main, due to its relatively recent installation – approximately 20 years ago – the Company decided to leave the 4" main in service and not retire it. The short description

[64] Vectren response to 2021 Blue Ridge Data Request No. 53.
[65] Vectren response to 2021 Blue Ridge Data Request No. 55.
[66] Vectren response to 2021 Blue Ridge Data Request No. 65.
[67] Vectren response to 2021 Blue Ridge Data Request No. 51.

"OH-JEFFERSONVILLE-STATE ST ~~GAS MAIN REPLACEMENT", which included "…Gas Main Replacement", was not updated to clarify the work order would include a main installation only and no retirements.

Blue Ridge found that each of the Company's explanations above were not unreasonable.

T12B: Was the date of retirement in line with the asset replacement date?

Of the 22 work orders with retirements sampled in the CEP selection, two work orders had a greater than 90-day delay in retirement charges after in-service dates.

1. Work Order #: 19046703051213—Oh-Jeffersonville-East High St (Sr 729) ~~ System Improvement
    a. Activity Cost: $134,440
    b. Retirement: -$2,014
    c. COR: $3,651
    d. Quantity Retired: 1,829
    e. In-Service Date: 1/21/20
    f. Retirement Date: 5/1/20
    g. Delay: 101 Days
    h. Company Explanation: This work order has a system in service date (first Continuing Property Record (CPR) month) of May 2020. The project manager noted a field in-service date of 1/21/20. For CEP calculations, PISCC and deferred depreciation (net of additions and retirements) are recorded in the first CPR month – in this example, May 2020.[68]
2. Work Order #: 19202803054023—Cut Out At Least One 40' Joint Of 20" Line A In Between Cedarville And Howell Stations.
    a. Activity Cost: $4,022,533
    b. Retirement: -$116,049
    c. COR: $238,587
    d. Quantity Retired: 3,090
    e. In-Service Date: 11/25/19
    f. Retirement Date: 5/1/20
    g. Delay: 158 Days
    h. Company Explanation: This project was the result of an in-line inspection assessment report that initially indicated at least one segment of pipeline would be inspected and potentially replaced. This first segment was replaced in November 2019 and placed in service. As the assessment continued, other pipeline segments were identified for replacement and the project continued at multiple locations on the pipeline through May of 2020. The project manager noted the initial field in-service date of 11/25/19. Retirements in May 2020 were the result of the continued project assessments and segment replacements.[69]

    Blue Ridge found that the Company's explanations above are not unreasonable.

T12C: Is the amount of the retired asset not unreasonable?

[68] Vectren response to 2021 Blue Ridge Data Request No. 52.
[69] Vectren response to 2021 Blue Ridge Data Request No. 52.

The retirement charges and quantities were not unreasonable for each of the 22 work orders with retirements in the sample.

T12D: Was salvage recorded?

The Company states in many instances where pipe is removed, the Company pays the contractor to remove the pipe and dispose of it. Estimated proceeds received by the contractor for the scrap sale are taken into consideration in the contractor price charged to the Company for cost of removal. The Company states that there could have been situations historically where they have had "one-off" circumstances that might have resulted in a different approach, but their standard practice is to net the salvage at the contractor level, reflected in the rates they charge for work performed.[70]

Blue Ridge finds this policy not unreasonable as long as it is clear in the contractor bid proposal what the dollar value reduction in the estimate is for the estimated proceeds from the sale of scrap. Blue Ridge recommends that the Company ensure that for those projects in which the Company expects contractors to remove the scrap that it is clear through either "boiler plate" wording or an invoice credit line item netted against the contractor cost what the scrap proceeds were. The proceeds from scrap should also be supported with documentation from the scrap company.

T12E: Was cost of removal charged? Is the amount not unreasonable?

Cost of Removal was charged to 20 of the work orders in the CEP sample. The cost of removal was not unreasonable

T13: Field Verification

T13A: Is the project a candidate for field verification?

Blue Ridge identified 32 work orders within the CEP sample as candidates for field visits. Of those, 11 were selected to review. Further discussion on field inspections and desktop audits may be found below in Section: Field Inspections and Desktop Reviews.

Insurance Recovery

Insurance recoveries can reduce gross plant and should be taken into consideration in the calculation of the CEP. The Company stated that there were no claims in Ohio billed for $50,000 or more during 2020.[71]

Unitization Backlog

Blue Ridge reviewed the unitization backlog for two reasons. First, it provides an indication of how well the Company controls the process, and second, if the backlog were both significant and old, it represents a potential retirement issue.

As of December 31, 2020, the Company had a CEP unitization backlog of $125.4 million. Of that $38.2 million was backlogged greater than 12 months, and another $40.5 million was backlogged

[70] Confirmed in multiple responses to 2019 data requests as noted on page 72, Case Nos. 20-0099-GA-RDR and 20-0101-GA-RDR Audit of the Capital Expenditure Program and Infrastructure Replacement Program for Vectren Energy Delivery of Ohio, Inc., June 17, 2020.

[71] Vectren response to 2021 Blue Ridge Data Request No. 20.

between four to 12 months. The remainder of the $125.4 million in work orders is backlogged under three months or is is current.[72]

Table 17: Statistics on Work Order Backlog for the CEP[73]

Months of Backlog	2019 Backlog Balance	2019 # of Work Orders	2020 Backlog Balance	2020 # of Work Orders	Difference Backlog Balance	% Change in Work Order Balance
Current	$54,540,960	203	$44,581,430	143	($9,959,530)	-18%
Under Three Months	$4,529,384	81	$2,124,398	38	($2,404,986)	-53%
Four to 12 Months	$16,521,928	210	$40,502,827	219	$23,980,899	145%
Over 12 Months	$20,146,987	111	$38,282,543	207	$18,135,556	90%
Grand Total	$95,739,259	605	**$125,491,198**	**736**	$29,751,939	31%

Table 18: Statistics on Work Order Backlog for the All-Other[74]

Months of Backlog	2019 Backlog Balance	2019 # of Work Orders	2020 Backlog Balance	2020 # of Work Orders	Difference Backlog Balance	% change in # Work Order Balance
Current	$4,615,931	14	$726,905	21	($3,889,026)	-84%
Under Three Months	$124,540	2	$1,097,857	3	$973,317	782%
Four to 12 Months	$1,850,527	18	$5,618,489	17	$3,767,962	204%
Over 12 Months	$340,364	4	$234,618	7	($105,746)	-31%
Grand Total	**$6,931,362**	**38**	**$7,677,869**	**48**	**$746,507**	11%

The Company uses three dates for the backlog report: (1) the in-service date, which is the date the assets were identified as used and useful, (2) the completion date, for projects which are 100% complete, except for some possible late charges or restoration costs, and (3) the close date, which represents the unitization date. The length of time for the work orders listed is the difference between completion date and December 31, 2020. The project dollars are included in the CEP and All-Other at the in-service date.[75]

It is not uncommon in the utility industry, and in particular for gas utilities, to hold open (not unitize) projects until all the charges are in. The advantage is that it avoids duplicate work. Frequently, distribution projects are not complete because a company is waiting to complete paving and seeding. That process is normally dependent on contractor availability and weather conditions.

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[72] Vectren response to 2021 Blue Ridge Data Request No. 19 attachment A.
[73] Vectren response to 2021 Blue Ridge Data Request No. 19 Attachment – Unitization Backlog.
[74] Vectren response to 2021 Blue Ridge Data Request No. 19 Attachment – Unitization Backlog.
[75] Vectren response to 2021 Blue Ridge Data Request No. 22 Attachment – Unitization Backlog.

Blue Ridge found that the Company's CEP backlog of $125.4 million is extensive. The overall backlog increased 30% between 2019 and 2020. Approximately 30% of the backlog is over 12 months old. In addition, the CEP work order backlog from 4 to 12 months increased by 90%. Based on Company policies, we would expect to see the majority of the backlog to be under 90 days. About 37% of the backlog is under 90 days. A large backlog could lead to multiple issues. The backlog on All Other does not appear to be unreasonable.

- The possibility the unitization moved dollars from one FERC account to another and therefore, depreciation could be over or under stated.
- A replacement project could be for assets that have not been unitized and therefore, that could hold up the closing of the new project until the old project is unitized.
- If the company does not true up retirements from estimated to actual until the projects are unitized could create incorrect net plant as well as the depreciation accrual

A substantial backlog of work orders can make a depreciation study more difficult to perform and potentially misstate the accumulated reserve.

Blue Ridge recommends that the Company make a concerted effort to unitize work orders on a timely basis, in particular, those over four months old.

<u>Field Inspections and Desktop Reviews</u>

For field inspections, Blue Ridge selected 11 locations, several with multiple assets, for detailed desktop review. The following criteria were used for the field inspection and/or desktop review:

- The assets were operational (used and useful) and providing service to the customer.
- The purpose of the project was reasonable.
- The assets that were installed were in accordance with the original scope of work, and no assets were installed that were not in the original scope of work.
- The equipment that was installed matched the equipment that was capitalized.
- Company personnel understood the scope of work and were able to provide staff with detailed answers to questions about the work.
- Problems identified during the process of construction were identified and discussed.
- The project was not over built or "gold plated."

Work orders / projects were excluded from selection for the following reasons:

1. The work was a blanket project, including multiple assets installed at various locations, making it impractical to locate. In most instances, the individual dollar value of each work order is small. Work orders in this category include the installation/replacement of service lines, riser replacements, services, house regulators, and meters. We did select one or more blanket projects for desktop review.
2. The dollars were a transfer or reclassification (reversal) of Completed Construction Not Classified (FERC 106).

Due to the COVID-19 concerns and the Commission's order limiting non-essential work that would create unnecessary contact, Blue Ridge, Staff, and the Company developed internet-based alternatives to on-site visits. Desktop reviews were done May 21, 2021. In response to BR DR #43, pictures, justification statements, and maps were provided to support a detailed audit of the installed assets. The completed desktop audit questionnaires and applicable pictures are included as workpapers with this report.

Table 19: Work Order Selection for Field Verification

Work Order #	FERC	Activity Cost	In-Service Date	Used and Useful
1. 17202803054012 HB-95 Category: CEP FPSR	667 Mains 669 Meas & Reg Station Equip	$2,963,780	2020	Yes
	Scope of Work: Retrofit Howell Regulatory station to allow transmission line integrity testing portal			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
2. 18200280354012 HB-95 Category: CEP FPSR	667 Mains	$220,299	2019	Yes
	Scope of Work: Transmission main replacement to support work at Howell Regulator Station			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
3. 19046803051233 HB-95 Category: CEP Infrastructure Improvements	667 Mains	$666,118	2019	Yes
	Scope of Work: Replace failed main and relocate away from High School playing fields			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
4. 19202803054017 HB-95 Category: CEP FPSR	667 Mains 676 Mains	$2,482,721	2020	Yes
	Scope of Work: Install Transmission main line integrity test point ("pig" launcher) at Vrslls			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
5. 20202803054015 HB-95 Category: CEP FPSR	669 Meas & Reg Station Equip 676 Mains	$1,820,653	2020	Yes
	Scope of Work: Install Filter and separator at Lebanon Regulator station			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
6. 19048103061213 HB-95 Category: CEP Infrastructure Improvements	676 Mains 680 Services 682 Meter Installations	$270,905	2020	Yes
	Scope of Work: Bare steel distribution, services and inside meter replacement			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
7. 20046603061213 HB-95 Category: CEP Infrastructure Improvements	676 Mains 680 Services 682 Meter Installation	$1,396,204	2020	Yes
	Scope of Work: Replacement of 1954 vintage mains and services			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			

Work Order #	FERC	Activity Cost	In-Service Date	Used and Useful
8. 20046703061210 HB-95 Category: CEP Infrastructure Improvements	680 Services 676 Mains 682 Meter Installation	$160,184	2020	Yes
	Scope of Work: Replacement of line of aged steel pipe main			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
9. 20048103051215 HB-95 Category: CEP Infrastructure Improvements	676 Mains	$246,491	2020	Yes
	Scope of Work: Main work required due to recent load growth, resulting in constraints in sections of the system			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
10. 20202803054018 HB-95 Category: CEP FPSR	667 Mains 676 Mains	$557,060	2020	Yes
	Scope of Work: Replacement of failed during inspection test , transmission pipe (seam quality issues)			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			
11. 19202803054015 HB-95 Category: CEP FPSR	676 Mains 669 Meas & Reg Station Equip	$2,220,296	2020	Yes
	Scope of Work: Install Transmission main testing launching site			
	Blue Ridge Comment: Blue Ridge found the project to be considered prudent used and useful. Blue Ridge did not observe any work that was not defined in the project description and supporting documentation. The project was not overbuilt.			

Blue Ridge concludes that all of the field-inspected assets are in service and used and useful.

APPENDICES

Appendix A: Information Reviewed

Appendix B: Data Requests and Information Provided

Appendix C: Work Papers

APPENDIX A: INFORMATION REVIEWED

The following are excerpts from Commission Opinions and Orders and the Combined Stipulations specifically related to the last Rate Case and CEP are provided below.

Case Nos. 12-530-GA-UNC and 12-531-GA-AAM

In Case Nos. 12-530-GA-UNC and 12-531-GA-AAM VEDO sought and was granted authority to create a CEP and to begin deferring the related PISCC and depreciation and property tax expenses (the CEP Deferral) for capital investments that were not part of its accelerated infrastructure replacement program (IRP) which is called the distribution replacement rider (DRR). The Commission authorized the CEP Deferral for the period October 1, 2011 through December 31, 2012 and determined that VEDO could only accrue the deferral up to the point where the deferred amount would exceed $1.50 per month for the Residential and General Service, Group 1 class of customers if it were included in customer rates.

Finding and Order dated December 12, 2012

Page 1 VEDO Application:

(2) On February 2, 2012, VEDO filed an application for authority to implement a capital expenditure program (CEP) for the period of October 1, 2011, through December 31, 2012, pursuant to Sections 4909.18 and 4929.111, Revised Code. Additionally, VEDO seeks approval to modify its accounting procedures to provide for: capitalization of post-in-service carrying costs (PISCC) on those assets of the CEP that are placed into service but not reflected in the Company's rates as plant in service; deferral of depreciation expense and property taxes directly attributable to the CEP assets that are placed into service; and creation of a regulatory asset to defer the PISCC, depreciation expense, and property tax expense for recovery in a future proceeding.

Pages 19–21 Commission Conclusions:

(42) Section 4929.111(A), Revised Code, provides that a natural gas company may file an application with the Commission under Section 4909.18, 4929.05, or 4929.11, Revised Code, to implement a CEP for any of the following:

(a) Any infrastructure expansion, infrastructure improvement, or infrastructure replacement program;

(b) Any program to install, upgrade, or replace information technology systems;

(c) Any program reasonably necessary to comply with any rules, regulations, or orders of the Commission or other governmental entity having jurisdiction.

Section 4929.111(C), Revised Code, requires the Commission to approve the application, if the Commission finds that the CEP is consistent with the natural gas company's obligation under Section 4905.22, Revised Code, to furnish necessary and adequate services and facilities, which the Commission finds to be just and reasonable.

(43) Upon review of VEDO's application, as revised to exclude compressed-natural-gas costs, and review of the comments filed by the parties, the Commission finds that the application should be approved, with the following modifications and clarifications:

(a) VEDO's calculation of CEP deferred regulatory assets should be net of incremental revenue attributable to CEP investments.

(b) VEDO should calculate the total monthly deferral, PISCC, depreciation expense, property tax expense, incremental revenue, and revenue from any other sources by using the specific definitions and formulas set forth in Staff's surreply comments.

(c) VEDO's calculation of incremental revenue should be performed on an annual basis, and should be consistent with the clarifications in Staff's surreply comments in all other respects.

(d) VEDO should offset the monthly regulatory asset amount charged to the CEP by those revenues generated from the assets included in the CEP for SFV customers, non-SFV customers, and any other revenue sources directly attributable to CEP investments.

(e) VEDO should maintain sufficient records to enable Staff to verify that all revenue generated from CEP investments is accurately excluded from the total monthly deferral.

(f) VEDO should calculate the PISCC on assets placed in service under the CEP as recommended by Staff, and should use the long-term cost of debt rate that was set in the VEDO Rate Case.

(g) VEDO should calculate the depreciation and property tax deferrals for the CEP in a manner consistent with Staff's recommendations.

(h) VEDO should docket an annual informational filing by April 30 of each year that details the monthly CEP investments and the calculations used to determine the associated deferrals, as recommended by Staff. The annual informational filing should include all calculations used to determine the monthly deferred amounts, including a breakdown of investments (by budget class), PISCC, depreciation expense, property tax expense, and all incremental revenue, as well as a capital budget for the upcoming year. The annual informational filing should also include an estimation of the effect that the proposed deferrals would have on customer bills, if they were to be included in rates, and schedules showing the calculations and inputs for deferrals. Further, if VEDO substantially deviates from planned CEP expenditures specified in its CEP applications or capital budgets provided with its annual informational filing, then VEDO should provide detailed explanations for such deviations in its annual informational filing.

(i) VEDO may accrue CEP deferrals up until the point where the accrued deferrals, if included in rates, would cause the rates charged to Residential (Rate 310, 311, and 315) and General Default Sales Service, Group 1 (Rate 320, 321, and 325) customers to increase by more than $1.50 per month. Accrual of all future CEP-related deferrals should cease once the $1.50 per month threshold is surpassed, until such time as VEDO files to recover the existing accrued deferrals and establish a recovery mechanism under Sections 4909.18,4929.05, or 4929.11, Revised Code.

(j) While VEDO may allocate its CEP investments as it deems necessary, substantial and frequent modifications that impair Staff's ability to monitor VEDO's CEP may cause the Commission to reexamine the Company's CEP deferrals.

Page 22: Commission Order:

It is, therefore,

ORDERED, That VEDO's application be approved, as modified herein. It is, further,

ORDERED, That VEDO be granted the necessary and appropriate accounting authority to implement the CEP, as modified by this finding and order. It is, further,

> ORDERED, That nothing in this finding and order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation.

<u>Case Nos. 13-1890-GA-UNC and 13-1891-GA-AAM</u>

In Case Nos. 13-1890-GA-UNC and 13-1891-GA-AAM, the Commission authorized the Company to continue the CEP Deferral for the period January 1, 2013 through December 31, 2013 and beyond, up to the point where the deferred amount would exceed $1.50 per month for the Residential and General Service, Group 1 class of customers if it were put into rates. The Commission also restated its determination that it would consider the prudence, reasonableness, and magnitude of the CEP Deferral and capital expenditures when Vectren applied for recovery.

Finding and Order dated December 4, 2013

<u>Page 2 VEDO Application</u>:

> (4) On August 29, 2013, Vectren filed the instant application, pursuant to Sections 4909.18 and 4929.111, Revised Code, seeking authority to implement an ongoing CEP and the accounting authority to: capitalize PISCC on investments under the CEP for assets placed in-service, but not yet reflected in rates; defer depreciation expense and property tax expense directly associated with the CEP assets placed in service; and establish a regulatory asset to which PISCC, depreciation expense, and property tax expense will be deferred for recovery pursuant to a future application, in 2013 and succeeding years, up until the point where the accrued deferrals, if included in rates, would cause the rates charged to its Residential and General Default Sales Service, Group 1 customers to increase by more than $1.50 per month. Vectren proposes to compute and defer the cost of its CEP-related investments in accordance with the CEP Order. According to the application, Vectren projects a cumulative investment of $61.5 million in the CEP during the period from January 1, 2013, through December 31, 2013. Vectren notes that, on August 22, 2013, in In the Matter of the Application of Vectren Energy Delivery of Ohio, Inc., for Approval of an Alternative Rate Plan for Continuation of its Distribution Replacement Rider, Case No. 13-1571-GA-ALT {DRR Case), the Company filed an application for approval to extend and expand its existing distribution replacement rider (DRR) mechanism. Vectren submits that, if recovery of all or any portion of the capital expenditures included in this CEP application is approved in the DRR Case, Vectren will deduct the corresponding amount from the CEP program, as appropriate. Vectren emphasizes that it is not requesting cost recovery as part of this application and that recovery of any approved deferrals will be requested in a separate proceeding and, therefore, approval of this application will not result in an increase in any rate or charge. For that reason, Vectren states that this application should be considered an application not for an increase in rates under Section 4909.18, Revised Code.
>
> Vectren states that it will include, in its future annual CEP report, all of the information required by the Commission in the Vectren 2012 CEP Case Order, including the Company's projected capital expenditures budget for the current and following calendar year. Vectren proposes that the projected CEP investments in the annual CEP report be the maximum allowable level of investment eligible for deferral in accordance with Section 4929.111(B), Revised Code. In its application, Vectren also proposes, as Staff recommended in its comments filed in In the Matter of the Application of Columbia Gas of Ohio, Inc. for Approval to Implement a Capital Expenditure Program, Case No. 12-3221-GA-UNC, et al., (Columbia CEP Case), that the Commission establish a 30-day automatic approval process for any intervening parties or Staff to object to any of the information provided by the Company in its annual CEP report.

<u>Pages 5–7 Commission Conclusions:</u>

(12) Upon review of Vectren's application and Staff's unopposed comments, the Commission finds that Vectren has demonstrated that the CEP is consistent with its obligation under Section 4905.22, Revised Code, to furnish necessary and adequate services and facilities, which the Commission finds to be just and reasonable. Further, the Commission finds that Vectren's application will not result in an increase in any rate or charge. Accordingly, the application should be considered as an application not for an increase in rates under Section 4909.18, Revised Code.

(13) Upon review of Vectren's application and Staff's unopposed recommendations, the Commission finds that the application should be approved, subject to modifications consistent with the recommendations by Staff, as follows:

(a) Vectren shall incorporate the Commission approved formula for calculating the total monthly deferral. Further, Vectren's future annual CEP reports shall include revenue data from other revenue sources attributable to the CEP or otherwise indicate, in its formula or state in the report, that no such revenue exists.

(b) Vectren shall provide interested persons and Staff an opportunity to comment on Vectren's annual CEP report due by April 30 each year. To that end, any comments and reply comments should be filed within 30 days and 40 days, respectively, of the date Vectren's annual CEP report is filed. After receipt of each annual CEP report and review of any comments and replies submitted, the Commission will determine whether there should be further review of Vectren's approved deferral authority. If the Commission finds such further review to be necessary, within 60 days after the filing of each annual CEP report, an appropriate procedure for the review will be established. If such a review is initiated, Vectren may continue to accrue appropriate deferrals, unless and until the Commission orders otherwise. The Commission notes that Vectren's annual CEP report, as well as any comments and reply comments, should be filed in the above captioned cases. With these modifications, we find that Vectren's application should be approved, subject to our review of the Company's annual CEP reports and any comments or reply comments filed in response.

With these modifications, the Commission finds Vectren's application to establish an ongoing CEP, to be both reasonable and consistent with Section 4929.111, Revised Code, and, accordingly, approves the application. Vectren is authorized, pursuant to Sections 4909.18 and 4929.111, Revised Code, to establish the CEP and to modify its accounting procedures as necessary to carry out the implementation of an on-going CEP, consistent with the requirements of the Commission's Order in the Vectren 2012 CEP Case and this Finding and Order, until the accrued deferrals, if included in rates, would cause the rates charged to Residential (Rates 310, 311, and 315) and General Default Sales Service, Group 1 (Rates 320, 321, and 325) customers to increase by more than $1.50 per month.

(14) The Commission emphasizes that, consistent with Vectren's application, we approve the Company's request for deferral authority, but do not authorize recovery of the deferred amounts at this time. The question of recovery of the deferred amounts, including, but not limited to, issues such as prudence, proper computation, proper recording, and reasonableness, will be considered when Vectren files an application to recover the deferred amounts. As we stated previously in the Vectren 2012 CEP Case Order, the Commission has not granted cost recovery for any CEP-related items, and the prudence and reasonableness of the magnitude of Vectren's CEP-related regulatory assets and associated capital spending will be considered by the

Commission in any future proceedings seeking cost recovery, at which time the Company will be expected to provide detailed information regarding the expenditures for our review.

Page 7–8: Commission Order:

It is, therefore,

ORDERED, That Vectren's application be approved, consistent with this Order, subject to the Commission's review of the Company's annual CEP report and any comments or reply comments received in response. It is, further.

ORDERED, That Vectren be granted the necessary and appropriate accounting authority to implement the on-going CEP, consistent with this Finding and Order and the Order in the Vectren 2012 CEP Case. It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation.

Annual Report Filings:

The Company filed its required Annual Informational filings under this case number. These include the following:

- 2014 Annual Informational Report filed April 30, 2014
- 2015 Annual Informational Report filed April 30, 2015
- 2016 Annual Informational Report filed May 4, 2016
- 2017 Annual Informational Report filed May 1, 2017
- 2018 Annual Informational Report filed April 30, 2018
- 2019 Annual Informational Report filed April 30, 2019

Case No. 18-298-GA-AIR, 18-299-GA-ALT, and 18-49-GA-ALT (2018 Rate Case)

In the 2018 Rate Case, VEDO sought and was granted authority to incorporate into rates all assets since date certain of the prior rate case, including all CEP assets from October 1, 2011, through December 31, 2017. Simultaneously, the Company sought and was granted authority to establish a CEP Rider and authority to recover deferrals (as authorized in Case Nos. 12-530-GA-UNC et al and 13-1890-GA-UNC et al). The Company did not seek authority to recover the underlying CEP assets. The Company was also authorized to adjust the CEP Rider rate each year to collect from customers the prior calendar year's deferrals. The Commission prescribed a CEP Rate Cap of $1.50 per month.

Stipulation filed January 4, 2019

Pages 8–13 Stipulation and Recommendations:

8. Capital Expenditure Program (CEP) Rider. The Signatory Parties recommend that the following provisions applicable to the CEP and CEP Rider be approved:

a. The CEP Rider shall be approved. VEDO shall file a CEP Rider, set at zero, at the time it files compliance tariffs implementing the stipulated base rates. The CEP deferred balance as of

December 31, 2017, and the assets underlying such balance, are included in the stipulated base rates.

b. VEDO's initial filing to establish a rate for the CEP Rider shall reflect the remaining deferred balance as of December 31, 2018. VEDO shall propose that the CEP Rider be recovered via a fixed charge per customer per month for residential customers (Rates 310/311/315) and General Service – Group 1, and via a volumetric charge (per CCF) for all other Rate Schedules.

c. As reflected in the illustrative calculation attached to the Stipulation as Joint Exhibit 3.01, the CEP Rider will recover:

> i. A return on the cumulative deferred balance, inclusive of deferred depreciation, property tax expense, and post-in-service carrying costs (PISCC), offset by any incremental revenue generated by CEP investments. Starting in year 2 of the CEP Rider, the deferred balance will be reduced by the amortization (see 8.c.ii) recovered in the CEP Rider over the previous year. The total deferred balance will be reduced by accumulated deferred income taxes, representing 21 percent of the deferred depreciation and deferred PISCC balance. The rate of return will be set at the pre-tax rate of return of 8.81 percent.
>
> ii. The deferred balance, amortized over the life of the investment, at an annual rate of 1.61 percent.

d. The CEP Rider shall be subject to a cap of $1.50 per month per residential customer (Rates 310/311/315) (the CEP Rate Cap). The CEP Rider Annual Revenue Requirement will reflect the return on and recovery of the cumulative deferred balance, starting January 1, 2018, through the date of each filing of the CEP Rider. At such time as the CEP Rate Cap is reached, VEDO shall cease accruing CEP-related deferrals until such time that VEDO files an application or applications under R.C. 4909.18, 4929.05, or 4929.11 (i) to incorporate into base rates the CEP Rider revenue requirement, and (ii) to recover a return on and of the assets underlying the CEP deferrals. For purposes of this requirement, VEDO's application shall be considered filed as of the date VEDO files a notice of its intent to file a recovery application or applications.

e. The following schedule shall apply to all annual CEP Rider recovery filings thereafter unless modified by the Commission, with the exception of the initial filing, as discussed below:

Date*	Activity
March 1	File CEP Rider Application
July 1	Staff Report
July 15	Motions to Intervene and Comments by VEDO and Other Parties
July 31	Notification Whether Issues Raised in Comments Have Been Resolved
August	Hearings
September 1	Rate Effective Date

*All dates subject to R.C. 1.14 or successor statue.

f. If an Order approving the Stipulation has been issued on or before March 1, 2019, the preceding schedule shall control, except that VEDO's 2019 CEP Rider Application shall be filed no later than April 1, 2019. If an Order approving the Stipulation has not been issued on or before March 1, 2019, VEDO shall confer with Staff to determine an agreed-upon procedural schedule and include a request to establish such schedule as part of the 2019 CEP Rider Application.

g. To the extent included within the CEP, PISCC shall be accrued and recovered at the rate of 5.07 percent.

h. VEDO shall not be required to create a depreciation offset as recommended in the Staff Report, provided that VEDO continue to net out retired assets in the calculation of deferred depreciation expense, as described in the Supplemental Testimony of VEDO witness J. Cas Swiz in this proceeding and as approved in Case Nos. 12-530- and 13-1890-GA-UNC.

i. VEDO shall not propose that the CEP Rider include a Shared Asset Charge (SAC), or a charge similar to the SAC, as described in VEDO's Application and Direct Testimony in Case No. 18-0049-GA-ALT. VEDO may propose the inclusion of an SAC or a similar charge in the CEP Rider or a similar rider in its next application to increase base rates; no Signatory Party is obliged to support the inclusion of such a charge.

j. The PUCO Staff or its designee will perform a review of VEDO's filing, every one to two years in its discretion, to determine the necessity, prudence, lawfulness, and reasonableness of the CEP Investment for the prior calendar year. The new CEP Rider rate shall become effective by the September 1 following the filing of that year's application unless the Staff Report finds VEDO filing to be unjust and unreasonable, or if any other party granted intervention by the Commission files an objection to VEDO's annual filing or Staff's review, that is not resolved by VEDO by July 31 of each year (or other deadline for resolution of issues, if applicable). If the Staff Report finds that VEDO's application is unjust or unreasonable, or any other party granted intervention by the Commission files an objection to VEDO annual filing or Staff's review that is not resolved by July 31 (or other deadline for resolving issues if applicable), VEDO may propose an expedited hearing process in order to effectuate, to the extent practicable, the implementation of the CEP Rider rates by September 1, or the first day following the Commission's decision. Each application to revise the CEP Rider rates through the use of this process shall true-up revenues collected with revenues estimated in future filings.

………

10. Rate Case Filing Requirement. VEDO shall be required to file an application to increase base rates with a date certain no later than December 31, 2024. For purposes of this requirement, VEDO's application shall be considered filed as of the date VEDO files a notice of its intent to file an application for an increase in rates. VEDO shall comply with the following provisions in submitting such application:

a. With respect to the recommendation of the Staff Report at page 12, VEDO shall submit a depreciation study for all its gas plant accounts as part of the application to increase base rates.

………

d. The base rates for which VEDO seeks approval shall additionally incorporate both of the following: (i) the CEP Rider revenue requirement as of the date certain of that case, and (ii) a return on and of the assets underlying the CEP deferrals that are used and useful on the date certain of that case. In the event VEDO fails to timely file an application to increase base rates in accordance with this paragraph 10, or fails to comply with the requirements of this paragraph 10.d., VEDO shall cease accruing CEP-related deferrals, and shall promptly file revised tariff sheets that revise CEP Rider rates to $0.00, until such time that VEDO files an application in compliance with these requirements. VEDO's deferral authority granted in Case Nos. 12-530-GA-UNC, 12-531-GA-AAM, 13-1890-GA-UNC, and 13-1891-GA-AAM shall remain unchanged for assets placed in service beginning January 1, 2025, and beyond so long as VEDO meets the commitments in this paragraph 10 and 10.d.

e. VEDO shall commit to discuss with Staff and any interested Signatory Parties the following: (a) adjusting the timing of the filing of the annual Distribution Replacement Rider (DRR) so that it coordinates with the filing of the annual CEP Rider; (b) whether the CEP Rider and the DRR should be combined into one rider; (c) the future of the CEP Rider and DRR; and (d) how audits of rider charges could be improved for consumers.

Joint Exhibit 2.0 Stipulated Schedules A-1, B-1, B-2.1, B-3, C-1, C-2, & C-3

Joint Exhibit 3.0 Illustrative CEP Rider Calculation

Finding and Order dated August 28, 2019

Pages 82–83 VI. Order:

[¶ 157] It is, therefore,

[¶ 158] ORDERED, That the Stipulation filed January 4, 2019 in this consolidated proceeding is approved and adopted by the Commission. It is, further,

[¶ 159] ORDERED, That VEDO's applications for an increase in rates and for approval of alternative rate plans are granted to the extent provided in this Opinion and Order.

<u>Case No. 20-99-GA-RDR (2019 CEP Audit)</u>

On January 29, 2020, the Commission directed Staff to issue a RFP for audit services to review the accounting accuracy, prudency, and used and usefulness of Vectren Energy Delivery of Ohio, Inc.'s total rate base investments for 2018 and 2019, as well as to review and evaluate its capital expenditure program and distribution replacement rider investments and program compliance. The Entry stated that Vectren would bear the costs of the audit service.

{¶ 11} VEDO shall directly contract with the auditor chosen by the Commission and bear the costs of the audit services solicited in the RFP.

On December 16, 2020, the Commission issued its Opinion and Order regarding Case No. 20-99-GA-RDR. The Order approves the application of Vectren Energy Delivery of Ohio, Inc. to adjust its CEP rider.

{¶ 12} On June 17, 2020, Blue Ridge filed its audit report (Blue Ridge Report or Audit Report). Regarding the CEP, the Audit Report contained six separate adjustments specific to the CEP Rider revenue requirement and several non-adjustment recommendations regarding both the CEP and the Company's distribution replacement rider (DRR), which was also subject to the audit. As identified and discussed in the Blue Ridge Report, the six adjustments are as follows. Adjustment Nos. 1, 2, and 3 each call attention to specific work orders that will either be generating revenues or were found to be not yet in service and should, therefore, be excluded from the CEP. In Adjustment No. 4, Blue Ridge cites to the provision within the Stipulation in the 2018 Rate Case stating that "[t]o the extent included within the CEP, PISCC shall be accrued and recovered at the rate of 5.07 percent," as well as Joint Exhibit 3.0 to the Stipulation that Blue Ridge believes indicates the use of 5.07 percent across all periods. Blue Ridge states that the Company continued to use the prior approved rate of 7.02 percent from January 2018 through August 2019, i.e., until the Commission issued its Opinion and Order in the 2018 Rate Case. Blue Ridge contends that the rationale put forward by the Company, i.e., that the applicable rate should follow the last approved long-term debt rate in base rates, is not unreasonable; but it does not comport with Blue Ridge's reading of the Stipulation and understanding that the PISCC accrual rate should be 5.07 percent. Thus, "Blue Ridge recommends reflecting the Stipulation and [Rate] Order as written" (Blue Ridge Report at 10, 29). Adjustment No. 5 addresses applicable property tax rates. Blue Ridge reports that the Company used a 9.74 percent property tax rate that was estimated based off a five-year trend analysis. Blue Ridge states, however, that since the objective of the calculation is to compute incurred expenses, versus a forward looking projection, the historical 2019 property tax rate (9.67 percent) is appropriate and consistent with the prescribed input. Thus, if time constraints associated with a March 1 application filing mean that the Company must rely upon an estimate until the actual rate is available, Blue Ridge recommends that a true-up mechanism be considered in the next filing. Finally, in Adjustment No. 6, Blue Ridge reflects the impact of the PISCC and property tax rate changes on the recommended adjustments for revenue generating and not in-service plant. All together, the Blue Ridge adjustments lower the suggested revenue requirement for the CEP Rider to $597,533.

{¶ 13} In addition to those adjustments that directly impact the revenue requirement for the CEP, Blue Ridge made several general recommendations. For example, the Blue Ridge Report recommends that the Company reclass retirements whenever additions are allocated between the CEP and DRR mechanisms and review its policies to ensure that a project placed in service has the proper approval for the costs incurred. Blue Ridge also recommends that the Company make a more concerted effort to observe proper in-service dates to avoid any delay in the retirement of assets and the related accrual of depreciation, even if insignificant. Finally, Blue Ridge recommends that the Company make a more concerted effort to unitize work orders on a timely basis.

{¶ 15} Ultimately, with the exception of the recommendation pertaining to the reclassification of retirements, which Blue Ridge indicated had been adequately addressed since the issuance of the Audit Report and is thus no longer an issue, Staff fully adopts the adjustments and recommendations of the Blue Ridge Report, but specifically highlights that the Company should: 1) adjust various plant related to the work orders outlined in the first three adjustments of the Audit Report; 2) adjust and apply the PISCC rate of 5.07 percent to reflect the rate approved in the Stipulation; 3) adjust property tax to actual data in a true-up during the course of the annual audit in future filings; 4) review polices to ensure projects placed in service have appropriate approvals for costs incurred; 5) ensure the Company is applying proper in-service dates to avoid a delay in retirements and the commensurate accrual of depreciation; and 6) ensure that work orders are unitized on a timely basis. Based on its investigation, Staff concludes that the Company has supported its Application with adequate data and information to ensure that the proposed CEP Rider revenue requirements and resulting rider rates are just and reasonable. Therefore, Staff recommends that the Commission approve VEDO's Application, as modified by Staff's comments.

{¶ 16} On July 15, 2020, VEDO filed comments to the Staff Report (Comments). VEDO first generally addresses the revenue requirement, stating that the Company now recommends a revenue requirement of $691,972, which represents a downward adjustment from the amount requested in the Application. VEDO states that the material difference between its revised revenue requirement and the $597,533 revenue requirement proposed by Blue Ridge is mainly due to the disparate positions on the rate for deferral of PISCC. Regarding Staff's recommendation that the Company adopt the plant adjustments for the three work orders identified by the Blue Ridge Report Adjustment Nos. 1, 2, and 3, VEDO agrees to exclude the plant associated with the work orders from the revenue requirement, but disagrees with the methodologies underlying the Blue Ridge calculations adopted by Staff and provides additional schedules to detail the Company's calculations. Regardless, VEDO states that these differences do not materially impact the overall revenue adjustments associated with the work orders, which are reflected in the Company's revised CEP revenue requirement. VEDO then provides comments relating to the applicable PISCC rate (Blue Ridge Adjustment No. 4), stating that it disagrees with the interpretation of the Stipulation from the 2018 Rate Case utilized by Blue Ridge and adopted by Staff and believes that the terms of that Stipulation were not effective until expressly adopted and approved by the Commission in the August 28, 2019 Opinion and Order. With regard to property taxes (Blue Ridge Adjustment No. 5), VEDO explains that it applied an estimated tax rate of 9.74 percent, which represents a forecasted rate based on a five-year trend analysis used to record property tax expense in 2019, versus Blue Ridge's use of 9.67 percent, which is the last known property tax rate based on 2019 tax bills covering 2018 returns. The Company explains that this was due to the timing of the Company's filing, i.e., much of the data for any filing year's bills are not available at the time of a March 1 application. Provided that the Company can capture the delta in actual property tax expense in subsequent filings, however, VEDO states that using the 9.67 percent rate is acceptable and has, therefore, incorporated that rate into its revised revenue requirement and supporting schedules. Finally, VEDO speaks to the non-revenue recommendations. With regard to each, the Company expresses its belief that its current policies provide the correct and necessary guidelines, but—for the purpose of resolving the issues—agrees to review its current practices prior to filing its CEP Rider application in 2021 to address the concerns raised by Blue Ridge and adopted by Staff.

{¶ 18} On July 29, 2020, VEDO filed its statement regarding the resolution of issues. Therein, the Company informs the Commission that, after conferring with Staff, only one issue remains unresolved. Specifically, having resolved the work order and property tax adjustments, as well as the non-revenue recommendations, the parties still disagree on the applicable rate for deferred PISCC that should be used for 2018 CEP deferrals and 2019 CEP deferrals through the effective date of the Commission's August 28, 2019 Opinion and Order adopting the Stipulation in the 2018 Rate Case.

{¶ 38} Although the arguments that surround it are complex, the issue before the Commission may be stated simply: what is the correct PISCC rate to apply to CEP deferrals incurred from January 1, 2018, through August 31, 2019. While the parties both point to the Stipulation from the 2018 Rate Case as being dispositive, they disagree as to the import of the Stipulation's terms and effective date. Upon consideration of the evidence before us, the Commission finds that the accounting treatment utilized by VEDO in its calculations of the proposed CEP rates is appropriate.

{¶ 39} The language of the Stipulation providing for the modified PISCC rate was not effective until that Stipulation was approved and adopted by the Commission in the August 28, 2019 Rate Order. Before that Order was issued, the Stipulation—not coincidentally entitled "Stipulation and Recommendation"—was only a suggestion; it was not binding upon or enforceable by the Commission. In fact, the Stipulation itself, as are most stipulations presented to the Commission for consideration, was expressly conditioned upon the Commission adopting it in its entirety without material modification. Therefore, while the Stipulation and its terms—including the PISCC rate to be applied to CEP deferrals—remained pending before the Commission, that proposed rate cannot be said to have supplanted the previous PISCC rate approved by the Commission in the 2012 CEP Case and carried through by the 2013 CEP Case.

{¶ 40} We further note that the Stipulation is devoid of language indicating that the parties intended for its terms to have effect before the Commission adopted the same. Rather, it is apparent that the parties anticipated those terms would only become effective by Commission action. For example, Paragraph 22 of the Stipulation specifies that the signatory parties "recommend that the Commission issue a final Opinion and Order * * *, ordering the adoption of [the] Stipulation, including the terms and conditions agreed to in [the] Stipulation by all Signatory Parties" (emphasis added). Additionally, in discussing the schedule for review of future annual CEP rider applications, the parties expressly acknowledged that the date of the anticipated Opinion and Order addressing the Stipulation was unknown; thus, the stipulated schedule might not apply. Such conditional language is not necessary where the parties intend for the terms of the Stipulation to take effect upon its execution as opposed to its adoption and approval.

{¶ 41} Nor is there any language to support the conclusion that the Stipulation, once adopted, was intended to be applied retroactively. The tone is decidedly prospective. In fact, Paragraph 16 of the Stipulation states, "The Signatory Parties agree and recommend that the Commission approve final tariffs in the form of Joint Exhibit 4.0 [attached]. These tariffs will go into effect on a service-rendered basis immediately after the Commission approves this Stipulation." (Emphasis added.)

{¶ 42} Furthermore, neither Staff nor Blue Ridge provide any rationale for an interpretation of the Stipulation that results in its terms being applied retroactively. The auditor recognizes the logic of VEDO's accounting treatment, but states that the parties to the Stipulation agreed to different terms; that Blue Ridge read and understood the PISCC accrual rate to be 5.07 percent, regardless of ratemaking conventions; and that it recommends reflecting the Stipulation and Rate Order as written (Blue Ridge Report at 10, 29). Blue Ridge does not explain why it applies the terms "as written" to accruals that occurred before those terms took effect. Similarly, the Staff Report is silent as to its reasons for adopting the Blue Ridge Report and makes no independent recommendations. And, in subsequent briefing, Staff avoids the fact that using the 5.07 percent PISCC rate prior to the Commission's August 28, 2019 Rate Order is a retroactive application of the Stipulation's terms. Instead, Staff directs attention to the introductory phrase "to the extent included in the CEP" as dispositive to the matter in restricting VEDO to the alleged benefit of its bargain to apply a 5.07 percent PISCC rate. Notably absent is any acknowledgement that the agreed to rate was not approved and effective until the Commission adopted the Stipulation in the August 2019 Rate Order. Indeed, before that Order, the only authority granted VEDO (which did not have a specific end date) was to accrue PISCC at a 7.02 percent rate, in accordance with the 2012 CEP Case and the 2013 CEP Case.

{¶ 43} Finally, we note that the application of the 5.07 percent PISCC rate to CEP deferrals only after the Stipulation was approved and adopted by the Commission is also consistent with both Staff's and the auditor's treatment of depreciation accrual rates to plant balances through August 2019. In the Audit Report, Blue Ridge specifically notes that the "depreciation accrual rates applied to the plant balances, net of retirements, prior to September 1, 2019, reflect those approved in Case No. 04-0571-GA-AIR. Thereafter, the calculation applies the updated rates approved in Case No. 18-298-GA-AIR. * * * Blue Ridge found the depreciation accrual rates and their application to be not unreasonable." (Blue Ridge Report at 25.) This also comports with Staff's recommendation in the 2018 Rate Case that VEDO "be ordered to use the accrual rates shown * * * for book depreciation purposes, effective concurrently with the customer rates from this proceeding" (emphasis added). 2018 Rate Case, Staff Report (Oct. 1, 2018) at 20. The same dividing line, i.e., the effective date of the Stipulation, should be applied with regard to the PISCC rate. The previously authorized rate of 7.02 percent should be applied to CEP deferrals incurred before the Commission approved and adopted the Stipulation in the August 2019 Rate Order and, thereafter, the newly authorized rate of 5.07 percent should be applied.

{¶ 44} In conclusion, the Commission has reviewed the Company's Application and attached exhibits, the Blue Ridge Report, the Staff Report, and Mr. Swiz's Supplemental Direct Testimony, as well as the parties' briefs. As discussed above, the Commission concludes that VEDO applied the appropriate PISCC rate to the Company's 2018 and 2019 CEP deferrals. Specifically, the previously approved PISCC rate of 7.02 percent should be applied to deferrals from January 1, 2018, through August 31, 2019, and the updated rate of 5.07 percent agreed to by the parties in the Stipulation—which became effective only with the Commission's Opinion and Order adopting that Stipulation—should be applied to CEP deferrals from September 1, 2019, through December 31, 2019. Based on our review and conclusion, the Commission finds that VEDO's Application, as revised, is reasonable and the CEP rates and charges initially set forth in VEDO's Comments and later in Mr. Swiz's Supplemental Direct Testimony should be approved.

{¶ 52} It is, therefore,

{¶ 53} ORDERED, That VEDO's Application, as revised, be approved.

<u>Case No. 21-620-GA-RDR (2020 CEP Audit)</u>

On February 24 2021, the Commission selected Blue Ridge Consulting Services, Inc. as the auditor to review of the necessity, prudency, and reasonableness of capital expenditures and deferrals related to Columbia Gas of Ohio, Inc.'s capital expenditure program rider.

The findings and recommendations from this audit is the subject of this report.

APPENDIX B: DATA REQUESTS AND INFORMATION PROVIDED

1) **Organization**: Please provide a current organization chart of the Operating Company and Service Company.

2) **Organization**: Please provide the name and position of the person or persons responsible for the following areas:
   a) Plant Accounting
   b) Engineering and Work Order Development for specific and Blanket Work Orders and/or Projects
   c) Blanket Work Orders
   d) Capital Budgeting
   e) Preparation and review of the CEP Deferral regulatory filings

3) **CEP Rider Application dated March 1, 2021:** Please provide, in Microsoft Excel format, the CEP Rider Schedules included in the Company's application.

4) **Work Orders**: Please provide in Microsoft Excel format a list of all work orders put in service, from January 1, 2020, through December 31, 2020. For each work order, please include the following information:
   a) Recovery mechanism (CEP and "All Other")
   b) Plant accounts charged (FERC 300 accounts)
   c) Project identification numbers (project type, work order and project roll-up, if applicable)
   d) Project description—single-line description will be acceptable, along with location numbers
   e) Project Category, for example:
      i) CEP: Expansion, Improvement, Programs Reasonably Necessary to Company, Federal Pipeline Safety Requirement, Distribution Replacement
      ii) All Other
   f) Replacement & Betterment, Growth, Support Services, Information Technology, etc.)
   g) Work Order Construction Complete Date (when project became used and useful and ready for service)
   h) Work Order Accounting In-Service Date (date charges were moved from FERC 107 to FERC 106 or FERC 101)
   i) Unitization Date (date charges were moved from FERC 106 to FERC 101)
   j) Dollar amount by FERC 300 account number
   k) Whether the work was an addition or replacement
   l) Whether the work order was a blanket project or specific project and associated project identification numbers

5) **Work Orders**: Please provide a reconciliation of the 2020 work order totals provided in request #4 to the total in the Schedule 2 in the CEP Application filed in Case No. 21-620-GA-RDR on March 1, 2021 (provided in Data Request #3).

6) **Policies and Procedures**: Please provide the policies and procedures for the following activities.
   a) Plant Accounting:
      i) Capitalization vs. Expense
      ii) Preparation and approval of work orders
      iii) Recording of CWIP, including the systems that feed into the CWIP trial balance;
      iv) Application of AFUDC
      v) Recording and closing of additions, retirements, cost of removal and salvage to plant
      vi) Unitization process based on the retirement unit catalog
      vii) Application of depreciation
      viii) Contributions in Aid of Construction (CIAC)
      ix) Damage Claims
   b) Purchasing/Procurement
   c) Accounts Payable/Disbursements
   d) Accounting/Journal Entries
   e) Payroll (direct charged and allocated)
   f) Insurance recovery
   g) Allocations
   h) Work Management System
   i) Information Technology
   j) Capital Project selection and prioritization
   k) System planning and load growth

7) **CEP Schedules**: Please provide a narrative of the process used to develop the 2020 CEP deferrals and CEP Rider filings and schedules.

8) **Subaccounts**: Please provide a list of the FERC 300 subaccounts and descriptions used by the Company.

9) **Subaccounts**: Has the Company added any additional FERC 300 accounts and/or subaccounts that were not included in the most recent Commission-approved depreciation accrual rates?

10) **Depreciation:**
    a) Please provide a copy of the most recent approved depreciation study.
    b) If depreciation rates have been changed, please explain for each change when the change was made, what the change was, and whether it was approved by the Commission.
    c) If the Company uses any composite depreciation rates in its CEP, please provide the rate used and how it was calculated.

11) **FERC and Other Regulatory Audits**: Please provide a copy of all FERC and/or other regulatory audit reports, if any, that were issued during 2020. Also provide the Company's response to any findings and the ultimate resolution of those findings.

12) **Internal Audits**: Please provide a list of internal audits performed or in progress in 2020. List the name of the audit, scope, objective, and when the work was performed. For in-progress audits, list the expected completion dates.

13) **SOX Compliance Audits**: For any feeder system that feeds CWIP, please provide any SOX Compliance audits performed in 2020. List the name of the audit, scope, objective, and when the

work was performed. Include whether the controls passed or failed and, if failed, the severity and impact of the failure. [NOTE: Utility Plant in Service is fed from CWIP. Therefore, any system that feeds CWIP, including, but not limited to, WMS, Payroll, M&S, Overheads, AFUDC, Transportation, and direct contractor charges through purchasing, could have an impact on plant balances.]

14) **Property Taxes**: Please provide the supporting workpapers and documentation for the property tax rate used in the CEP.

15) **Overhead and other allocations**: Please provide a list of all overheads and other allocations that are applied either direct or indirect to Construction Work in progress (CWIP). Include these items:
    a) Type of allocation (examples: Supervision and Engineering, Stores clearing, Transportation),
    b) Method of allocation (Clearing account, direct allocation to CWIP or other)
    c) List of what is included in each allocation (component parts)
    d) The basis on which the allocation is applied to CWIP (e.g., applied to direct payroll, applied to all CWIP charges, applied to M&S)
    e) Calculation of each overhead or other allocation
    f) The Frequency that the allocations are reviewed (e.g., monthly, quarterly, annually)

16) **AFUDC**: Please provide the AFUDC interest rate for 2020, including the calculation and supporting documentation.

17) **Major Additions or Replacements**: Please provide a list with a description and total dollar amount of any <u>major</u> CEP and "All Other" additions and/or replacements placed in service in 2020.

18) **Approval Signatures**: Please provide the Level of Signature Authority (LOSA) document(s) that supports the approval of capital projects in 2020.

19) **Unitization Backlog**: Please provide information regarding any backlog in the unitization of work orders as of December 31, 2020. Please provide the information by work order <u>number</u> and <u>dollar value</u> of each backlogged work order and the length of time for each in months (e.g., under three months, four to 12 months, and over 12 months). If possible, provide the list by CEP and "All Other" work orders.

20) **Insurance Recoveries**: .
    a) Were there any significant events in 2020 that resulted in an insurance claim recovery greater than $50,000 related to Distribution Plant? If so, please provide a list of such events, how each recovery was recorded to the Company's books, and how it was reflected in plant balances.
    b) Were there any pending Distribution plant insurance claim recoveries as of December 31, 2020, that are not recorded or accrued that would be charged to capital? If so, please provide the type of recovery, estimated amount, and when receipt is expected.

21) **Budget**: Please provide the 2020 budgets supporting CEP and "All Other" capital expenditures and related assets. Also, include the assumptions supporting the budget/projected data.

22) **Budget:** Please provide a document that approves the capital budget.

23) **Budget vs. Actual:** For 2020, please provide a variance analysis, cumulative by year, that shows budget by category, actual, variance, and explanations for variances over and under budget, broken down, if possible, between blanket and specific projects.

24) **Labor Costs**:
    a) Please provide the approximate percentage of contractor vs. in-house labor used for capital activities for 2020.
    b) What analysis has been done to determine whether in-house labor or contractors provide the least cost alternative and/or provide the greatest benefit to the ratepayer?

25) **Labor Costs**: In reference to the demand for natural-gas-qualified construction crews and resources, please respond to these items: .
    a) Please provide a list of contractors, description of work performed, and amount paid each contractor that provided services for CEP in 2020.
    b) Please provide a copy of the contracts for contractors performing CEP related asset work in 2020.
    c) Please describe the impact of contractor costs on the annual cost per total main mile rate for 2020.
    d) Please describe what process and initiatives are in place now and anticipated to manage contractor costs going forward.
    e) How has the demand for gas contractors in Ohio and surrounding states impacted the overall cost to complete capital work?
    f) If there is a demand constraint on gas contractors, how has the Company addressed the issue?

SUBMITTED SET 2 – 3/25/21

26) **Annual Report:** Please provide the VEDO 2020 Annual Report to the PUCO (due date April 30, 2021) as soon as it is available.

SUBMITTED SET 3 – 3/26/21

27) Follow-up to Data Request response No 2. As part of our ongoing audit activities when key personnel changes occur that may impact the CEP, we either conduct phone interviews or send questionnaires. Kate Gostenhofer – Director Accounting & Assistant Controller has replaced David Bowler, and Angie Bell – Director Regulatory and Rates replaced Caz Swiz.

    Blue Ridge does not need to conduct any telephonic interviews. However, we would like Kate Gostenhofer and Angie Bell to fill out the attached "desk-top interview" form. Please let us know if you have any questions. Thank you!

28) Follow-up to Data Request response No 11. Please confirm that no FERC and/or other regulatory audit reports issued during 2020 for periods prior to 2020.

29) Follow-up to Data Request response No. 12, attachment. For the 2020 audit of Safety Management System Review, please provide the summary findings and recommendations and any subsequent implementation.

30) Follow up to Data Request response No. 15 (3) Oracle Overheads – Vehicle. Please provide the detail that supports how the vehicle rates are developed. Include all the component costs that make up the amount used to determine the percentage (e.g., maintenance, transportation, building, fuel, etc.).

31) Follow-up to Data Request response No. 20, part b. – Insurance Recoveries. Please confirm that there are no pending Distribution plant insurance claim recoveries as of December 31, 2020, that are not recorded or accrued that would be charged to capital.

32) Follow-up to Data Request response No. 22, - Budget. The original request asked for a document that approves the capital budget. Please provide that document.

33) **CEP Work Order Sample:** Reference Company response to BRDR#4—Attachment Capital Additions by Work Order. Please refer to the attached "BRDR#33 – CEP Sample Final" for a list of work orders selected from the population provided in response to the referenced data request. Please note that the selection includes work orders/projects/programs (hereafter referred to as "work orders"). For each work order on the list, please provide the following information in sortable Microsoft Excel spreadsheets:
   a) Detailed description, scope, and objective of the work, including service area location and any other identifiers (budget mapping)
   b) Work order identification as either addition, replacement, non-project allocation, or other.
   c) Work order justification and approval at the highest approval level available based on the nature of the work order in accordance with the LOSA document in effect at the time the work order was prepared.
   d) Estimated in-service date and actual in-service date.
   e) For non-blanket work orders and blanket work orders, which can be specifically identified as part of the larger project or program, budget and total cost with any explanation of variances in excess of 20% (For purposes of this examination, blanket work orders are mass assets or any other project budgeted to close every 30 days.)
   f) Supporting cost detail for each addition to plant—run of charges by FERC account and units (The detail should be by charge code or charge code description with amounts by year and month. Examples of charge code descriptions include such information as payroll, contractor charges, overheads, other allocations, M&S, Transportation, and employee expenses.)
   g) Supporting detail for retirements, cost of removal, and salvage, if applicable, charged or credited to plant (Provide the description, units, amount, and date recorded.)

Notes:

- To avoid unnecessary work by ensuring gathered data is what we need, please send a sample of the detail that will be provided.
- If you have any questions, please contact Joe Freedman directly at 607-280-3737 or Jfreedman@blueridgecs.com.
- In the interest of time and associated deadlines, please provide the data in batches as they are completed.

SUBMITTED SET 4 4/14/21

34) **Variance Analysis**. The Company provided a spreadsheet in response to DR 3. Regarding tabs "WP2.1 – Assets by FERC" and "WP2.2 – Retirements by FERC," Blue Ridge accumulated totals

for additions and retirements for each FERC account (see attached spreadsheet—"WP BRCS Vectren Variance Analysis—CEP.xlsx).

a) Please explain in detail (with supporting documentation) the significant Additions over Retirements for the following FERC accounts:
   i) Transmission Plant, 667 Mains
   ii) Transmission Plant, 669 Meas. and Reg Sta Equipment
   iii) Distribution Plant, 676 Mains
   iv) Distribution Plant, 678, Meas. and Reg Sta Equip—General
   v) Distribution Plant, 680 Services
   vi) Distribution Plant, 681 Meters
   vii) Distribution Plant, 682 Meter Installations
   viii) Distribution Plant, 683 House Regulators
   ix) Distribution Plant, 685 Industrial Measuring and Reg Sta Eq
   x) General Plant, 690 Structures and Improvements
   xi) General Plant, 691 Office Furniture and Equipment
   xii) General Plant, 692 Transportation Equipment
   xiii) General Plant, 694 Tools, Shop, and Garage Equipment

b) Please explain in detail (with supporting documentation) the significant Retirements over Additions for General Plant, 696 Power Operated Equipment

Submitted Set 5 4/15/21

35) Please provide the Capital Damage Claim accounting which occurred or would have occurred in 2020 had any capital damage claims been made.

36) **Status of 20-0099-GA-RDR CEP Audit Recommendations**. The Findings and Order in Case No. 20-99-GA-RDR discusses recommendations by Blue Ridge and adopted by Staff:

> **Paragraph 16**: Finally, VEDO speaks to the non-revenue recommendations. With regard to each, the Company expresses its belief that its current policies provide the correct and necessary guidelines, but—for the purpose of resolving the issues—agrees to review its current practices prior to filing its CEP Rider application in 2021 to address the concerns raised by Blue Ridge and adopted by Staff.
>
> **Paragraph 18**: On July 29, 2020, VEDO filed its statement regarding the resolution of issues. Therein, the Company informs the Commission that, after conferring with Staff, only one issue remains unresolved. Specifically, having resolved the work order and property tax adjustments, as well as the non-revenue recommendations, the parties still disagree on the applicable rate for deferred PISCC that should be used for 2018 CEP deferrals and 2019 CEP deferrals through the effective date of the Commission's August 28, 2019 Opinion and Order adopting the Stipulation in the 2018 Rate Case.

Please provide status for the following recommendations:

a) recommendations made in the audit of the Capital Expenditure Program in Case No. 20-0099-GA-RDR (report dated 6/17/2020):

b) Recommendation #1: Blue Ridge recommends that the Company reclass retirements whenever additions are allocated between the CEP and DRR mechanisms.
c) Recommendation #2: Blue Ridge found that the new policy allows projects to be placed in-service prior to the approval for the additional costs incurred over the estimate. Projects should not be placed in-service without the proper cost approvals. Blue Ridge recommends that the Company review the current policy to ensure that a project placed in service has the proper approval for the costs incurred.
d) Recommendation #3: The Company had work orders whose actual costs were more than 10% greater than budget, but the overage was not approved. Blue Ridge recommends that the Company either modify its procedures or provide a more stringent review to ensure that any project closed to plant has the proper approvals.
e) Recommendation #4: Blue Ridge discovered that if the in-service dates of a work order are delayed, the retirement of the assets is also delayed. That delay allows the replaced assets to continue to accrue depreciation (albeit insignificant). Blue Ridge recommends the Company make a more concerted effort to ensure the system has the proper in-service dates.
f) Recommendation #5: Blue Ridge recommends that the Company make a more concerted effort to unitize work orders on a timely basis.

SUBMITTED SET 6 4/22/21

37) **Property Tax:** Refer to Work Paper 5.2. For each utility account, indicate the plant function and provide the source documentation for the % Good applied.

38) **Property Tax:** Refer to Work Paper 5.3, Lines 156-163. Confirm that the % Good applied to 2018 vintage assets for taxes accrued in 2020 is 98.3 percent and not 95.0 percent. If yes, explain the deviation from the Ohio Department of Tax's standard schedule.

39) **Property Tax:** Refer to Work Papers 5.2 and 5.3, Lines 140-142. Explain why the % Good applied to 2018 Retirements changed as shown below.

		% Good		
		2019	2020	Diff
140	667 Mains	24.3%	31.7%	7.4%
141	669 Meas & Reg Station Equip	24.3%	15.0%	-9.3%
142	674.1 Land	24.3%	15.0%	-9.3%

40) **Incremental Revenue Credit:** Reference Work Paper 6.1, Section B. Please provide the source documentation for the monthly actual residential customer bill counts.

SUBMITTED SET 7 4/30/21

41) **Variance Analysis**. Reference response to BRDR#34. Please respond to the following questions:
a) Regarding additions being significantly greater than retirements, for several work orders, the Company provided the explanation "Retirements not indicated on estimate."
  i) Please explain fully what the comment means and indicate whether the response relates to a timing issue for the retirements.

ii) Were retirements recorded on those work orders? If so, please indicate the year, month, and amount by workorder.
iii) Was Cost of Removal recorded on those work orders? If so, please indicate the year, month, and amount by work order.

b) For several items, the Company comments, "Asset activity does not go back to 2002."
   i) Does the Company not keep records back further than 2002 for only account 683 or for all accounts?
   ii) Why does the Company not have retirements back before 2002?
c) For accounts 676, 680, 681, and 682, the Company provided the explanation "Retirements are made on a First In First Out (FIFO) methodology." Even though FIFO is used, the retirements appear significantly less than the additions to the plant. For example, in account 682, Meter Installations, retirements are 0.69% of additions. Please explain further.
d) Regarding General Equipment accounts, please list the accounts that are amortized and have retirements performed automatically (not necessarily every year).

42) **Capital Damage Claims**. Refer to response to BRDR#35. Blue Ridge requested the Capital Damage Claim accounting which would have occurred in 2020 had any capital damage claims been made. The Company responded repeating the response to BRDR#20 that there were no insurance recoveries. However, the purpose of BRDR#35 is to ascertain the accounting for damage claims when an insurance claim is not a consideration—as in a situation in which the Company bills someone for damage to a Company asset (e.g., non-Company individual's vehicle hits Company asset). Please provide the typical accounting for damage claims that are not insurance related.

<u>SUBMITTED SET 8 5/6/21</u>

43) **<u>Desktop/field Audit:</u>** As a continuation of the audit process, Blue Ridge has selected the attached 11 projects on which to perform a detailed Desktop Virtual/On-Site Field review.

The purpose of the desktop review will be to understand the project scope, the installed and replaced/retired assets, risk ranking data used, and other pertinent documentation that the Company deems relevant for us to understand the project.

Due to travel restrictions associated with the coronavirus, this review will be completed via video conference. To coordinate the desktop review, a pre-audit call will be scheduled among Blue Ridge, the Ohio PUC staff, and Vectren on or around May 10, 2021.

The purpose of the pre-audit call will be to discuss the process and to select the dates to conduct the virtual field audit. In support of this effort, please provide this information:

a) Prior to the day the audit commences – for each of the projects selected;
   i) Schematics/drawings/and photos or any other visual aids that indicate what was built or installed. Before and after pictures would also be helpful if available.
   ii) A list of material and/or equipment installed, along with the major asset serial numbers, if applicable
   iii) Project justification statement, including alternatives considered
   iv) Direct cost detail (labor, material, transportation, equipment, etc.)

v) Risk Ranking score and model inputs that support the decision to go forward with the project if applicable
vi) A list of major equipment removed and retired, including the vintage year of the assets removed, cost of removal, and salvage

b) For the days the virtual audit will be conducted
i) An individual who can coordinate the review and sponsor/host the virtual meeting
ii) Representatives from Columbia Gas who can describe each project in detail
iii) If necessary, the Project Manager responsible for the project who can answer questions

act_work_order_number	ldg_description	asset_location	Sum of activity_cost
17202803054012	BP #8A 24" Z50E HOWELL ILI RETROFIT	Mass Property Ohio(GREENE)	$2,975,046.54
	Steel Pipe > 20 to 28 Inches/Steel/	Mass Property Ohio(MONTGOMERY)	-$11,266.87
18202803054012	20" Z50 MEMORIAL REPLACEMENT	Mass Property Ohio(MONTGOMERY)	$220,298.89
19046803051233	17210751-OH-DAYTON-DENNISION & RICH	Mass Property Ohio(MONTGOMERY)	$669,174.29
	Steel Pipe > 10 to 12 Inches/Steel/	Mass Property Ohio(MONTGOMERY)	-$3,056.76
19048103061213	17212000-OH-NEW BREMEN-FRANKLIN ST.	Mass Property Ohio(AUGLAIZE)	$274,029.23
	Gas Services - Steel/Steel/680 Gas	Mass Property Ohio(GREENE)	-$1,474.76
	Main <= 2 inches/Plastic/676 Gas M	Mass Property Ohio(CLINTON)	-$1.60
	Main > 2 to 4 inches/Plastic/676 G	Mass Property Ohio(CLARK)	-$24.50
	Meter Installation/Meter Installati	Mass Property Ohio(MONTGOMERY)	-$3.31
	Steel Pipe > 1 to 2 Inches/Steel/67	Mass Property Ohio(GREENE)	-$67.69
	Steel Pipe > 2 to 4 Inches/Steel/67	Mass Property Ohio(MONTGOMERY)	-$1,552.20
19202803054015	BP #10B 8" A145 ILI RETROFIT	T-133, Gano Road Station	$2,220,309.78
	Steel Pipe > 4 to 6 Inches/Steel/67	Mass Property Ohio(CLINTON)	-$13.82
19202803054017	6" Z-38 Vrslls to Twn Wds ILI Retro	Mass Property Ohio(SHELBY)	$2,483,168.15
	Steel Pipe > 1 to 2 Inches/Steel/67	Mass Property Ohio(GREENE)	-$61.18
	Steel Pipe > 4 to 6 Inches/Steel/67	Mass Property Ohio(MONTGOMERY)	-$385.88
20046603061213	16511265-OH-FAIRBORN-GRE-CR502 -1.1	Mass Property Ohio(GREENE)	$1,423,628.48
	Gas Services - Steel/Steel/680 Gas	Mass Property Ohio(MONTGOMERY)	-$1,616.39
	Main > 4 to 6 inches/Plastic/676 G	Mass Property Ohio(PREBLE)	-$19,031.14
	Meter Installation/Meter Installati	Mass Property Ohio(MONTGOMERY)	-$99.22
	Steel Pipe > 1 to 2 Inches/Steel/67	Mass Property Ohio(MONTGOMERY)	-$1,175.70
	Steel Pipe > 2 to 4 Inches/Steel/67	Mass Property Ohio(MONTGOMERY)	-$1,925.19
	Steel Pipe > 4 to 6 Inches/Steel/67	Mass Property Ohio(MONTGOMERY)	-$3,576.46
20046703061210	17534519-OH-GREENFIELD-N 5TH ST ~~	Mass Property Ohio(HIGHLAND)	$163,353.72
	Gas Services - Steel/Steel/680 Gas	Mass Property Ohio(GREENE)	-$861.26
	Main > 2 to 4 inches/Plastic/676 G	Mass Property Ohio(MONTGOMERY)	-$107.58
	Meter Installation/Meter Installati	Mass Property Ohio(MONTGOMERY)	-$58.11
	Steel Pipe > 2 to 4 Inches/Steel/67	Mass Property Ohio(MONTGOMERY)	-$1,611.33
	Steel Pipe > 4 to 6 Inches/Steel/67	Mass Property Ohio(MONTGOMERY)	-$531.14
20048103051215	16128422-OH-PIQUA-S MAIN & GARNSEY	Mass Property Ohio(MIAMI)	$246,490.55
20202803054015	Lebanon F/S Installation BP#10A	Lebanon Regulator Station	$1,821,546.43
	Steel Pipe > 10 to 12 Inches/Steel/	Mass Property Ohio(MONTGOMERY)	-$185.26
	Steel Pipe > 12 to 16 Inches/Steel/	Mass Property Ohio(MONTGOMERY)	-$708.21
20202803054018	A97 Cut Outs	Mass Property Ohio(MONTGOMERY)	$557,736.56
	Steel Pipe > 12 to 16 Inches/Steel/	Mass Property Ohio(MONTGOMERY)	-$676.34
Grand Total			**$13,004,710.72**

44) **Variance Analysis**. Reference Vectren 2020 Annual Report to PUCO. Please respond to the following questions:

a) Please explain in detail, for each of the following accounts, why total 2020 Company additions are less than 2020 CEP additions.
i) Acct 369: Total plant additions = $(9,320); CEP additions = $9,534,329
ii) Acct 374: Total plant additions = $3,069; CEP additions = $53,686

iii) Acct 383: Total plant additions = $392,752; CEP additions = $429,616
iv) Acct 385: Total plant additions = $0; CEP additions = $142,898
v) Acct 392: Total plant additions = $52,216; CEP additions = $1,430,876
vi) Acct 394: Total plant additions = $231,679; CEP additions = $254,970
vii) Acct 396: Total plant additions = $0; CEP additions = $35,091
viii) Acct 397: Total plant additions = $7,851; CEP additions = $33,359

b) For account 382, please explain in detail the adjustment of $(18,453).

SUBMITTED SET 9 5/17/21

45) **Work Order Testing:** Follow-up to Data Request response No. 33. The following work orders could generate revenue. Please indicate how the revenue has been quantified and accounted for.

a. Work Order 046631001, BLkt VEDO 0466 Gas New Business Services
b. Work Order 046831001: BLKT VEDO0468 Gas New Business Services
c. Work Order 046931001, BLKT VEDO 0469 Gas New Business Services
d. Work Order 1904663061220, OH-BEAVERCREEK-GRE-CR142-1.21 DAYTON-XENIA RD ~~PID 98146
e. Work Order 19046703051213, H-JEFFERSONVILLE-EAST HIGH ST (SR 729) ~~ SYSTEM IMPROVEMENT
f. Work Order 19046703061212, OH-GREENFIELD-MILL ST. IMPROVEMENTS-EMERGENT PROJECT
g. Work Order 19048103041274, OH-SIDNEY-2400 INDUSTRIAL DR ~~GAS MAIN RELO

46) **Work Order Testing:** Please explain in detail why the following work orders' actual in-service dates were significantly later than the estimated in-service dates.

Work Order	Description	Estimated In-Service	In-Service DAte	Days after Estimate
19046603061220	OH-BEAVERCREEK-GRE-CR142-1.21 DAYTON-XENIA RD ~~PID 98146	7/1/2020	10/23/2020	114
19046703061212	OH-GREENFIELD-MILL ST. IMPROVEMENTS-EMERGENT PROJECT	11/1/2019	2/21/2020	112

47) **Work Order Testing:** Work Order 046732001, 0467 VEDO WASH COURTHOUSE: Please explain what cost category Non Prod means and what is included in it.

48) **Work Order Testing:** Work Order 046831001, BLKT VEDO 0468 Gas New Business Services. Please explain the cost detail, line 1891 credit for $88,151,40.

49) **Work Order Testing:** Work Order 046931001, BLKT VEDO 0469 Gas New Business Services. Please explain the scope of work for Miller and Ritter.

50) **Work Order Testing:** Work Order 17202803054012, Work includes a launcher at Howell Station, Chromotograph and filter/separator at Howell Station, and replacement of 4 fittings. Please explain what the $235,023.70 payable to Minnesota Limited was for.

51) **Work Order Testing:** Work Order 18202803054012, REPLACE THE 16" WITH 20" FROM MEMORIAL STATION TO NORTH OF SR4. WORK INCLUDES REBUILDING MEMORIAL STATION, RETIRING WRIGHT STATION, AND BUILDING A RECEIVER NORTH OF SR 4. Please explain why this replacement work order did not indicate assets were retired. Also, explain why only $577 of Cost of Removal was charged to the job.

52) **Work Order Testing:** Please explain why the following work orders' retirements were over 90 days after the assets were in service. Also, please indicate the impact on the accumulated reserve.

Work Order	Description	In-Service Date	Retirement Date	Days after In-Service
19046703051213	OH-JEFFERSONVILLE-EAST HIGH ST (SR 729) ~~ SYSTEM IMPROVEMENT	1/21/2020	5/1/2020	101 days
19202803054023	Cut out at least one 40' joint of 20" Line A in between Cedarville and Howell Stations	11/25/2019	5/1/2020	158 days

SUBMITTED SET 10 5/21/21

53) **Work Order Testing:** Follow-up to Data Request response No. 33. The following work orders could generate revenue. Please indicate how the revenue has been quantified and accounted for.
   a) Work Order #: 048131001—BLKT VEDO Gas New Business Services
   b) Work Order #: 20046603061213—16511265-OH-FAIRBORN-GRE-CR502 -1.1
   c) Work Order #: 20046903061213—17524479-OH-WEST CARROLLTON-N. ELM

54) **Work Order Testing:** Work Order 20046703051212— 17411151-OH-JEFFERSONVILLE-STATE ST. Please explain why this replacement work order did not indicate assets were retired.

55) Work Order Testing: Please provide the retirement detail for the following replacement work orders.

WO Number	Short Description	Activity Cost from DR 4	Retirements From DR 4
046632001	**BLKT 0466 GAS REPL SERVICES**	$1,906,276	-$34,646.81
046732001	**BLKT 0467 GAS REPL SERVICES**	$686,458	-$6,794.04
046832001	**BLKT 0468 GAS REPL SERVICES**	$3,394,924	-$91,533.80
046932001	**BLKT 0469 GAS REPL SERVICES**	$2,829,669	-$66,396.93
048132001	**BLKT 0481 GAS REPL SERVICES**	$1,574,140	-$37,274.22
046851001	**Gas Dist Mains Blkt - VEDO**	$1,182,129	-$1,148
202921004	**BLKT VEDO Gas Meter Purch**	$509,056	-$149,340

56) For the years 2018-2020, please complete the below table and provide the reason(s) for the changes in miles installed and cost per mile from year to year.

	Year 2018 Distribution Mains only		Year 2019 Distribution Mains only		Year 2020 Distribution Mains only	
HB -95 Program Category	**Miles installed**	**Average Cost per mile**	**Miles installed**	**Average Cost per mile**	**Miles installed**	**Average Cost per mile**
CEP - FPSR						
CEP - Infrastructure Expansion						
CEP - Infrastructure Improvements						
CEP - Programs to Comply						

SUBMITTED SET 11 5/28/21

57) **Depreciation Accrual Rates**: Reference response to data request 1-10. The Company provided a schedule of depreciation accrual rates approved in Case No. 18-0298-GA-AIR. These rates were used in the CEP schedules.

Staff Report (October 1, 2018) Schedule B-3.2 in Case No. 18-0298-GA-AIR, has several accounts with depreciation accrual rates that are different from those labeled by the Company as approved.

FERC Acct	Company Acct	Acct Title	Staff's Report Accrual Rate	Accrual Rates labeled as Approved
366	666.2	Meas. & Reg. Station Structure	1.91	0.00
367	667	Mains	2.57	2.53
371*	671	Other Equipment	3.33	0.00
374	674.2	Land Rights	1.43	1.72
391	691.1	Electronic Equipment	6.67	0.00

*FERC account 371 is not included in the CEP.

The Case No. 18-0298-GA-AIR Stipulation and Recommendation(January 1, 2019) does not mention any changes to Staff's recommended accrual rates. In addition, the Stipulation and Recommendation states

> 2. Unless otherwise specifically provided for in this Stipulation, all rates, terms, conditions, and any other items shall be treated in accordance with the Staff Report filed in these cases on October 1, 2018 (Staff Report). If any proposed rates, charges, terms, conditions, or other items set forth in VEDO's applications in the above-captioned cases (collectively, Application) are not addressed in the Staff Report or this Stipulation, the proposed rate, charge, term, condition, or other item shall be treated in accordance with the Application.

The Case No. 18-0298-GA-AIR Opinion and Order (August 28, 2019) does not include any reference to a change in accrual rates from Staff's recommended rates.

1. Please explain why the rates labeled as approved by the Company and used in the CEP are different than those recommended by Staff in Case No. 18-0298-GA-AIR.
2. If the Company's rates were approved, please provide the source documenting that approval.

<u>SUBMITTED JUNE 2, 2021</u>

58) Work Order Testing: Follow up to Data Request response No. 46. The Company explained that the reason the actual in-service dates for the two work orders was significantly later than the estimated in-service dates was because the dates in Powerplant were not correct.
   a) What were the dates the work orders were transferred from FERC 107 (CWIP) to FERC 106 (Completed Construction not Classified), or to Utility Plant in-service?
   b) Please explain why the as- built dates disagree with the dates in Powerplant and how that could happen.
   c) What system determines the in-service dates.
   d) What is the impact of the errors on the CEP accumulated reserve.

APPENDIX C: WORK PAPERS

Blue Ridge's workpapers are available on USB drive and were delivered to the PUCO Staff per the RFP requirements. Workpapers that support Blue Ridge's analysis are listed below.

- WP 21-0620-RDR Vectren Compliance to Commission Orders.docx
- WP BR DR19 - Unitization Backlog.xlsx
- WP BRCS Vectren Variance Analysis for Year 2020
- WP BRDR#33 CEP Sample Final Response.xlsx
- WP Pulling Sample BR DR 04 - Capital Additions by Work Order.xlsx
- WP V&V BR DR-03 VEDO CEP 21-0620-GA-RDR Filing + Adjustments FINAL.xlsx
- WP Vectren Sensitivity Analysis - Sample Size Calc - INTERVALS.xlsx
- WP VEDO CEP Matrix CONFIDENTIAL FINAL.xlsb