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STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE COMPLAINT OF)
RON BOGARD, JEFF WELLMAN, KEVIN)
ALLEN, BRET COOK, CHUCK BRANSON,)
JON WAGNER, STEVE LARGE, SAM)
MYERS, JEFF LANE, BRIAN HOLBROOK,)
RANDY HOEIN, BRIAN NOBBE, DONALD)
HUBBARD, ROBERT JEFFERS,)
INTERNATIONAL BROTHERHOOD OF)
ELECTRICAL WORKERS LOCAL 1393,)
UNITED STEEL, PAPER AND FORESTRY,)
MANUFACTURING, ENERGY, ALLIED)
INDUSTRIAL AND SERVICE WORKERS)
INTERNATIONAL UNION LOCALS 12213)
AND 7441, AGAINST INDIANA GAS)
COMPANY, INC., D/B/A VECTREN)
ENERGY DELIVERY OF INDIANA, INC.,)
SEEKING RELIEF FOR UNREASONABLE,)
UNSAFE AND INADEQUATE SERVICES)
AND PRACTICES ASSOCIATED WITH)
CLOSURE OF SIXTEEN FIELD OFFICES)

CAUSE NO. 44030

APPROVED: DEC 05 2012

Respondent: Indiana Gas Company, Inc., d/b/a)
Vectren Energy Delivery of Indiana, Inc.)
_____)
_____)

ORDER OF THE COMMISSION

Presiding Officers:
David E. Ziegner, Commissioner
Jeffrey A. Earl, Administrative Law Judge

On May 26, 2011, Ron Bogard; Jeff Wellman; Kevin Allen; Bret Cook; Chuck Branson; Jon Wagner; Steve Large; Sam Myers; Jeff Lane; Brian Holbrook; Randy Hoeing; Brian Nobbe; Donald Hubbard; Robert Jeffers; International Brotherhood of Electrical Workers Local 1393; and United Steel, Paper and Forestry, Manufacturing, Energy, Allied Industrial, and Service Workers International Union Locals 12213 and 7441 (collectively "Complainants") filed a Complaint with the Indiana Utility Regulatory Commission ("Commission") against Indiana Gas Company, Inc. d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren"). On June 20, 2011, Vectren submitted its Answer to the Complaint.

On June 30, 2011, pursuant to notice given and published as required by law, proof of which was incorporated into the record, the Commission conducted a Prehearing Conference and

Preliminary Hearing in Hearing Room 224, 101 West Washington Street, Indianapolis, Indiana. On October 11, 2011, Complainants filed their Request for Administrative Notice, seeking administrative notice of materials from the official files of the Commission in Cause No. 43298. On October, 27, 2011, the Presiding Officers issued a Docket Entry taking administrative notice of certain portions of the record and the Final Order in Cause No. 43298.

Pursuant to notice given and published as required by law, proof of which was incorporated into the record, the Commission conducted an Evidentiary Hearing on February 13 and 14, 2012, in Hearing Room 222, 101 West Washington Street, Indianapolis, Indiana. Complainants, Vectren, and the Indiana Office of Utility Consumer Counselor (“OUCC”) appeared and participated at the hearing.

On February 15, 2012, the Commission issued a docket entry in this matter, in which it disclosed a communication made between the Commission staff and Vectren just prior to the filing of this case. The Tender of Communication included documents provided by Vectren to the Commission prior to the initiation of the Complaint. The purpose of the disclosure was to remedy any perceived violations of the Commission’s Ex-Parte rules. At the time of the communication, Vectren was unaware of the impending filing of this case.

On February 27, 2012, Complainants filed a Second Request For Administrative Notice. On May 18, 2012, Vectren filed a Motion to Strike Portions of Complainants’ Reply Brief. On May 29, 2012, after the Motion to Strike was fully briefed, Complainants filed a Motion for Leave to File Surreply and attached their surreply to the Motion. Each of these motions are decided below.

Based on the applicable law and the evidence of record, the Commission now finds:

1. Commission Jurisdiction and Notice. Proper notice of the hearings conducted in this cause was given as required by law. Complainants brought the Complaint pursuant to Ind. Code § 8-1-2-54. The Complaint was brought by more than ten persons or associations and asserts that Vectren’s practices or actions relating to service are unreasonable, unsafe, insufficient or inadequate.

Vectren is a public utility incorporated under the laws of the State of Indiana, and is engaged in rendering retail gas service to the public. Vectren owns and operates natural gas transmission and distribution systems for the transmission, delivery, and furnishing of retail gas service within the State of Indiana. Vectren is subject to the jurisdiction of the Commission as provided in the Public Service Commission Act, as amended.

The Commission has jurisdiction over the parties and subject matter of this Cause.

2. Relief Requested. Complainants allege that Vectren implemented a consolidation plan that reduced the number of its Operating Centers from 29 to 13. Complainants argue that this reduction in the number of Operating Centers has eroded Vectren’s ability to meet its system needs and to respond to emergency conditions in a prompt and effective manner. Complainants ask the Commission to, among other things, conduct an

investigation into the allegations raised, enter an order finding that the consolidation plan and related operational changes implemented by Vectren are unreasonable, unsafe, and contrary to the public interest, and direct Vectren to reopen and properly maintain and staff the Operating Centers affected by the consolidation plan.

3. Complainants' Direct Evidence.

A. Michael Griggs. Michael Griggs is a Fitter employed by Vectren. He has worked at Vectren for almost twenty years. He has also worked as a Training Coordinator at Vectren, providing training and instruction to apprentice Fitters and Service Specialists. Mr. Griggs testified that when he started at the Franklin Operating Center in January 1993, there were twenty-nine Operating Centers at Vectren. In April 2011, Vectren implemented a consolidation plan whereby sixteen of those twenty-nine Operating Centers are no longer staffed with employees and do not function as they did before. The sixteen closed Operating Centers are Attica, Bedford, Crawfordsville, Elwood, Frankfort, Greencastle, Greensburg, Huntingburg, Lebanon, Madison, Martinsville, New Castle, Rockville, Rushville, Seymour, and Shelbyville.

Mr. Griggs said that each Operating Center is responsible for a defined portion of Vectren's territory and a corresponding portion of the gas transmission and distribution system. Prior to the consolidation, the average territory of the Operating Centers was 205.56 square miles, and the largest number of square miles covered by any single Operating Center was 389.5 square miles. Subsequent to consolidation, the average territory of the remaining Operating Centers is 458.56 square miles, and the largest territory serviced by a single Operating Center is 818.6 square miles.

Mr. Griggs works in the Franklin Operating Center, which remained open after the consolidation and took over the territory of the Shelbyville Operating Center. One new employee was added to the Franklin Operating Center. Mr. Griggs testified that the employees of the Franklin Operating Center have been stretched very thin, and their ability to respond promptly to emergencies has been compromised. He believes that the new structure has made it very challenging for the employees of the Franklin Operating Center to do their jobs effectively. Mr. Griggs said that a properly functioning Operating Center needs enough assigned employees to maintain a Service Watch and you cannot have a proper Service Watch with only a few employees. The fewer the number of workers, the harder it is to cover a territory and provide all of the services necessary to keep the utility system in good operating condition. Mr. Griggs believes that his experience at the Franklin Operating Center is typical of the problems encountered by the remaining Operating Centers. Mr. Griggs opined that many of the consolidated Operating Centers were already understaffed, so that when their employees were redistributed to the remaining Operating Centers, the added personnel were not proportional to the added scope of geographic responsibility. Mr. Griggs stated that the Operating Centers had been understaffed because Vectren has been following a practice of employee attrition.

With regard to the status of equipment at the closed Operating Centers, Mr. Griggs testified that some locations have equipment and some do not. Equipment had been moved in and out of the Shelbyville office, and some of the equipment was not functional. Mr. Griggs discussed several email messages between Vectren employees regarding the use of closed

Operating Centers as staging areas in which a Vectren employee discussed a desire to keep old equipment at laydown yards until the political dust settles.

Mr. Griggs described the process of how Vectren responds to an emergency call and the role of first and secondary responders. In an emergency situation involving pressurized gas, prompt action is important. Gas leaks tend to get worse as time passes, and the more gas that escapes, the greater the risk. Depending on the circumstances, and factors such as wind patterns, gas can become a spreading hazard, or it can get into enclosed spaces such as houses or the sewer system. The danger of explosion, fire, or asphyxiation often increases over time, and the longer it takes to fix a problem or make a repair, the more hazardous the situation becomes for utility workers, fire departments and other public safety personnel, customers, and the public. Mr. Griggs believes the consolidation has had an adverse impact on Vectren's service. He described the problems caused by assigning people to unfamiliar areas, including unfamiliarity with the geography, utility system, and equipment of a new area. Mr. Griggs is particularly concerned about the consolidation because of resulting delays in secondary response time.

B. Anthony Coppock. Anthony Coppock is a Fitter employed by Vectren. He has worked for Vectren for over 30 years. He has worked out of the Anderson Operating Center since 1979. At that time, there were about forty to forty-five field personnel based in Anderson. In contrast, at the time of his Direct Testimony in October 2011, there were seventeen people based in Anderson. Mr. Coppock testified that the reduction in personnel has been a gradual process over the years. As workers have retired or left the company, Vectren has not replaced them. Despite this drop in personnel, the territory supported from the Anderson Operating Center has not decreased, nor has the gas transmission or distribution system become any smaller or less complicated. Instead, Vectren is serving a lot more customers, and the system is just as extensive, if not more so.

Mr. Coppock discussed the effect of the April 2011 consolidation. The Anderson Operating Center was one of the thirteen Operating Centers that remained open, but it picked up the territory previously covered by the Elwood Operating Center, including portions of Tipton County. As a result, the size of the Anderson service territory more than doubled. The only additional resources Anderson received to cover its expanded service territory were the two employees who had been stationed out of the Elwood Operating Center. Both of these employees were at retirement age, and one of them has since retired.

Mr. Coppock recalled that the Elwood Operating Center had been closed for a time in the 1990s, but the closure was dangerous because emergency response times were much slower. At that time, Mr. Coppock repeatedly expressed concern about the slow response times to his supervisor, and the Operating Center was subsequently reopened with a staff of six. Between the time the Operating Center was reopened and the time it was closed again in April 2011, the staff had dwindled to two. Mr. Coppock explained that the closure of the Elwood Operating Center and the reduction in employees is problematic today for the same reason it was problematic in the 1990s – slow emergency response times. He stated that the Anderson employees are now responsible for covering so much territory that it often takes much longer than it had previously taken to respond to an emergency.

Mr. Coppock also testified regarding the status of equipment at the Elwood Operating Center. There had been no equipment in the office until shortly before Mr. Coppock submitted his rebuttal testimony in February 2012. If Mr. Coppock needed any equipment to respond to an emergency, he had to rely on the Anderson Operating Center.

C. **Jon H. Wagner**. Chief Wagner is the Bedford Fire Chief, and has worked for the Bedford Fire Department since 1979. Chief Wagner stated that he joined the Complaint because he is concerned that the closing of Vectren's Bedford Operating Center will jeopardize the safety and reliability of service in his area. Prior to the consolidation Vectren had an Operating Center in Bedford. Since the closing of the Bedford Operating Center, Bedford now shares the Bloomington Operating Center with Martinsville, whose Operating Center was also closed. Chief Wagner observed that as the result of the closing of the Bedford and Martinsville Operating Centers, the territory of the Operating Center in his area has increased substantially. Before the Bedford Operating Center closed, it was responsible for 159 square miles. Now that the Bloomington Operating Center services Bloomington, Bedford, and Martinsville, it is responsible for 545.3 square miles.

Chief Wagner expressed concern that the closing of the Bedford Operating Center has and will slow response times in emergency situations. He explained that slower response times can be very dangerous to the fire department, because gas leaks can spread underground or in the air. Also, the longer the leak spreads, the more dangerous it becomes. Chief Wagner believes that it is important for Vectren to have a prompt response to emergencies because the Bedford Fire Department does not have the means to detect or stop gas leaks – only Vectren has that ability.

Chief Wagner said that he has not always been satisfied with Vectren's service in the past. Vectren has been saddling the fire departments with more and more responsibilities, which the Bedford Fire Department is not equipped to handle. Chief Wagner has also been dissatisfied with Vectren's response times for both first and secondary responders. He is concerned that the response times will only get worse with the closing of the Bedford Operating Center. At the time his Direct Testimony was submitted, Chief Wagner had already noticed slower response times, and provided records of such instances in Complainants' Exhibit JHW-1. Chief Wagner concluded by expressing concern that if Vectren cannot respond promptly with the Fire Department, the danger to the community and to the firefighters is greatly exacerbated.

D. **Jeffery A. Wellman**. Inspector Wellman is the Frankfort Fire Inspector. He has worked for the Fire Department since 1977. Inspector Wellman joined the Complaint because he believes that the closing of the Frankfort Operating Center will have an adverse effect on Vectren's service quality, and in particular its response time to emergencies. Mr. Wellman said that prior to consolidation, Vectren had an Operating Center in Frankfort. As a result of the consolidation, Vectren closed the Frankfort Operating Center, and the Lafayette Operating Center now serves Lafayette, Frankfort, and Attica.

He expressed concern that a delay in response time endangers the safety of the citizens in the Fire Department's district and its firefighting personnel. He emphasized that he is very

concerned because gas leaks can cause dramatic and catastrophic damage. Inspector Wellman testified regarding one specific incident in which he claims the response time was over an hour.

E. Robert A. Jeffers. Robert Jeffers is a Vectren customer who lives in Crawfordsville, Indiana. Mr. Jeffers testified that prior to consolidation, Vectren had Operating Centers in Crawfordsville and Lebanon and that subsequent to consolidation, Danville now serves the areas previously served by the Operating Centers in Danville, Crawfordsville, and Lebanon.

Mr. Jeffers testified regarding an incident that occurred on his property after consolidation. On April 9, 2011, a car hit his mailbox and knocked it over. While attempting to fix his mailbox the next day, Mr. Jeffers put a post-hole digger into the ground and cut the gas line. He called Vectren immediately. The first responder, who was local to the Crawfordsville area, arrived about a half an hour after Mr. Jeffers called. However, the first responder did not have the equipment to fix the problem and a secondary response crew from Danville was called. According to Mr. Jeffers, it took them nearly three hours to arrive. During this time, gas was blowing out of the line. Vectren charged Mr. Jeffers \$481.15 for lost gas and \$3,323.39 for labor to repair the gas line. Mr. Jeffers said that it would not have cost so much if Vectren had arrived sooner. Mr. Jeffers attached a copy of the bill to his testimony.

F. Jonathan L. Pennington. Mr. Pennington is an expert witness, who specializes in the fields of emergency response and preparedness for fires and explosions. Mr. Pennington testified that he believes the closing of the Vectren Operating Centers endangers public safety and the safety of public emergency responders by increasing emergency response time, especially for secondary emergency response. Mr. Pennington opined that the consolidation plan appears to be financially motivated and not driven by concerns over safety. Mr. Pennington stated that, based on a review of the evidence, he does not believe Vectren performed a proper study of the impact of the consolidation on public safety prior to its implementation. Rather, it appears Vectren chose which Operating Centers to close somewhat haphazardly, based on factors such as whether the Operating Centers had lost employees due to attrition. Mr. Pennington's opinion is that Vectren's decision to close more than half of its Operating Centers places the public at an unacceptable level of risk.

Mr. Pennington explained the role of first and secondary responders. When an emergency occurs, Vectren first responders arrive on the scene to evaluate the situation and evacuate the area as necessary. However, they cannot solve the most serious situations — those involving larger leaks. For that, they need to call in secondary responders, who can bring in heavy equipment to unearth damaged gas facilities. Secondary response time is important because situations requiring a secondary response are more serious and usually involve larger leaks. Timing is critical with leaks because the longer leaks blow, the more gas is released and the greater the chance becomes of a catastrophic event occurring such as asphyxia, fire, or explosion. Gas feed fires can be particularly difficult for fire fighters and other public first responders to handle, which can lead to a loss of property and human life. As time elapses, the safety of Vectren employees, emergency first responders, and the public deteriorates.

Mr. Pennington testified that the closing of sixteen of Vectren's Operating Centers constituted a significant change, involving an increase in service territory and the number of customers for which each Operating Center is responsible. These sudden changes were combined with other losses of resources: Vectren has lost about 25% of its staff over the last ten years. However, Vectren has made no substantial changes in its infrastructure to make up for this extensive loss in personnel and infrastructure. In addition, Mr. Pennington explained at the evidentiary hearing that some problems created by the consolidation cannot be fixed by changes in infrastructure, such as driving distance times. Mr. Pennington expressed concern that the response times for secondary responders have been and will be negatively impacted.

In addition, Mr. Pennington reviewed two of Vectren's own studies in connection with the impact of the consolidation on Vectren's secondary response. Both studies examined how often secondary response was needed in the territory of the Operating Centers that were closed during the consolidation. Together, as a unit, these areas experienced after hours emergencies requiring a secondary response about once a week. This is not an occasional use, Mr. Pennington testified, but rather something that can be expected to occur with regularity. One of the studies also examined the impact of the consolidation on secondary emergency response time. The study projected that, on average, secondary response arrival would be delayed by 22 minutes as the result of the consolidation.

Mr. Pennington expressed concern that the position Vectren has taken in public communications regarding the safety implications of the consolidation is inconsistent with the actual situation. He examined a list of talking points that were presented to the Commission, the OUCC, and affected mayors. The talking points state that: (1) the consolidation changes are administrative in nature; (2) the number and availability of personnel has not changed as a result of the consolidation; and (3) the closed Operating Centers are currently being maintained as staging areas of equipment. Regarding the first point, Mr. Pennington believes that the changes are more than administrative, because Vectren has reduced the effectiveness of its emergency response. Regarding the second, Mr. Pennington pointed out that the number and availability of personnel has changed; in fact, because Vectren has lost a quarter of its staff in the last ten years. Regarding Vectren's third point, Mr. Pennington observed that a review of Vectren's internal correspondence reveals that Vectren's plan to keep the consolidated Operating Centers open as staging areas is intended to be only a temporary measure.

G. Matthew C. Vauters. Mr. Vauters is employed by Vectren North as a Fitter. He has worked for Vectren North for about three years. Prior to working with Vectren, Mr. Vauters worked at Miller Pipeline for four years. Mr. Vauters testified about the incident that took place in Crawfordsville at Mr. Jeffers's house.

Mr. Vauters stated that he responded to the incident at Mr. Jeffers' house as a secondary responder. He had to drive to the Danville Operating Center, load the necessary equipment onto the truck, then drive from the Danville Operating Center to the countryside on the west end of Crawfordsville. When Mr. Vauters and the rest of the secondary response crew arrived on the site, they began to repair the leak. However, when they went to the truck to obtain a digital pressure gauge to test the pipe fittings that would be applied to the bypass, they were surprised to find that the truck did not have a pressure gauge on it. Mr. Vauters called his supervisor about

the situation, who told Mr. Vauters that he had instructed the men on service watch the previous day to take the digital pressure gauge off of the truck in order to respond to a cut service line in another location. Another man from the secondary response crew went to the Crawfordsville Operating Center to look for a manual pressure gauge. However, there was no equipment there. When the crew member came back from the Crawfordsville Operating Center empty handed, Mr. Vauters called the supervisor again to inform him that they did not have the proper equipment. The supervisor told Mr. Vauters that he would instruct the service man who had taken the gauge off of the truck to bring it back. The service man in question was in Mooresville, over an hour away. Apparently this plan was abandoned, and instead the supervisor called back to inform Mr. Vauters that the crew did not need to test the bypass because they were using T-fittings, and fittings in general do not need to be pressure tested.

This advice was inconsistent with Mr. Vauters's understanding. Mr. Vauters testified that he told the supervisor that although the T-fittings are tested in the factory, they still need to be tested when they are permanently fixed to the main. In addition, to install the T, pipe fittings must also be added. The pipe is not pre-tested in the factory, so it, at least, does need to be tested. Mr. Vauters and the supervisor argued about this issue for a while and exchanged several telephone calls. In the end, despite Mr. Vauters's repeated assertions to the contrary, the supervisor again repeated that the pipe fittings did not need to be tested and ordered the crew to proceed without testing. At the hearing, Mr. Vauters explained that the reason pipes are tested with air pressure gauges is to detect leaks. Under industry standards, the pipe must be strong enough to withstand one and a half times the level of pressure expected to be exerted on them. In Mr. Vauters's opinion, the supervisor's decision not to test the pipe fittings was not in accordance with proper safety standards.

Mr. Vauters stated that it took seven to eight hours to fix the leak, which he believes was too long. A lot of time was spent driving from one location to another. In addition, a lot of the time was wasted as the crew tried in vain to locate the necessary equipment to test the pipes. Even more time was wasted as the crew tried in vain to convince the supervisor that the pipes needed to be tested. During the evidentiary hearing, Mr. Vauters was asked whether the scene had been made safe by the time he had arrived. Mr. Vauters testified that he did not believe it had been made safe.

Mr. Vauters believes that the consolidation impacted the incident because of the closing of the Crawfordsville Operating Center. The Crawfordville Operating Center had been in a central location. If it had still been open, the crew could have accessed equipment there, including an air pressure gauge. The closing of the office put a lot of distance between the incident and the nearest Operating Center.

4. Vectren's Direct Evidence.

A. Eric J. Schach. Mr. Schach, Vice President of Energy Delivery for Vectren Utility Holdings, Inc. ("VUHI"), the parent company of Vectren, testified regarding the various components of Vectren's Asset Management Transformation ("AMT") vision and its efforts to continually improve system effectiveness and operational efficiencies. Mr. Schach said that Vectren developed an integrated strategy that included technology investments and operational model changes that would influence the way work was managed, engineering

practices and programs were executed, business performance management strategies were implemented, and system investment planning decisions were made. Vectren's plan was implemented from approximately 2004 to 2009 and included a variety of technology improvements. For example, Mr. Schach discussed Vectren's efforts over the last eight years to integrate Vectren's Geographic Information System ("GIS") with Work Estimating applications and other investment planning tools and Vectren's investment in work management, mobile computing, scheduling, and global positioning applications.

Mr. Schach explained that Vectren's primary motivation for consolidating Operating Centers from 29 to 13 was the recognition that improvements in infrastructure and investments in technology make Vectren's processes and procedures more effective and responsive, without compromising the safety of its employees and individuals in the communities it serves. He disagreed with Mr. Pennington's claim that saving money was the primary driver behind the consolidation effort. Mr. Schach testified that one year after consolidation, Vectren has not derived any significant cost savings from the consolidation.

Mr. Schach explained that safety and emergency response are a top priority at Vectren and said that the culture of safety that begins at the highest levels of management and permeates throughout the entire organization. He described the awards and recognition Vectren has received from its peers throughout the industry as a result of its commitment to safety and, particularly, emergency response. He discussed the education and awareness programs conducted by Vectren to help the public better understand how to react to emergencies and how to prevent them from happening, in the first place. Mr. Schach opined that consolidating Operating Centers from 29 to 13 has not compromised the safety of Vectren's customers and employees working in the field.

Mr. Schach described the importance of the role of primary responders in the overall emergency response process. 97.5% of all emergencies are resolved by the primary responder and the goal of the primary responder is to make the scene safe 100% of the time. Even with the 2.5% of emergency events that require some type of secondary response, it is the primary responder who is responsible for making the site safe for the public. Primary responders are dispatched from the field or their home, depending upon when the call comes in, not from an Operating Center.

Mr. Schach further testified that with the establishment of mandatory response rates to over-time call-out requests pursuant to the most recently ratified labor agreement, the time necessary to assemble a secondary response crew and dispatch it to the scene of an emergency should be significantly reduced. Vectren has experienced a thirty minute reduction in the time it takes to dispatch a secondary response crew to the scene of an emergency since the contract ratification. Vectren's records indicate that prior to consolidation it took approximately 84 minutes to assemble and dispatch a secondary response crew, after consolidation that time has been reduced to approximately 54 minutes.

Mr. Schach discussed how improvements to Vectren's infrastructure and operations have enhanced public safety. The investments made reduce the likelihood of a leak occurring, allow Vectren to better identify leaks and proactively remediate them, and improve the ability of Vectren to respond to an emergency. These upgrades to Vectren's system, leak prevention

initiatives, and investments in technology have increased the ability of Vectren's employees to maintain and repair the system.

Mr. Schach testified that Vectren's employees have access to viable equipment at the staging locations. The goal for Vectren is to ensure that equipment and materials are located in the most strategic places that best support emergency response. Mr. Schach did not commit to maintaining the staging locations in the areas they are located today; however, Vectren will be analyzing this issue and will make appropriate changes if those changes can shave seconds off of either the primary responder or secondary responder's access to equipment or materials. Vectren has committed to notifying the Commission in advance if changes or modifications to the staging area locations are necessary.

Mr. Schach also testified regarding the use of external contractors in addition to Vectren employees. All contractors retained by Vectren are required to meet Department of Transportation ("DOT") Operator Qualification ("OQ") requirements. While Vectren has fewer employees today than it did in 2008, outside influences have impacted those hiring decisions. For example, Mr. Schach said that it would be silly to hire a meter reader when the world is going towards automated meter reading. In addition, for some less complex pieces of work, like disconnects for non-pay, it's more efficient to outsource that work, as it does not require the skills of a fitter or some other highly paid, highly skilled employee.

B. Douglas J. O'Meara. Mr. O'Meara, Director of Field Operations for VUHI, testified about the evolution in the operating model and how significant advances in technology have impacted the way utilities operate their business. In the early years of operation, Operating Centers were critical, as the customer base was centrally located and utilities sold and serviced all gas appliances. At that time, utility employees were stationed at Operating Centers and waited for emergency orders. Historically, each Operating Center performed all of its work within its boundaries with the personnel assigned to that office. Each Operating Center functioned almost completely independently from the others.

According to Mr. O'Meara, this model was extremely ineffective and inefficient, as many Operating Centers did not have enough work to keep employees busy, while others had more work than the local employees could perform. Also, emergencies were occurring within the boundaries of an Operating Center, and even though a responder from another Operating Center was in a better position to respond, that employee would never be aware that the emergency existed. The current, improved operating model, enabled by new technologies and Union contract improvements, considers all of the work and resources in aggregate. Employees are assigned work in an effective and efficient manner, regardless of location. And more importantly, emergency responders are assigned to respond because they are best positioned to provide the optimum response, not because they happen to be assigned to a particular Operating Center. Over time, the growth in the customer base and system infrastructure along with improved communication systems reduced the importance of Operating Center locations. Mr. O'Meara stated that continued use of numerous Operating Centers makes little sense when employees perform their duties in the field and obtain the information they need via computers in their vehicles.

Mr. O'Meara testified that in 2003, Vectren began a significant business transformation to improve work efficiency and effectiveness. In 2002, Vectren installed mobile computers with satellite connectivity in vehicles assigned to work on customer service orders, and in 2005, Vectren implemented an automated scheduling tool for customer service orders. The scheduling tool included an emergency dispatch feature that allowed dispatchers to quickly identify the closest available qualified employee to dispatch to an emergency. In 2008, Vectren conducted a pilot program to test the effectiveness of the Global Positioning System ("GPS") technology, and in 2009, additional technology enhancements were deployed, including the installation of GPS devices in service vehicles to provide real-time information on the locations of employees working customer service orders and responding to emergencies. In 2011, the GPS technology was deployed for the vast majority of vehicles to aid dispatchers and supervisors. This installation of real-time communication, mobile data devices on vehicles enabled electronic communications, and remote assignment of work and eliminated the need for employees to report daily to an Operating Center, further reducing the need for fixed Operating Center locations.

Mr. O'Meara discussed the joint committee formed by Vectren and the unions in 2007 to analyze how changes in operating practices would improve emergency response and drive operational efficiency. A three-month pilot program, approved by the joint committee and ratified by employees, was rolled out on February 1, 2008. Nine Operating Centers participated in the pilot, including Attica, Crawfordsville, Danville, Frankfort, Greencastle, Lafayette, Lebanon, Rockville, and Terre Haute. Throughout the duration of the pilot program, there were numerous employee meetings seeking feedback on the operation of the program in addition to areas that needed to be improved.

Mr. O'Meara testified that the pilot program was successful and that it helped Vectren identify strengths of the new operating model, obtain insight on the use of the GPS technologies, and discover additional areas of the labor contract that needed to be addressed as part of the 2008 labor negotiations prior to full implementation. Vectren discovered from the pilot that it was able to perform the same level of emergency response with three fewer employees than before the pilot program while balancing the amount of overtime between employees, and the pilot program proved that employees can easily get up to speed and respond to a territory previously unfamiliar to them. Vectren also determined that employees were not properly using technology and timely denoting their status as "available" in the mobile computers, which resulted in dispatchers not selecting the resource best able to respond to emergency incidents. As a result, Vectren was able to target additional training in this area to enhance operational efficiencies.

Mr. O'Meara identified a number of labor contract changes that were necessary prior to full implementation of the new operating model. The 2008 labor contract changes enabled Vectren to dispatch the on-call employee who could provide the quickest response from the local Operating Center or from an adjacent Operating Center and allowed a greater number of employees to be on call each night to respond to emergencies. Vectren also obtained the ability to send employees directly to job sites and staging areas during the daytime, which enabled a much more distributed service model and further reduced the need for buildings. In February and March 2011, Vectren negotiated the right to send employees directly to job sites and staging

areas after hours. According to Mr. O'Meara, these changes provide significantly increased flexibility to respond to emergencies.

Mr. O'Meara discussed the Home-Based Program and said that Vectren went from having 54 employees with vehicles at home after hours to 116 employees with vehicles at home. If these employees respond to an emergency, they no longer have to go to a building to get a vehicle and equipment, but can now go directly to the scene of an emergency. Employees participating in the Home-Based Program have company-issued cell phones, laptops in their vehicles, and are in regular contact with supervisors, dispatchers, and work schedulers. Implementation of the Home-Based Program went smoothly. According to Mr. O'Meara, the result was less non-productive time from employees participating in the Home-Based Program.

Mr. O'Meara discussed Vectren's efforts to work with the unions to keep employees apprised of changes. Vectren began meeting with the unions as early as 2006 to discuss Vectren's business transformation plan. According to Mr. O'Meara, the two sides continued to meet from 2006 through 2011 to discuss labor contract issues and Operating Center consolidation. The purpose of the meetings was to communicate timelines, explain the consolidation plan and implementation of the Home-Based Program, explain potential service watch implications, and seek employee comments on the plan.

Mr. O'Meara discussed Vectren's workforce composition. By having a diverse mixture of internal and external resources, Vectren is able to optimize its response to seasonal workloads, customer requests, and emergency calls while balancing costs to its customers. While the number of bargaining unit employees has decreased in the timeframe mentioned, the losses have been offset by corresponding reductions in customer-driven workload, improved processes and efficiencies, benefits of new technologies, utilization of contractor resources, and increased staffing in the area of compliance.

Mr. O'Meara testified about the use of closed Operating Centers as staging areas and the type of equipment and materials that are maintained there. According to Mr. O'Meara, through experience over time, Vectren will identify the most optimal staging locations. By taking this flexible approach, Vectren will continue to have the most efficient, operationally sound combination of Operating Center and staging areas needed to ensure public safety and provide low cost reasonable service. Mr. O'Meara reiterated the commitment made by Vectren to provide thirty days advance notice to the Director of Pipeline Safety of any future plans to relocate from an existing staging location.

Mr. O'Meara discussed Vectren's secondary response capabilities. Secondary response has not suffered as a result of Operating Center consolidation and, in some situations, it has improved. Mr. O'Meara said that buildings are not the critical aspect in responding to an emergency or providing public safety. He went on to say that the employees, their proximity to the emergency, and their ability to respond as necessary are key to emergency response. According to Mr. O'Meara, Vectren and its employees are better positioned to respond today as Vectren has taken steps to give its closest employees the flexibility to respond from wherever they are located and to provide the best possible response. To the extent additional equipment or

supplies are needed by first or secondary responders, Vectren will maintain appropriate staging areas to store such equipment and supplies.

Mr. O'Meara discussed the impact of low acceptance rates by employees called upon to respond to secondary emergency events. The 15% acceptance rate that existed prior to December 2011 was unacceptable and changes to the labor contract ratified in December 2011 addressed this issue. According to the data contained within Vectren's ARCOS call-out system from January 1, 2008 to December 2, 2011, Vectren had 84 employees who had a zero response level on secondary response and 91% of all qualified employees have responded less than 50% of the time for secondary response.

Mr. O'Meara discussed Vectren's training program and said that Vectren's employees are, and always have been, trained and qualified to perform their duties. Vectren has taken steps to ensure the vast majority of its employees are fully qualified for both primary and secondary response. Vectren reviews its Emergency Response Plan annually with primary and secondary response personnel. Mr. O'Meara described updates to employee skill sets and the GIS system, which ensure that Vectren dispatches the closest qualified and trained employee to the scene as quickly as possible.

C. **James R. Rogge**. Mr. Rogge is the Southeast Division Manager for Vectren and is responsible for the construction, operation, and maintenance of the Southeast Division gas transmission and distribution systems. Mr. Rogge oversees a territory that includes one-third of all Vectren customers. Mr. Rogge has more than thirty-five years of experience with Vectren and its predecessor company.

Based on his thirty-five years of service, including service as a former union member, Mr. Rogge said that assembling the right mix of labor, equipment, and materials is a common challenge in the provision of primary and secondary emergency response both during and after regular business hours. Vectren's greatest challenge is acquiring labor resources after hours. Mr. Rogge discussed the fact that the 2008 labor agreement allowed Vectren to select on-call field employees for primary emergency response based on their proximity to the order address and how Automated Vehicle Locating ("AVL") and GPS technology assists in identifying the closest available resources.

Mr. Rogge discussed the Home-Based Program, which was negotiated into the 2008 labor agreement and allows employees to receive work orders and start their work day from their driveway. According to Mr. Rogge, these employees are equipped with Company trucks and are able to provide primary response for emergencies directly from home, avoiding a trip to their Operating Center to retrieve a truck. Mr. Rogge testified that as a result of the Home-Based Program, Vectren has seen average primary response times to emergency orders improve by one minute and the average start time for employees at the beginning of their shift has been improved by over three minutes per day.

Mr. Rogge explained that enhancements in technology have contributed to greater workforce mobility. These enhancements have reduced reliance on Operating Centers and contributed to the recent consolidation of Operating Centers. According to Mr. Rogge, the office

consolidation plan is functioning exactly as Vectren expected. Vectren is able to leverage crew assignments to alternate reporting sites, thus avoiding inefficiencies associated with traveling to and from Operating Centers. Mr. Rogge explained that Vectren's current primary response target is 35 minutes and that the target has been in place for many years. He said that due to the complexity of secondary response mobilization, which nearly always requires several people equipped with heavy equipment and specialized machinery, it is impractical to expect a secondary response could be obtained in thirty minutes. In Mr. Rogge's experience, secondary emergency response during normal working hours generally takes less than an hour, based on the proximity of the crew to the incident site.

Mr. Rogge discussed Vectren's outreach efforts to area fire and police departments and the good working relationships that Vectren has developed with many of the first responders and public safety personnel in the communities it serves. Vectren's primary and secondary responders often work closely with the first responders in the various service territories. Mr. Rogge explained why it is appropriate for fire departments, emergency medical technicians, police, and other public safety officials to arrive at the scene of an incident first. Vectren personnel are neither trained nor authorized to provide medical attention or high speed transportation to hospitals.

D. Michael W. Chambliss. Mr. Chambliss is the Director of Network Operations and Dispatch for VUHI, the parent company of Vectren. He is responsible for gas scheduling and dispatch. Mr. Chambliss discussed how Vectren assigns work, including work related to emergency gas leaks. Vectren worked with its software and hardware provider to develop ServiceHub, an extremely robust scheduling tool that provides Vectren with more information at its fingertips than ever before. ServiceHub tracks the skill set of every Service Specialist and recognizes the skills required to perform specific jobs, which means the scheduling tool can match the skill set of available employees to the skill set necessary to respond to a specific job, including an emergency. ServiceHub tracks information regarding the duration of time necessary to complete each specific job, street level routing for field employees from one job location to the next, as well as the anticipated drive times for employees to travel from one work location to another. ServiceHub automatically assigns non-emergency work to employees using the above information. This scheduling tool allows the dispatcher to see where employees are at all times, what work they are performing, how long they have been on each specific job, and approximately how much more time is required to complete the job, assuming no issues have arisen that require additional time. Mr. Chambliss said that when an emergency order comes in, ServiceHub allows the dispatcher to quickly locate the closest available employee and assign the order to the employee's mobile computer. At that time, the closest available primary responder is assigned to the emergency.

According to Mr. Chambliss, the GPS and AVL technology deliver real-time information to the dispatch center. Mr. Chambliss said that today's Vectren employee is dispatched to work locations via ServiceHub and does not need to physically report to an Operating Center for work assignments. Mr. Chambliss discussed Vectren's use of GPS and AVL technology in conjunction with its scheduling tool to ensure that the closest available Service Specialist is dispatched to the scene of an emergency when a call comes in, whether during working hours or after hours.

Mr. Chambliss described Vectren's practices and performance as related to primary emergency response. The primary responder is the person or crew first dispatched to the location of an emergency. Vectren trains all of its Service Specialists to be primary responders. The primary responder is critical to the overall emergency response process and is responsible for making and keeping the scene safe. Once at the location of the emergency, the primary responder is responsible for assessing the emergency, taking action to make the location safe and, if appropriate, correcting the emergency. The primary responder resolves approximately 97.5% of all emergencies, without the need for secondary response. If the primary responder cannot make repairs to correct the emergency, then the primary responder will contact his or her supervisor and request the appropriate level and type of additional personnel and equipment needed to correct the problem. Vectren's goal is that the primary responder will make the scene safe 100% of the time. Primary responders are trained to determine the perimeter of the emergency, implement an evacuation often in conjunction with police and fire, and, as necessary, may close roads to ensure safety of people and property. The primary responder may also take steps to vent gas from a leak to the atmosphere, which reduces the risk of migration of gas and greatly reduces the safety risk. Although blowing gas in open areas is always of great concern, it in and of itself presents a limited danger as long as there is no combustion source present. Post consolidation, Vectren's primary response times continue to trend downward, due to implementation of enhanced technology, improvements to the response models, investments in infrastructure and changes to labor agreements.

Mr. Chambliss explained what secondary response is and how Vectren assembles and dispatches a crew to the scene of an emergency in the event that the primary responder is unable to fix the leak. When secondary response is necessary, the primary responder will contact a Vectren supervisor, discuss the situation, and identify what personnel and equipment are needed to resolve the emergency. For after-hours emergencies, Vectren uses the ARCOS system to assemble a crew. In the past, response times have been delayed by an inability to quickly assemble a crew. Historically, Vectren has not tracked secondary emergency response times primarily because the nature of secondary emergency response issues is widely variable and arise so infrequently that it is difficult to draw meaningful conclusions from the data. In June 2011, Vectren began manually tracking the information.

E. James M. Francis. Mr. Francis is a Director of Engineering & Asset Management for VUHI, the parent company of Vectren. He is responsible for engineering and technical support for the three VUHI regulated utilities. Mr. Francis described improvements that Vectren made to its distribution system, including the retirement of bare steel and cast iron ("BSCI") infrastructure and the introduction of new materials into the system. In 2007, Mr. Francis completed an analysis of Vectren's system and concluded that BSCI mains leaked at a rate 30 to 40 times more frequently than plastic mains. At that time, Vectren's distribution system was approximately 8% BSCI and that 8% accounted for approximately 50% of the total main leaks. From 2000 to 2010, Vectren retired 437 miles (or 33% of its infrastructure) of BSCI, and it eliminated an additional 45 miles in 2011. Mr. Francis said that the substantial results of this type of effort are best reflected in the operating centers of Anderson, Elwood, and Marion, where Vectren has experienced a 60 – 70% reduction in leaks since 2006. According to Mr. Francis, the reduction of leaks improves safety to Vectren's employees, customers, and the general public. Vectren plans to continue to replace its remaining BSCI infrastructure at an

annual rate similar to that experienced in 2011. He predicted that over the next 17 years, 765 miles will be replaced, and said that Vectren can anticipate similar declines in the number of leaks that will be experienced.

Mr. Francis discussed the introduction of new materials into the distribution system. Since the mid-1990s Vectren has been installing excess flow valves in its system. An excess flow valve is a device installed on a customer service line that operates automatically in the event of a sudden change in pressure. It is intended to stop the flow of gas whenever a service line is cut. There are currently more than 103,000 excess flow valves in Vectren's operating system. These devices reduce the exposure to natural gas from the time of the damage until Vectren's emergency responder arrives and allow for a safer environment for Vectren's emergency responders to make repairs.

Mr. Francis described the transmission integrity management program and the improvements that have been made since the inception of this program. He discussed the substantial efforts made to perform the assessments required by the Pipeline Safety Act of 2002. Those assessments are designed to identify anomalies on the pipelines, correct those anomalies and mitigate the potential for future anomalies to develop. According to Mr. Francis, VUHI has a staff of thirteen engineers who are responsible for the execution of the integrity management program and the staffing added to ensure compliance with the various DOT regulations. Mr. Francis discussed pipeline improvements made by Vectren, including the addition of pig launchers and receivers, the replacement of in-line valves with ball valves, and the removal of other obstructions such as fittings, bends, and service tees. VUHI plans to expand the use of remove-controlled valves ("RCV") throughout the service territories of all three regulated utilities.

Mr. Francis discussed Vectren's efforts to reduce third-party damages to its facilities through the implementation of such programs as the public awareness program, encroachment management program, and facility damages program. Vectren has taken a number of measures that improve pipeline safety, including station improvements such as painting, security, and cathodic protection and the installation of additional markers to increase public awareness. Vectren conducts monthly aerial patrols on 100% of the transmission system to identify recent or current pipeline excavation activity and Vectren has made improvements to its GIS system. Vectren has implemented an encroachment management program to proactively address pipeline encroachments and to begin working with government planning and development entities on responsible development around a transmission pipeline. Vectren has also completed an analysis of its maximum allowable operating pressure.

Mr. Francis discussed Vectren's Public Awareness Program ("PAP") and said the purpose is to educate stakeholders on pipeline safety and to support damage prevention initiatives such as Indiana 811. Mr. Francis discussed Vectren's involvement with state and national initiatives to reduce third party damages. Since 2006, third party damages have declined by 33.5% and the damage ratio to locate tickets has improved by 30% in Vectren's service territory. Mr. Francis attributes these improvements to Vectren's PAP and other similar damage prevention initiatives.

Mr. Francis explained the distribution integrity management program (“DIMP”) and how compliance with DIMP will continue to drive evaluating ways to further enhance distribution system integrity. Vectren has just begun to implement its DIMP plan. As Vectren gathers more data regarding the performance of its distribution assets, additional programs or projects will be implemented to further enhance pipeline safety, such as regulator inspections at industrial meter settings, validating public awareness training through mock emergencies, adding facility patrols in potential flood zones, and excavation monitoring of critical facilities.

Mr. Francis shared Vectren’s plans for future improvements to its transmission and distribution system. Further modifications to allow for in-line inspection of pipelines will continue, allowing Vectren to assess an even greater portion of its transmission system using in-line inspection technology. Other projects that Vectren has in its plans include hydrostatic testing of transmission and distribution pipelines, the relocation of pipeline exposures, the expansion of remote control valves, and other similar asset improvement related projects, all of which are aimed at improving system integrity and enhancing pipeline safety. Mr. Francis testified that improvements to Vectren’s systems can and do reduce workload. From 2006 to 2010, Vectren experienced a 60-70% reduction of leaks in some operating areas where Vectren has invested in the BSCI replacement program. This reduction of work (i.e. leak repairs), allows Vectren to use its workforce in other means such as working on capital projects to install or replace mains and services or to be reallocated to other maintenance tasks.

5. Complainants’ Rebuttal Evidence.

A. Michael Griggs. Mr. Griggs believes Vectren’s workforce is spread too thin and too few workers are trying to cover too much territory. Mr. Griggs believes that the solution to this problem is to preserve the longstanding Operating Center locations and service structure, and to properly staff those locations with qualified personnel.

Mr. Griggs testified that the pre-consolidation Operating Center structure, which had been in place for decades, had proven an effective framework for handling field work in the Vectren system and in particular for handling emergencies. This structure has been successful because field personnel work out of centralized locations responsible for manageable portions of Vectren territory, the equipment and supplies needed for emergency response are maintained in locations spread throughout the service territory, travel time is limited, and emergency crews are better able to respond with appropriate personnel and equipment in a timely manner. Post-consolidation, the geographic area and number of customers for which each Operating Center is responsible has drastically increased. Field workers try to cover more of the system and travel greater distances to do so. The ready availability of nearby equipment and supplies has been compromised, and the ability to respond quickly and effectively to emergencies is no longer what it was in 2008. Mr. Griggs testified that in his experience, the equipment kept at closed locations has not been consistent or reliable.

Mr. Griggs expressed his disagreement with Vectren’s witnesses that Vectren’s primary problem with secondary response is low acceptance to ARCOS system call outs. Mr. Griggs described various technological problems with the ARCOS system and noted that the records kept on ARCOS response rates contain inaccuracies. ARCOS calls are above and beyond the

overtime employees must already serve during the weeks they are on Service Watch. Requiring employees to work unscheduled overtime does not solve Vectren's underlying problem. Vectren's policy of attrition has left it without enough qualified employees to handle all the work, maintain the system, and respond to emergencies throughout the service territory.

Mr. Griggs testified that outside contractors are not interchangeable with a dedicated workforce of trained employees. Mr. Griggs described the extensive four-year program that Vectren apprentices undergo, which includes hands-on experience, classroom training, and on-the-job training. Mr. Griggs has not seen any indication that outside contractors have a program that is comparable to what Vectren employees undergo.

B. Anthony Coppock. Mr. Coppock testified that he is still firmly of the view that the consolidation plan has had an adverse impact on the safety and reliability of Vectren operations, especially in connection with emergency response. Mr. Coppock testified he and his colleagues have a strong interest in Vectren's safety practices, because their own safety is on the line when they respond to emergencies. Mr. Coppock said he and his colleagues are concerned because a delay to emergency response increases the risk to Vectren field personnel, emergency workers, and Vectren customers.

Mr. Coppock described his personal experience working out of the Anderson Operating Center. Since absorbing the closed Elwood Operating Center, the service territory of the Anderson Operating Center more than doubled and the Anderson office obtained two new employees. One of the employees has since retired, and the other is at retirement age. Because of the consolidation, Anderson employees are spread out over a larger territory. Mr. Coppock now spends more time traveling to work sites, and it takes more time for secondary response crews to reach the scene of an emergency.

Mr. Coppock expressed his belief that what he calls Vectren's attrition policy and the consolidation plan appear to be two parts of the same business strategy. Vectren allowed staffing levels to dwindle until it did not even have enough people to maintain a Service Watch rotation. By closing the Elwood Operating Center and transferring the two retirement-aged employees to the Anderson location, Vectren avoided the need to hire additional personnel. The problem with this plan is that now the Anderson office must cover twice as much territory with about the same number of workers that it had prior to consolidation.

C. Jon H. Wagner. Chief Wagner testified to express his continuing concern over the closing of Vectren's Bedford Operating Center. Vectren's response will be quicker, Chief Wagner explained, if it has employees and equipment based out of Bedford, rather than Bloomington or another area. Chief Wagner stated that Vectren is an important part of the community, and an important part of safety response. If Vectren cannot respond to gas emergencies promptly with the Fire Department, the danger to the community and to fire fighters is greatly exacerbated.

D. Jeffery Alan Wellman. Inspector Wellman testified that he is still concerned about the closing of Vectren's Frankfort Operating Center. He described a single incident that occurred on January 8, 2012, where the response time from Vectren was slightly

longer than an hour. Mr. Wellman said there were no injuries or property damage, but he is concerned because next time the result could be catastrophic.

E. Kevin D. House. Mr. House is a Fitter employed by Vectren. He has worked at Vectren for 24 years. Mr. House testified about an incident in Tipton County in August 2011 regarding a secondary response that he believes was unsatisfactory. Mr. House participated as a secondary responder to an emergency in which the local water company had snagged an old unmarked 3/4-inch line and pulled it out from the gas main while performing an excavation beside State Road 28. Gas was blowing under the black top and out of a “tin whistle.” The repair required installing a weld fitting on a six-inch steel main. Mr. House testified about the problems he encountered as he worked from midnight until 9:00 at night the next day to make the repair. Mr. House believes that it took too long to finish the repair because his team did not have the necessary equipment, organization, and personnel to do the job. Although the repair would have taken a long time anyway given the magnitude of the needed repairs, Mr. House believed that it took five or six hours longer than it should have taken.

Mr. House stated that the public was impacted by the incident because the area had to be evacuated and State Road 28 had to be shut down for hours. The fire department, police department, and water company were on the scene and were very upset by the delay. Gas blew and migrated around for hours. By the time Mr. House and the other secondary responders were able to begin work on the site, they were in harm’s way because the gas had been blowing for such a long time. Although they repeatedly checked their gas monitors, it was difficult to control the situation because the gas kept migrating around. Mr. House believes that the consolidation exacerbated the situation. Tipton is in the service territory area of the closed Elwood Operating Center, and Mr. House believes that if the Elwood Operating Center had been open, properly staffed, and equipped with the proper materials and equipment, they could have completed the job much faster.

Mr. House described the changes that have occurred over the 24 years that he has worked at Vectren. The biggest problem he and his colleagues face is insufficient help. Management wants the employees to work more and more overtime, do more work, and cover a larger territory with fewer and fewer people. Over the last ten years, the Anderson Operating Center has lost twelve or more people and only gained two new ones. Mr. House also expressed concern that a lot of knowledgeable people are retiring, and their knowledge is not getting passed along sufficiently before they retire.

F. James T. McIntosh. Mr. McIntosh works for Vectren as a service specialist. He has worked at Vectren for sixteen years. Mr. McIntosh testified regarding his experience as a primary responder at Vectren. He believes that having a prompt secondary response is important. Minutes are much longer when you are by yourself, and all you want to do is make the scene safe, because you cannot shut down the gas flow.

If gas is blowing, all the primary responders can do is start an evacuation. Most of the time, Mr. McIntosh can make the scene safe, but it depends on the scope of the emergency. There are some circumstances such as a leak in a populated area or near buildings that are simply

bigger than one person can handle. Although such situations do not occur often, they are very serious when they do occur.

Mr. McIntosh described the changes that have occurred since he began working at Vectren sixteen years ago. Then, he and his colleagues worked in a specific area where they were familiar with the businesses, the homes, and the construction. Now, they are stretched over a much larger area, and they are not familiar with the geography, the gas systems, or the police and fire departments. When Mr. McIntosh is sent to a new area to respond to an emergency, he feels less confident and familiar with the situation, especially at night.

Mr. McIntosh believes Vectren needs more employees. He said that Vectren has fewer and fewer people, which forces them to work more and more overtime. This becomes a strain as many of the employees are getting older. He believes the secondary response rate would be higher if there were a larger pool from which to draw.

G. Matthew C. Vauters. Mr. Vauters testified regarding the training he received both as a Miller Pipeline contractor and as a Vectren employee. Prior to joining Vectren, Mr. Vauters worked at Miller Pipeline as a laborer for four years. Mr. Vauters stated that under Miller Pipeline, he only performed plastic fusions. To qualify to perform plastic fusions, Miller workers underwent a half day of hands-on training. He did not have any classroom training, nor did he have any other training except occasional on-the-job checkups.

Mr. Vauters stated that there is no comparison between the training he received at Miller Pipeline versus the training he received at Vectren. At Vectren, there is a four-year apprenticeship which involves both classroom work and on-the-job training. Vectren employees must learn about the work and physically perform it under the observation of a journeyman. The work must be approved by the journeyman and by a supervisor.

H. Jonathan L. Pennington. In his rebuttal testimony, Mr. Pennington said that Vectren's decision to close more than half of its Operating Centers all at once places emergency responders and the public at an unacceptable level of risk. Mr. Pennington reaffirmed his conclusion that secondary response is needed in the consolidated operating center areas, taken as a whole, approximately once a week, which he said is a predictable, routine basis. As such, Vectren should be adequately prepared for such emergencies. Mr. Pennington discussed an incident that occurred on November 8, 2011, in New Albany, Indiana. Miller Pipeline, Vectren's affiliate and outside contractor, was doing work in the area and accidentally bored into a stub. The resulting gas leak caused a house explosion and injuries. According to Mr. Pennington, this incident drives home the serious implications of gas leaks. Gas leaks are life-and-death situations for which Vectren needs to be prepared.

Mr. Pennington said that Vectren needs to have functional emergency response equipment and materials geographically situated in order to be accessible in a reasonable period of time. He believes that Vectren is keeping old equipment that is in poor condition at its closed Operating Centers for the purposes of maintaining appearances during the pendency of this case. Mr. Pennington testified that he believed Vectren's plan to store emergency response equipment at the closed Operating Centers is not long-term and that there is no assurance that emergency

equipment and materials will continue to be accessible in a reasonable period of time to respond to an emergency.

Mr. Pennington testified that using contractors to respond to gas leak emergencies is an acceptable practice if such contractors are properly trained and qualified. Contractors must be familiar with the contracting company's facilities, its emergency control valves, its safety procedures, and the methods to procure compatible replacement parts and equipment. Contractors must also be capable of responding with necessary equipment to an emergency within an appropriate period of time. Mr. Pennington discussed the importance of training. According to Mr. Pennington, Vectren employees are trained under an extensive four-year program involving both classroom work and on-the-job training, but the training provided to contractors can be measured in hours, not years. Mr. Pennington went on to say that Vectren apparently provides no training to its contractors. Rather, it appears that Vectren only checks to see if the contractors have passed a qualifications test.

Mr. Pennington testified that he continues to believe that Vectren has done nothing to improve safety to make up for what he considers a loss of infrastructure and personnel related to consolidation. According to Mr. Pennington, Vectren's various actions related to safety were important steps to take, but they do not adequately address his concerns about Vectren's emergency response.

Mr. Pennington acknowledged that the unions and Vectren are working on the mandatory secondary response acceptance rates issued and called it a good thing. However, Mr. Pennington believes that Vectren has an attrition policy and that, at some point, staffing levels will become too low for a proper response. The same employees who are on call for primary response duties one week are on call for secondary response the next week. There are so few employees that by the time employees fulfill their mandatory primary response obligations, it is unreasonable to expect them to take on secondary response duties. Mr. Pennington pointed out that Mr. House had worked almost 24 hours to bring a situation under control. Such levels of overtime during an emergency are not only unreasonable, Mr. Pennington asserted, they are unsafe.

6. Commission Analysis and Findings. This complaint was brought pursuant to Ind. Code § 8-1-2-54. Under the statute, when ten or more complainants allege that any practice or act affecting or relating to the service of a public utility is unreasonable, unsafe, insufficient, or unjustly discriminatory, the Commission shall proceed to make such investigation as it may deem necessary or convenient, including holding a formal public hearing. If after investigation and hearing, the Commission finds that any practices or acts are unreasonable, unsafe, or insufficient, it shall determine, declare, and by order fix just and reasonable practices or acts to be followed by the utility in the future. Ind. Code § 8-1-2-69. Our supreme court has held that Ind. Code § 8-1-2-69 grants the Commission wide authority to issue orders to remedy an act or practice of a utility that is unjust or unreasonable. *N. Ind. Pub. Serv. Co. v. Citizens Action Coalition*, 548 N.E.2d 153, 160-61 (Ind. 1989). The statute also grants the Commission the power to correct what it determines to be an unsafe condition or inadequate provision of service. *Illinois-Indiana Cable Television Assoc. v. Pub. Serv. Comm'n of Ind.*, 427 N.E.2d 1100, 1108 (Ind. Ct. App. 1981).

Complainants allege that Vectren's decision to close sixteen of its twenty-nine Operating Centers unreasonably compromises safe operations and falls below the standard of safety that Vectren is required to maintain. Specifically, Complainants contend that Vectren's secondary response time for emergencies has been lengthened due to the Operating Center closures. Complainants ask the Commission to find that the closure of the Operating Centers constitutes an unreasonable and unsafe practice that has adversely impacted public safety, and therefore, requests that we direct Vectren to reopen all of the closed Operating Centers.

Pursuant to Ind. Code § 8-1-2-4, every public utility is required to furnish reasonably adequate service and facilities. A utility has a legal duty to use reasonable care in the distribution of gas because the utility conveys a dangerous instrumentality. *Palmer & Sons Paving v. N. Ind. Pub. Serv. Co.*, 758 N.E.2d 550, 554 (Ind. Ct. App. 2001) (citing *Se. Ind. Natural Gas Co. v. Ingram*, 617 N.E.2d 943, 951-52 (Ind. Ct. App. 1993)). A gas company also has a duty to use reasonable care in operating its lines so as to prevent the escape of gas in such quantities as to become dangerous to life and property. *Id.* (citing *Westfield Gas Corp. v. Hill*, 169 N.E.2d 726, 733 (Ind. Ct. App. 1960)). Although these cases discuss a utility's duty under tort law, they are instructive of a standard of reasonable and safe practices for purposes of this case.

Complainants raise a common sense argument that a reduction in the number of service employees combined with an enlargement of the service territory for which each Operating Center is responsible will adversely affect Vectren's ability to respond to gas emergencies in a timely manner. Vectren closed sixteen of its twenty-nine Operating Centers. The employees that were assigned to work in those sixteen Operating Centers were transferred to one of the remaining thirteen Operating Centers. In addition, the remaining Operating Centers assumed responsibility for the service territories previously covered by the closed Operating Centers, with the result that two locations did not change their service territory, six locations absorbed one closed Operating Center's service territory, and five locations absorbed two closed Operating Center's service territories. Prior to consolidation, the average service territory covered by each Operating Center was 205.56 square miles. After the consolidation, the average service territory covered by each Operating Center was 458.56 square miles.

Complainants provided illustrative evidence of the change in employee counts from several Operating Centers. Prior to consolidation, six employees reported to the Shelbyville Operating Center and two reported to the Elwood Operating Center. Just prior to the consolidation, three of the Shelbyville employees retired and were not replaced. After the consolidation, one of the Shelbyville employees was assigned to the Columbus Operating Center and two were assigned to the Franklin Operating Center, which took over responsibility for the Shelbyville service territory. The two Elwood employees were both assigned to the Anderson Operating Center, which took over responsibility for the Elwood service territory, however, one of those employees has now retired and the other is at retirement age. Mr. Coppock, who has worked at the Anderson location since 1979, testified that the personnel level in Anderson has dropped from forty-five employees when he started to seventeen employees at the time of his testimony.

Several witnesses testified about perceived other effects of the consolidation of the Operating Centers. Chief Wagner and Inspector Wellman both expressed their concerns that the consolidation will slow response times in emergency situations and create increased risks for public safety personnel and the public. Chief Wagner testified that he has already noticed an increase in emergency response times. Several of Complainants' witnesses testified that although Vectren claims that it continues to use the closed Operating Centers as staging areas for equipment and supplies, the equipment kept at the staging areas has not been consistent or reliable, and in some cases, the equipment is not in a usable condition. Mr. McIntosh testified that the consolidation has caused Vectren's service employees to travel larger distances and to work in new areas where they are not familiar with the system or local police and fire departments. In addition, Mr. McIntosh testified that the consolidation requires employees to work more overtime, which is a strain on the workforce.

Complainants also presented expert testimony from Mr. Pennington. Mr. Pennington opined that the closing of so many Operating Centers combined with Vectren's employee attrition will be detrimental to public safety. Mr. Pennington's testimony was based on his review of discovery produced during the case and a single phone interview of Mr. Griggs and Mr. Coppock. Mr. Pennington did not personally visit any Vectren operating centers or equipment staging locations and did not engage in a comprehensive study of Vectren's operations or response times. While Mr. Pennington is undoubtedly an expert with respect to many aspects of fire safety and gas emergencies and we value his insight, he based his opinions on a limited knowledge of Vectren's facilities and operations.

Vectren witness Mr. Schach, explained that Vectren's consolidation plan was motivated by recognition that improvements in infrastructure and investments in technology have made Vectren's processes and procedures more effective and responsive without compromising the safety of employees or the public. Mr. O'Meara explained that historically each Operating Center performed all of the work within its service territory using its own personnel. Each Operating Center operated largely independently of the others. This was true even if a responder from another Operating Center was in a better position to respond. Under Vectren's new operating model, emergency responders are assigned based on their proximity to the emergency and whether the employee has the proper skill set to address the situation. Vectren has installed GPS and AVL technology on service trucks to allow it to track employee and equipment locations. Employees also have computer systems and GIS mapping available in the vehicles that allow the employee to receive and respond to work orders without returning to an Operating Center. Vectren negotiated changes to its union contract to allow employees to be assigned across service territories and increased the number of home-based employees – employees who drive a service vehicle home outside of normal working hours – from 54 to 116.

Mr. Schach testified that 97.5% of all emergencies are resolved by the primary responder. Vectren targets first responder response times at 35 minutes. Although Vectren does not have a target for secondary response, Mr. Schach testified that recent tracking of secondary responses have shown a 30-minute improvement in average secondary response times since the consolidation. This improvement is due primarily to negotiated changes in the union contract, including a required minimum employee response rate to overtime calls. Prior to the contract changes, Vectren had a 15% acceptance rate for secondary response crew overtime calls.

Operational details such as where to locate an Operating Center, what type of equipment to place at an Operating Center or staging location, the appropriate number of employees at an Operating Center, and the appropriate mix of contractors and employees to effectively complete work, are typically left to the judgment of the management of the utility. For us to order a change in utility operating practices that have been in place for over a year, we must have credible evidence to support the need for such action. Mere conclusory statements that a practice is harmful to public safety and evidence of a few adverse incidents are not substantial enough to meet this burden.

However, we are concerned, as are Complainants, that the reduction in the number of Operating Centers and in the workforce coupled with an increase in the remaining Operating Centers' service territories has the potential to adversely affect emergency response times and public safety. While the evidence presented in this case is not sufficient to merit an order to reopen the closed Operating Centers, it is sufficient to merit continued monitoring of Vectren's emergency response operations. Therefore, we order Vectren to comply with the following reporting requirements:

(1) Thirty (30) or more days prior to taking action, Vectren shall notify the Commission's Natural Gas and Pipeline Safety Divisions of its intent to close any existing Operating Center or to permanently close or move any existing staging area (closed Operating Center);

(2) Thirty (30) days after the effective date of this Order, and every six months thereafter until further notice from the Commission's Natural Gas Division, Vectren shall file under this Cause a report containing the following:

- a. For each Operating Center: the number of employees assigned to the Operating Center; by job classification the number of square miles in the Operating Center's service territory; and the number of customers in the Operating Center's service territory.
- b. For each Operating Center, the number of incidents requiring primary response only, including the primary response time and total incident time per incident and whether a Vectren employee and/or contracted employee responded.
- c. For each Operating Center, the number of incidents requiring secondary response, including the primary response time, secondary response time, and total incident time per incident and whether a Vectren employee and/or contracted employee responded.
- d. The secondary response call acceptance rates for each operating center and for the whole company.

7. **Outstanding Motions.**

A. **Administrative Notice.** On February 27, 2012, after the conclusion of the Evidentiary Hearing in this Cause, Complainants' filed a Second Request for Administrative Notice, asking the Commission to take administrative notice of a report prepared by the Commission Pipeline Safety Division regarding an incident that occurred on November 8, 2011. The Motion was filed after the record in this proceeding was closed and did not include a motion to reopen the record. In addition, information in the report would have been cumulative of evidence already in the record because the parties presented evidence about the November 8, 2011 incident during the hearing. Therefore, Complainants' Second Request for Administrative Notice is denied.

B. **Motion to Strike.** On May 18, 2012, Vectren filed a Motion to Strike Portions of Complainants' Reply Brief. On May 21, Complainants filed their response to the motion, and on May 25, 2012, Vectren filed its reply. On May 29, 2012, Complainants filed a Motion for Leave to File Surreply, and Vectren filed a response on June 1, 2012. Both the Motion to Strike and the Motion for Leave to File Surreply are denied.

IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION THAT:

1. Complainants have not provided sufficient evidence to support an order to reopen the closed Operating Centers. However, the evidence does raise concerns that the Operating Center closings could have an adverse effect on public safety. Therefore, so that the Commission may continue to monitor the effects of the consolidation, Vectren shall comply with the reporting requirements set forth in above.

2. This Order shall be effective on and after the date of its approval.

ATTERHOLT, BENNETT, LANDIS, AND ZIEGNER CONCUR; MAYS NOT PARTICIPATING:

APPROVED: DEC 05 2012

I hereby certify that the above is a true and correct copy of the Order as approved.


Brenda A. Howe
Secretary to the Commission