

FILED

May 11, 2017

INDIANA UTILITY

REGULATORY COMMISSION

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND )  
 ELECTRIC COMPANY D/B/A VECTREN ENERGY )  
 DELIVERY OF INDIANA, INC. FOR APPROVAL OF )  
 CLEAN ENERGY SOLAR PROJECTS; )  
 DECLINATION OF JURISDICTION WITH RESPECT )  
 TO CONSTRUCTION OF THE PROJECTS )  
 PURSUANT TO IND. CODE § 8-1-2.5; AND )  
 ACCOUNTING AND RATEMAKING TREATMENT, )  
 INCLUDING TIMELY RECOVERY OF COSTS )  
 INCURRED DURING CONSTRUCTION AND )  
 OPERATION THROUGH A CLEAN ENERGY COST )  
 ADJUSTMENT PURSUANT TO IND. CODE § 8-1-8.8 )

CAUSE NO. 44909

OUCC PREFILED TESTIMONY

OF

CRYSTAL L THACKER – PUBLIC’S EXHIBIT #2

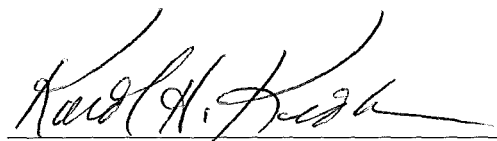
ON BEHALF OF THE

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR

May 11, 2017

Respectfully submitted,

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR



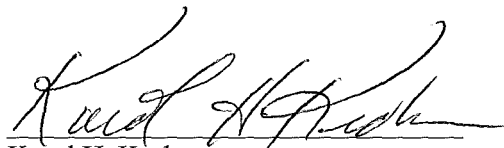
Karol H. Krohn, Atty. No. 5566-82  
 Deputy Consumer Counselor

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing *OUCC Prefiled Testimony of Crystal L. Thacker* has been served upon the following counsel of record in the captioned proceeding by electronic service on May 11, 2017.

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**TESTIMONY OF OUCC WITNESS CRYSTAL L. THACKER**  
**CAUSE NO. 44909**  
**SOUTHERN INDIANA GAS AND ELECTRIC COMPANY**  
**D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.**  
**("VECTREN SOUTH")**

**I. INTRODUCTION**

1 **Q: Please state your name and business address.**

2 A: My name is Crystal L. Thacker, and my business address is 115 W. Washington  
3 St., Suite 1500 South, Indianapolis, Indiana 46204.

4 **Q: By whom are you employed and in what capacity?**

5 A: I am employed by the Indiana Office of Utility Consumer Counselor ("OUCC") as  
6 a Utility Analyst II in the Electric Division. My qualifications are set forth in  
7 Appendix A to this testimony.

8 **Q: What is the purpose of your testimony?**

9 A: I address the OUCC's concerns, issues, and recommended changes to Vectren  
10 South's 1) accounting and ratemaking treatment proposal related to the  
11 construction, ownership, and operation of these projects and 2) its proposed rate  
12 adjustment mechanism ("Clean Energy Cost Adjustment" or "CECA") for recovery  
13 of costs. Finally, I discuss specific components of the requested recovery as well  
14 as the structure of Petitioner's proposed recovery mechanism.

15 **Q: Please describe the review and analysis you conducted in order to prepare**  
16 **your testimony.**

17 A: I reviewed the Petition, testimony and exhibits Vectren South ("Vectren South" or  
18 "Petitioner") filed in this Cause as well as the Commission's Orders in Cause Nos.

1 43839, 44734, 44767, and 43405 DSM-14. I also reviewed Petitioner's responses  
2 to discovery requests.

## II. REQUESTED RECOVERY COMPONENTS

3 **Q: What cost components is Petitioner seeking to recover through its proposed**  
4 **CECA mechanism?**

5 A: Petitioner is requesting to recover the following project cost components: 1) return  
6 on capital investment; 2) incremental property tax expense; 3) depreciation  
7 expense; and 4) operation and maintenance ("O&M") expense. In addition,  
8 Petitioner seeks authority to record project costs related to the recovery of  
9 associated regulatory assets through 1) the deferral of O&M expense, 2) the interim  
10 deferral of depreciation expense, and 3) post-in-service carrying costs ("PISCC").

### A. AFUDC, PISCC, and Return on Investment

11 **Q: Please describe the ratemaking treatment Petitioner requested for its**  
12 **construction costs.**

13 A: Vectren South has requested the Commission permit it to accrue for future recovery  
14 allowance for funds used during construction ("AFUDC") to finance construction  
15 of the proposed projects until the projects are placed into service. At that point,  
16 Vectren South will stop accruing AFUDC and will then start accruing PISCC until  
17 the project costs are included in the CECA mechanism.

18 **Q: What AFUDC rate has Vectren South requested to use?**

19 A: Vectren South Witness Mr. J. Cas Swiz testified that Petitioner plans to use the  
20 periodic rate calculated as provided by the Federal Energy Regulatory  
21 Commission's ("FERC") accounting procedures. According to Mr. Swiz, the  
22 AFUDC rate will use actual cost rates for long- and short-term debt for a particular

1 period and the cost of equity approved in Petitioner's most recent base rate case.<sup>1</sup>

2 Vectren South's current AFUDC rate is 7.98%, including 1.92% debt and 6.06%

3 equity.<sup>2</sup>

4 **Q: What PISCC rate did Vectren South propose to use?**

5 A: Petitioner proposed an after-tax return based on its current weighted average cost

6 of capital ("WACC").

7 **Q: How did Petitioner calculate the proposed return on the net capital**  
8 **investment?**

9 A: Petitioner proposed a pre-tax return on net capital investment based on the current

10 WACC.

11 **Q: How does Petitioner calculate its proposed WACC?**

12 A: Mr. Swiz stated that, in the initial CECA filing, the WACC would be calculated

13 with the most recent year-end capital structure using the cost of equity approved in

14 Vectren South's most recent base rate case, Cause No. 43839. Petitioner has

15 proposed to use this same calculated WACC from its initial filing in subsequent

16 annual CECA filings when calculating the pre-tax return on net capital investment

17 in its annual CECA update filings. As proposed by Vectren South, the WACC used

18 in annual CECA filings will not be updated for any changes in the capital structure

19 components.

20 **Q: Do you have an opinion regarding what WACC should be used?**

21 A: Yes. In each annual update filing, I recommend Petitioner be required to update

22 the WACC for any changes in its capital structure, including cost of debt, with the

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<sup>1</sup> Petitioner's Exhibit No. 3, page 7, line 30 through page 8, line 5.

<sup>2</sup> See Vectren South's Response to Question 2 in OUCC Data Request Set No. 1, included as OUCC Attachment CLT-1.

1 cost of equity being set at what was approved in Vectren South's most recent base  
2 rate case, Cause No. 43839.

**B. Investment Tax Credit ("ITC") and Renewable Energy Credits ("REC")**

3 **Q: Are the solar projects requested by Vectren South eligible for an ITC?**

4 A: Yes. Vectren South's witness Mr. Robert C. Sears testified that these projects will  
5 be eligible for a 30% Federal ITC.<sup>3</sup>

6 **Q: What is Petitioner's proposal regarding the ITC benefit?**

7 A: Mr. Swiz testified that any ITC received by Vectren South for the solar projects  
8 will be flowed back to the customers through the CECA mechanism and amortized  
9 over 25 years<sup>4</sup> (the projected life of the solar assets).<sup>5</sup>

10 **Q: Do you agree with Vectren South's proposed treatment of the ITC benefit?**

11 A: Yes.

12 **Q: How does Petitioner propose to address any RECs generated by the requested  
13 projects?**

14 A: Mr. Swiz testifies that Petitioner proposes to credit any proceeds from associated  
15 REC sales back to its customers through Vectren South's annual Reliability Cost  
16 and Revenue Adjustment ("RCRA") filing.

17 **Q: Do you agree with Petitioner's proposal on how to flow the net proceeds back  
18 to ratepayers?**

19 A: No. Any net proceeds from solar RECs should be flowed back to Vectren South's  
20 customers through the CECA tracker requested in this case to better match future  
21 project benefits with related costs.

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<sup>3</sup> Petitioner's Exhibit No. 1, page 20, lines 18-28.

<sup>4</sup> Petitioner's Exhibit No. 3, page 11, lines 27-31.

<sup>5</sup> *Id.* at page 10, lines 9-10.

**C. Operations and Maintenance Expense**

1 **Q: Are there any potential issues with Petitioner's proposed annualized O&M**  
2 **expense?**

3 A: Yes. OUCC witness Ed Rutter recommended the Commission deny Vectren  
4 South's request for cost recovery from ratepayers for the battery energy storage  
5 system ("BESS") units to be placed on the customer side of the meter at the Urban  
6 Living Research Center ("ULRC"). Mr. Rutter's recommendation is consistent  
7 with Petitioner's response to OUCC Data Request Set 3, Question 3, in which  
8 Petitioner stated that its O&M estimate for the ULRC did not include O&M for  
9 BESS.<sup>6</sup> Also, Petitioner indicated that it planned to file a correction to its testimony  
10 to update the omission of BESS costs from its O&M estimate for the Highway 41  
11 Facility.<sup>7</sup> In its May 11, 2017 corrections, Petitioner added O&M costs related to  
12 the BESS units. O&M costs for the US41 and Evansville urban projects increased  
13 \$42,582 annually. O&M costs for the ULRC increased \$4,401 annually.<sup>8</sup> At the  
14 time of this filing, the OUCC has not been able to issue any discovery to examine  
15 how the corrected estimates were developed.

16 **Q: What is your recommendation regarding the annualized O&M expense?**

17 A: Currently, I am unable to provide an opinion regarding the O&M expenses related  
18 to BESS costs for the US41 and Evansville urban projects. However, I recommend  
19 the Commission deny recovery of O&M expenses associated with the ULRC BESS

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<sup>6</sup> See Vectren South's Response to Question 3 in OUCC Data Request Set No. 3, included as OUCC Attachment CLT-2.

<sup>7</sup> See Vectren South's Response to Question 2 in OUCC Data Request Set No. 3, included as OUCC Attachment CLT-3.

<sup>8</sup> Petitioner's Submission of Corrected Page 17 and 18 of Petitioner's Exhibit No. 2 to the Direct Testimony of Wayne D. Games, filed May 11, 2017.

1 units on the customer side of the meter, as recommended by OUCC Witness Mr.  
2 Rutter.

**D. Reconciliation**

3 **Q: How does Petitioner plan to recover expenses associated with its proposed**  
4 **solar projects?**

5 A: Vectren South proposes to recover annualized levels of depreciation expense,  
6 O&M expenses, and associated property tax expense. The depreciation expense  
7 amount will be determined by FERC Plant Accounts and the projected life of the  
8 assets (i.e., 10 years for BESS and 25 years for the solar generation systems).<sup>9</sup>

9 **Q: Does Vectren South plan to reconcile these annualized expenses?**

10 A: Yes. Mr. Swiz stated in testimony that all but one of the variances to the annualized  
11 expenses will be reconciled within the CECA revenue requirement.<sup>10</sup> Petitioner  
12 does not plan to reconcile property taxes. In discovery, Petitioner stated it does not  
13 expect material changes between the amounts proposed in its filings and the actual  
14 property tax expenses that will be incurred.<sup>11</sup>

15 **Q: What other reconciliation(s) would be required if Vectren South's proposed**  
16 **recovery mechanism is approved?**

17 A: Sales will need to be reconciled as the tracker rate will be based on energy, not  
18 demand.<sup>12</sup>

19 **Q: What is your recommendation regarding the reconciliation of the above**  
20 **mentioned expenses?**

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<sup>9</sup> Petitioner's Exhibit No. 3, page 11, lines 8-13.

<sup>10</sup> Petitioner's Exhibit No. 3, page 11, lines 15-18.

<sup>11</sup> See Vectren South's Response to Question 4 in OUCC Data Request Set No. 1, included as OUCC Attachment CLT-4.

<sup>12</sup> See Vectren South's Response to Question 5 in OUCC Data Request Set No. 1, included as OUCC Attachment CLT-5.



1 A: I recommend the Commission require Petitioner to reconcile all revenues and  
2 expenses requested in this tracker with actual revenues and expenses in an annual,  
3 docketed tracker proceeding, specifically, in sequentially numbered sub-dockets of  
4 this Cause. Since this tracker directly impacts customer rates, Petitioner should  
5 provide copies of all supporting documentation (e.g., workpapers, billing and  
6 payment records, and calculations) as part of its case-in-chief, to facilitate the  
7 OUC's due diligence review, verifying the accuracy and veracity of claimed  
8 charges.

### **III. PETITIONER'S REQUESTED RATE ADJUSTMENT MECHANISM**

9 **Q: Did Vectren South propose a rate adjustment mechanism in this case?**

10 A: Yes. Petitioner plans to file a Clean Energy Cost Adjustment ("CECA") rate  
11 adjustment mechanism in a docketed proceeding at the completion of all the  
12 proposed projects to establish the initial CECA rates for the requested projects.  
13 Vectren South plans to follow that initial filing with an annual Thirty-Day Filing to  
14 capture annual changes in the net plant balance associated with depreciation  
15 expense and over/under-recovery variances.

16 **Q: Did Petitioner explain the reason for its request that the annual updates be**  
17 **handled through the Commission's Thirty-Day Filing Procedures?**

18 A: Yes. Mr. Swiz testified that Vectren South's proposed use of the Commission's  
19 30-day filing procedures to annually update its CECA rate would "...avoid the  
20 administrative burden of a docketed proceeding for the Commission and other  
21 parties."<sup>13</sup>

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<sup>13</sup> Petitioner's Exhibit No. 3, page 17, lines 19-20.

1 **Q: Did Petitioner provide any other explanation for its proposed use of the**  
2 **Thirty-Day Filing Procedure to process its annual CECA update filings?**

3 A: In discovery, Petitioner provided multiple reasons for using the Thirty-Day Filing  
4 Procedure, including: (1) the regulatory framework of the Commission's Thirty-  
5 Day Administrative Filing Procedures and Guidelines; (2) Vectren South's current  
6 use of the process for adjustments to (a) its natural gas Energy Efficiency Funding  
7 Component and Sales Reconciliation Component and (b) its annual updates to its  
8 electric Cogeneration and Small Power Production rate ("Rate CSP"); (3) the  
9 tracked costs are not expected to materially change; and (4) Vectren South  
10 considers its proposed CECA tracker reconciliation to be an "easily reviewed"  
11 reconciliation component.<sup>14</sup>

12 **Q: Do you agree with Petitioner's opinion that its proposed annual CECA tracker**  
13 **reconciliation and factor adjustment filing would avoid administrative**  
14 **burdens to the Commission and other parties if processed through the**  
15 **Commission's Thirty-Day Filing Procedure rather than in a sub-docket of this**  
16 **proceeding?**

17 A: No. Vectren South's proposal does not eliminate the OUCC's responsibility to  
18 review/audit the CECA factor and the revenues, expenses, sales, and calculations  
19 that make up the rate that consumers will be required to pay. Petitioner plans to  
20 include in its CECA mechanism the construction and operation costs of the project  
21 incurred during construction, depreciation expense, PISCC, associated taxes, and  
22 O&M expenses, all of which will need to be reviewed.

23 If approved, Petitioner's proposed use of the Commission's Thirty-Day  
24 Filing Procedure would not provide sufficient time for the OUCC to review and

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<sup>14</sup> See Vectren South's Response to Question 5 in OUCC Data Request Set No. 1, a copy of which is attached hereto as OUCC Attachment CLT-5.

1 analyze Petitioner's annual CECA filings, to conduct discovery, identify grounds  
2 for opposing Petitioner's requested use of the expedited Thirty-Day Filing  
3 Procedures, and decide whether to object and request that a docketed proceeding  
4 be opened to consider Vectren South's proposed annual CECA reconciliation and  
5 rate adjustment filings.

6 Petitioner's proposed use of a highly compressed, streamlined procedural  
7 schedule also ignores the number or nature of other time-sensitive cases the OUCC  
8 and the Commission may be reviewing when Vectren South makes future annual  
9 CECA tracker filings. The CECA tracker filings would cover the current proposed  
10 renewable generation projects expected to remain in use for 10 to 25 years,  
11 respectively, for BESS and proposed solar generation facilities. However, future  
12 annual filings could address these and any other future renewable generation  
13 projects.

14 **Q: How does the Commission's Thirty-Day Filing Procedure rule address**  
15 **changes to rates and charges?**

16 A: The Commission's administrative rule on Thirty-Day Filings, 170 IAC 1-6-3  
17 (Allowable filings), allows for changes to rates and charges if one of the following  
18 two conditions is met: (1) the change is revenue neutral within a specific rate  
19 schedule; or (2) the change results in an overall decrease in the revenues of the  
20 utility and is applied across-the-board to all classes of customers. Petitioner's  
21 proposal is not revenue neutral, but Petitioner does claim that its annual updates  
22 will capture a decline in rates and charges.<sup>15</sup> Assuming no significant changes or

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<sup>15</sup> Petitioner's Exhibit No. 3, page 17, lines 19-27.

1 large variances, I agree that the annual updates should decline from the rate set in  
2 the initial CECA filing. However, Vectren South does not anticipate filing a base  
3 rate case for another seven (7) years.<sup>16</sup> Many changes can happen over seven years.  
4 In response to discovery, Petitioner indicated that it expects O&M expenses to  
5 remain constant over those seven (7) years.<sup>17</sup> However, it is not reasonable to  
6 assume that expenses will in fact remain constant over a seven-year period. Also,  
7 if the Commission should agree with my recommendation to require Petitioner to  
8 update the WACC for changes in capital structure in each annual CECA update  
9 filing, it is uncertain what impact this will have on rates.

10 The Commission's Thirty-Day Filing Procedure rule in 170 IAC 1-6-3  
11 provides flexibility for the Commission to use its streamlined administrative  
12 approval process to allow "...any other filing as may be ordered by the commission  
13 to be filed under this rule." This clause allows the Commission to determine  
14 whether the Thirty-Day Filing Procedure is appropriate to use.

15 **Q: Do you agree with Petitioner's conclusion that the Commission's Thirty-Day**  
16 **Filing Procedure is appropriate for CECA tracker updates?**

17 A: No, I do not. In addition to the lack of sufficient time for necessary review, the  
18 CECA tracker will be used to recover capital investment in new renewable  
19 generation facilities (and, for two of the three projects proposed in this case,  
20 investment in utility energy storage facilities). Not only will Vectren South seek a  
21 return of investment through depreciation, it will also seek a return on investment.

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<sup>16</sup> See Vectren South's Response to Question 5 in OUCC Data Request Set No. 1, included as OUCC Attachment CLT-5.

<sup>17</sup> *Id.*

1 The need to properly account for new capital investments, associated depreciation,  
2 and return on investment over the life of the asset also dictate against the use of an  
3 expedited Thirty-Day Filing Procedure. Given the procedural limitations, and the  
4 expected reach and duration of the tracker regarding new CECA projects, the  
5 OUCC recommends the Commission reject Vectren South's proposed use of the  
6 Thirty-Day Filing Procedure for annual CECA filings as insufficient and  
7 unreasonable. The OUCC urges the Commission to require the Petitioner to file its  
8 annual CECA tracker updates in the annual sub-docket that will follow in this  
9 proceeding, the practice followed in a number of other types of tracker proceedings.

#### IV. OTHER ISSUES

10 **Q: What other issues do you have with the structure of Petitioner's proposed**  
11 **CECA mechanism?**

12 A: If in the future the Petitioner requests approval of new clean energy projects, this  
13 mechanism and cost-recovery process should be flexible enough to handle future  
14 projects, much like Duke's Renewable Energy Project Rider (Rider 73). As  
15 proposed, this mechanism lacks the flexibility to handle additional new clean  
16 energy projects.

#### V. CONCLUSIONS AND RECOMMENDATIONS

17 **Q: Please summarize the recommendations presented in your testimony in this**  
18 **case.**

19 A: I recommend the Commission:

- 20 1. Approve recovery through a new CECA tracker mechanism of the revised  
21 project costs, with the modifications recommended by OUCC Witness Mr.  
22 Rutter;
- 23 2. Require Petitioner to update the WACC for changes in capital structure and cost  
24 of debt in each annual CECA update filing;

1           3. Require Petitioner to pass back any net proceeds from REC sales through the  
2           CECA tracker, not the RCRA tracker;

3           4. Require Petitioner to reconcile all revenues and expenses requested in this  
4           tracker with actual revenues and expenses;

5           5. Require Petitioner to provide all workpapers, documentation and calculations  
6           supporting its CECA Rate Adjustment Mechanism on the date the Petitioner  
7           makes that filing; and

8           6. Require Petitioner to file any CECA annual updates in sub-dockets of this  
9           proceeding.

10   **Q: Does this conclude your testimony?**

11   **A: Yes.**

**APPENDIX A**

**QUALIFICATIONS OF CRYSTAL L. THACKER**

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

2 A: Yes. I have filed testimony in financing cases, rate cases, and various tracker cases.

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

4 A: I graduated from the Kelley School of Business in 2012 with a Bachelor of Science in  
5 Business with majors in Accounting and Finance. I have been employed by the OUCC for  
6 the past 14 years and worked on multiple cases during that time. I have participated in a  
7 number of utility-related courses, seminars, and conferences, including the Annual  
8 Regulatory Studies Program sponsored by the National Association of Regulatory Utility  
9 Commissioners ("NARUC") and the Institute of Public Utilities at Michigan State  
10 University.

11 **Q: Please describe your duties and responsibilities at the OUCC.**

12 A: I review Indiana utilities' requests for regulatory relief filed with the Indiana Utility  
13 Regulatory Commission ("Commission"). I also prepare and present testimony based on  
14 my analyses, and make recommendations to the Commission on behalf of Indiana utility  
15 consumers.

Request No. 1-2: Referring to pages 7 and 8 of Petitioner's Exhibit No. 3, what is Petitioner's current AFUDC rate?

**Response:** Current AFUDC rates are 7.98%, including 1.92% debt and 6.06% equity.



**Request No. 3-3:** Referring to Petitioner's Exhibit No. 2, page 18, Mr. Games states that the O&M estimate for the ULRC is \$6,000 annually. Please explain what costs are included in that estimate and how the costs were estimated.

**Response:** Using the same \$19.50/kW year (2015 dollars), Vectren South estimated the annual O&M for the 300kW rooftop solar at \$6,000 annually. ( $\$19.50 \times 300 = \$5,850$ ). Vectren South did not include an O&M estimate for the 400 kilowatt hours of distributed and shared battery storage.

**Request No. 3-2:** Referring to Petitioner’s Exhibit No. 2, page 17, Mr. Games describes the O&M costs Vectren South anticipates incurring. Please explain how these costs were determined and how the costs were estimated to be approximately \$80,000 annually.

**Response:** Figure 5.18 - “Solar Photovoltaic” on page 144 of Vectren’s 2016 Integrated Resource Plan shows a fixed cost of \$19.50/kW year in 2015 dollars. This equates to \$19,500 per MW year ( $\$19.50 \times 1,000 = \$19,500$ ). The annual cost for 4MW’s of solar in 2015 dollars is \$78,000. ( $\$19,500 \times 4 = \$78,000$ ). This O&M cost estimate can also be found on Appendix A-6 of the Vectren Technology Assessment Summary Table.

Vectren South did not provide an estimate for the 1MW BESS to be located at the US41 site. Appendix A-6 of the Vectren Technology Assessment Summary Table shows this cost to be \$40.80 (2015\$/kW year) or \$40,800. ( $\$40.80 \times 1,000 = \$40,800$ ). Including this amount, total annual O&M estimate of approximately \$118,800 in 2015 dollars ( $\$78,000 + \$40,800 = \$118,800$ ) would be expected. Vectren South intends to update its testimony to correct the O&M amount identified.

Request No. 1-4: Referring to Petitioner's Exhibit No. 3, page 11, lines 20-25, does Petitioner intend to reconcile any variances to the annualized property tax expense included in the annual revenue requirement? If not, why not?

**Response:** No. The property tax rate used in the annual 30-day filing update is the current rate applied to Vectren South's taxable property, which the Company does not expect to change significantly between when the filing update is submitted and when the actual expenses are incurred.

Request No. 1-5: Referring to page 17 of Petitioner's Exhibit No. 3, why does Petitioner believe the Commission's Thirty-Day Filing Procedure is the appropriate process to handle the proposed annual updates?

**Response:** The Commission's Thirty-Day Administrative Filing Procedures and Guidelines (170 IAC 1-6) allow for requests for changes in its rates that are outside the context of a general rate case and that are not subject to other commission rules establishing specific filing requirements for the subject matter of the filing. The regulatory framework contained in this rule is intended to facilitate expedited consideration of administrative filings that do not require a hearing.

Vectren South utilizes the Commission's Thirty-Day Administrative Filing process for its annual Energy Efficiency Rider updates, which includes both the Energy Efficiency Funding Component and Sales Reconciliation Component, and its Cogeneration and Small Power Production (Rate CSP) annual update.

Petitioner believes the Commission's thirty-day filing procedures are appropriate to handle the proposed update because the costs included for recovery associated with the Projects are not anticipated to change materially. Petitioner will recover a return on the assets, associated depreciation and O&M expense, and associated taxes. Once the projects are completed, the return on the assets will be adjusted to capture the current net book value of the investment, which will decline based on the annual depreciation expense incurred. The after-tax rate of return will be fixed until the Company's next base rate case. The associated income taxes used to gross-up the rate of return will be based on current statutory rates. The depreciation rate will be fixed over the life of the investment. O&M expenses are not anticipated to change materially from year to year. Solar facilities have relatively low O&M expense that Vectren anticipates will remain constant over the first seven years of the project's operation, at which point Vectren will file a rate case pursuant to Ind. Code chpt. 8-1-39. As noted in the response to request 1-4, the property tax rate is also expected to remain similar from year to year.

There may also be a reconciliation component because the recovery mechanism is recovered through an energy-based rate. This reconciliation is straightforward and easily reviewed as part of a thirty day filing.

**AFFIRMATION**

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

Crystal L. Thacker

By: Crystal L. Thacker  
Indiana Office of  
Utility Consumer Counselor

May 11, 2017

Date: