

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**JOINT PETITION OF INDIANA GAS COMPANY,)
INC., SOUTHERN INDIANA GAS AND ELECTRIC)
COMPANY AND CENTERPOINT ENERGY, INC.,)
FOR SUBMISSION OF INFORMATION TO THE)
COMMISSION REGARDING A HOLDING)
COMPANY MERGER, AND FUTURE PROVISION OF)
SERVICE TO CUSTOMERS PURSUANT TO IND.)
CODE §§ 8-1-2-48 and 8-1-2-52)**

CAUSE NO. 45109

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

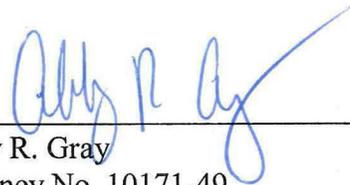
PUBLIC'S EXHIBIT NO. 1

TESTIMONY OF OUCC WITNESS

EDWARD T. RUTTER

AUGUST 27, 2018

Respectfully submitted,



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**TESTIMONY OF OUCC WITNESS EDWARD T. RUTTER
CAUSE NO. 45109
JOINT PETITION OF INDIANA GAS COMPANY, INC.,
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
AND CENTERPOINT ENERGY, INC.**

I. INTRODUCTION

1 **Q: Please state your name, employer, current position and business address.**

2 A: My name is Edward T. Rutter. I am employed by the Indiana Office of Utility
3 Consumer Counselor ("OUCC") as a Chief Technical Advisor in the Natural Gas
4 Division. My business address is 115 West Washington St., Suite 1500 South
5 Tower, Indianapolis, Indiana 46204. My educational background and professional
6 experience are detailed in Appendix ETR-1 attached to this testimony.

7 **Q: What is the purpose of your direct testimony?**

8 A: The purpose of my testimony is to discuss the OUCC's review of the joint petition
9 of Indiana Gas Company, Inc., Southern Indiana Gas and Electric Company and
10 CenterPoint Energy (collectively "Petitioners"). The OUCC recognizes that based
11 on the Agreement and Plan of Merger ("Merger Agreement"), Indiana Gas
12 Company, Inc. and Southern Indiana Gas and Electric Company (collectively
13 "Vectren subsidiaries") will post-merger maintain the current operating status of
14 distinct operating public utilities, subject to Commission jurisdiction. As with any
15 merger involving Indiana utilities, the OUCC's concerns focus on ensuring that
16 Indiana customers are not harmed by the merger, whether through increased rates
17 or reduced levels of service.

18 The Petitioners have filed direct testimony and supporting exhibits

1 addressing the merger's impact on customers, management and operations, as well
2 as the Merger Agreement, which highlights the terms and conditions of the merger,
3 the responsibilities of each party to the merger, and the compensation to existing
4 shareholders. My testimony reviews Petitioners' commitment to continue to
5 provide safe and reliable service at reasonable costs to ratepayers. I also discuss
6 that Indiana ratepayers will not be asked to pay for any direct or indirect costs
7 associated with the proposed merger, and that any merger savings that enure to the
8 benefit of Vectren or its subsidiaries will be passed on to Indiana ratepayers.

9 Finally, I discuss the OUCC's recommendation that if the Petitioners fail to
10 secure all necessary and required approvals, and the merger does not occur, any
11 costs incurred by Vectren in pursuing the merger be denied in any proceeding for
12 recovery from Indiana ratepayers.

II. THE TRANSACTION

13 **Q: Have you reviewed the Merger Agreement?**

14 A: Yes. The merger represents a holding company transaction between Vectren
15 Corporation, Pacer Merger Sub, Inc. ("Merger Sub") and CenterPoint Energy, Inc.
16 ("CenterPoint). Merger Sub is a direct wholly owned subsidiary of CenterPoint
17 Energy formed to effectuate CenterPoint's acquisition of Vectren. Merger Sub will
18 merge with and into Vectren, and Vectren will be the surviving company and a
19 wholly owned subsidiary of CenterPoint Energy.

1 **Q: Will the Vectren subsidiaries remain as separate public utilities owned by**
2 **Vectren and operated under the existing franchises and certificates; and will**
3 **they continue to own and operate their respective systems and assets as they**
4 **did prior to the merger?**

5 A: Yes. The transaction is a merger of two holding companies, which does not change
6 the existing responsibilities or requirements currently imposed on the Vectren
7 subsidiaries.

8 At the time of the merger, Vectren Corporation's existing shares will be
9 cancelled, and automatically converted into the right to receive cash in the amount
10 of \$72.00 per share. Those shares will be owned by CenterPoint Energy once the
11 merger is complete.

12 **Q: Will CenterPont continue to abide by the Affiliate and Cost Allocation**
13 **Guidelines currently in effect and approved by the Commission?**

14 A: Yes Mr. Scott Doyle, CenterPoint Senior Vice President, Natural Gas Distribution
15 testified¹ that CenterPoint will continue to abide by the Affiliate and Cost
16 Allocation Guidelines currently in effect. These are the guidelines contained in the
17 Stipulation and Settlement Agreement between Vectren, the Vectren subsidiaries
18 and the OUCC entered into and approved by the Commission in Commission Order
19 approved November 7, 2001 in Cause No. 41465.

III. IMPACT TO INDIANA RATEPAYERS

20 **Q. In your review of the joint petition, the pre-filed direct testimony filed in**
21 **support of the joint petition, and the response to the OUCC data requests, did**
22 **you find anything to suggest the operations of Vectren subsidiaries, and their**
23 **ability to provide safe and reliable service, will be negatively impacted as a**
24 **result of the merger?**

¹ Doyle Direct, page 25, lines 16-21

1 A. No. My review of those documents and information provided no indication that the
2 Vectren subsidiaries will conduct their business contrary to how it is being
3 conducted prior to the merger.

4 There is no indication that the transaction when complete should have a
5 negative impact on the service being provided by the Vectren subsidiaries under
6 the individual franchises, certificates and various orders issued by the Commission
7 and currently in effect.

8 **Q: Does the OUCC believe the merger will benefit Indiana ratepayers?**

9 A: Perhaps, but not immediately. The operations and responsibilities of the Vectren
10 subsidiaries should be unaffected by the merger since only the ownership of the
11 holding company, Vectren Corporation, will change with the merger. The Vectren
12 subsidiaries will continue to operate post-merger as independent utilities and be
13 responsible for complying with their respective franchises, certifications and all
14 applicable Commission orders. Neither the ratepayers nor regulators *should*
15 experience any negative impact from the merger. Over time, the operating
16 experience and financial stability that CenterPoint brings to the Vectren
17 subsidiaries *should* benefit Indiana ratepayers.

18 There will be economies of scale, particularly with the location of the gas
19 operations for all of CenterPoint gas operations in Evansville. The ability to allocate
20 costs over a broader range of operations should provide a benefit to Indiana
21 ratepayers. The experience and lessons learned from CenterPoint's electric and gas
22 operations in other jurisdictions should serve to reduce Indiana costs as new
23 technology or policies and procedures are initiated.

1 Any benefits to Indiana ratepayers are more indirect initially, than direct,
2 but the merger provides, and Petitioners' testimony acknowledges, the opportunity
3 for economies of scale, greater financial stability, leverage, and combined talent,
4 skills and resources.

5 Mr. Doyle discussed various opportunities resulting from the merger. He
6 testified that the integration teams are just getting started and have not yet identified
7 specific opportunities to avoid costs and obtain synergies.² Mr. Doyle also stated
8 the merger will allow the company to pursue additional growth opportunities and
9 that the size and scale of the resulting company supports realizing operating
10 efficiencies and the potential for more cost-effective financing through a lower cost
11 of capital.³ That testimony was submitted on June 15, 2018. The OUCC
12 recommends Joint Petitioners update and report these avoided costs and synergies
13 as they are identified. Any cost savings as a result of the merger should be passed
14 on to Indiana ratepayers.

15 **Q: Does the OUCC have any concerns with the merger, the transaction or the**
16 **operations or policies and procedures brought to the Vectren subsidiaries by**
17 **CenterPoint?**

18 A: No. As previously mentioned, I reviewed the petition, pre-filed direct testimony,
19 the Merger Agreement, and the joint parties' response to the OUCC's data request.
20 I also reviewed publicly available financial reports, each of the most recent electric
21 and gas rate proceedings orders, recent publicly available press releases, and

² Doyle Direct, page 6, lines 21-22.

³ *Id.* page 7, lines 4-9.

1 publication and independent third party comments and analyses relative to
2 CenterPoint utility operations. I found nothing to suggest the proposed merger and
3 resultant transaction would be contrary to the collective best interests of Indiana
4 ratepayers.

5 **Q: Does the OUCC have any concerns relative to the continued operations of the**
6 **Vectren subsidiaries operations in Indiana post merger?**

7 A: The OUCC has reservations regarding the continuation of current recordkeeping
8 and customer service functions post-merger. During our review of the many
9 tracker filings before the Commission we conduct audits, reviews and analysis of
10 necessary records of Vectren Corporation, and its subsidiary companys'
11 transactions that impact Indiana ratepayers. To that extent, it is important that all
12 books and records supporting those transaction are either maintained in Indiana or
13 made available in Indiana to OUCC analysts and attorneys.

14 The OUCC wants assurances that post merger all ratepayers will have the
15 same, if not better, access within the Vectren subsidiaries' service territory to the
16 current level of customer service functions and options employed by the Vectren
17 subsidiaries.

18 **Q: Does the OUCC have any concerns relative to CenterPoint's ability to fund the**
19 **merger?**

20 A: No. A review of the numerous SEC filings, annual reports and earnings reports
21 suggests no reason to believe CenterPoint will not be able to fund the merger.

IV. RECOMMENDATIONS

1 **Q. What are you recommending to the Commission in this proceeding?**

2 A. I recommend the Commission take the appropriate steps within its jurisdiction to
3 ensure that no costs related directly or indirectly to the merger be passed on to
4 Indiana ratepayers whether or not the merger is approved by the responsible
5 jurisdictions.

6 I also recommend that Joint Petitioners be required to identify and report
7 any merger cost savings as those savings should be passed on to Indiana ratepayers.

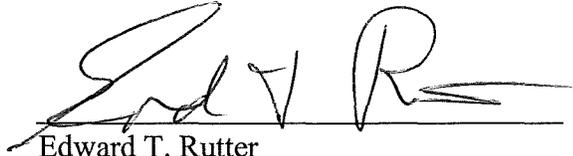
8 I also recommend CenterPoint commit to maintaining all books and records
9 pertaining to the Indiana operations of the Vectren subsidiaries be maintained in
10 Indiana or made available in Indiana to the OUCC. Finally, I recommend the
11 Commission take appropriate steps within its jurisdiction to ensure there will not
12 be a reduction in the current Indiana customer service functions and operations
13 within the current service territories.

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

15 A. Yes

AFFIRMATION

I affirm, under the penalties for perjury, that the foregoing representations are true.

A handwritten signature in black ink, appearing to read "Ed T Rutter", written over a horizontal line.

Edward T. Rutter
Chief Technical Advisor
Indiana Office of Utility Consumer Counsel
Cause No. 45109
Joint Petition

8/27/2018

Date

APPENDIX TO TESTIMONY OF
OUCW WITNESS EDWARD T. RUTTER

1 **Q: Please describe your educational background and experience.**

2 **A:** I am a graduate of Drexel University in Philadelphia, PA, with a Bachelor of
3 Science degree in Business Administration. I was employed by South Jersey Gas
4 Company as an accountant responsible for coordinating annual budgets, preparing
5 preliminary monthly, quarterly, annual and historical financial statements,
6 assisting in preparation of annual reports to shareholders, all SEC filings, state
7 and local tax filings, all FPC/FERC reporting, plant accounting, accounts payable,
8 depreciation schedules and payroll. Once the public utility holding company was
9 formed, South Jersey Industries, Inc., I continued to be responsible for accounting
10 as well as for developing the consolidated financial statements and those of the
11 various subsidiary companies including South Jersey Gas Company, Southern
12 Counties Land Company, Jessie S. Morie Industrial Sand Company, and SJI LNG
13 Company.

14 I left South Jersey Industries, Inc. and took a position with Associated
15 Utility Services Inc. (AUS), a consulting firm specializing in utility rate
16 regulation including rate of return, revenue requirement, purchased gas
17 adjustment clauses, fuel adjustment clauses, revenue requirement development
18 and valuation of regulated entities.

19 On leaving AUS, I worked as an independent consultant in the public
20 utility area as well as telecommunications including cable television (CATV). I
21 joined the OUCW in December 2012 as a utility analyst.

1 **Q: Have you previously testified before the Indiana Utility Regulatory**
2 **Commission?**

3 A: I have previously testified before the Indiana Utility Regulatory Commission
4 (Commission) in numerous Causes filed before the Commission. I have also
5 testified before the regulatory commissions in the states of New Jersey, Delaware,
6 Maryland, Pennsylvania, New York, Connecticut, Georgia, Florida, North
7 Carolina, Ohio, Oklahoma, Virginia and Wisconsin. In addition to the states
8 mentioned, I submitted testimony before the utility regulatory commissions in the
9 Commonwealth of Puerto Rico and the U.S. Virgin Islands. I have also testified as
10 an independent consultant on behalf of the U.S. Internal Revenue Service in
11 Federal Tax Court, New York jurisdiction.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing *Indiana Office of Utility Consumer Counselor Public's Exhibit No. 1_Testimony of OUCC Witness Edward T. Rutter* has been served upon the following counsel of record in the captioned proceeding by electronic service on August 27, 2018.

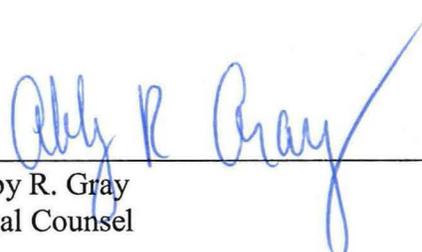
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