

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

**VERIFIED PETITION OF NORTHERN INDIANA)
PUBLIC SERVICE COMPANY LLC FOR)
APPROVAL OF PETITIONER'S TDSIC PLAN FOR)
ELIGIBLE TRANSMISSION, DISTRIBUTION, AND)
STORAGE SYSTEM IMPROVEMENTS,)
PURSUANT TO IND. CODE § 8-1-39-10(a))
INCLUDING TARGETED ECONOMIC)
DEVELOPMENT PROJECTS PURSUANT TO IND.)
CODE § 8-1-39-10(c) AND EXTENSIONS TO)
RURAL AREAS PURSUANT TO IND. CODE §)
8-1-39-11, FOR AUTHORITY TO DEFER COSTS)
FOR FUTURE RECOVERY AND APPROVING)
INCLUSION OF NIPSCO'S TDSIC PLAN)
PROJECTS IN ITS RATE BASE IN ITS NEXT)
GENERAL RATE PROCEEDING PURSUANT TO)
IND. CODE § 8-1-2-23.)**

CAUSE NO. 45330

INDIANA OFFICE OF UTILITY CONSUMER COUNSELOR'S

**PUBLIC'S EXHIBIT NO. 1 – TESTIMONY OF OUCC WITNESS
MARK H GROSSKOPF**

With the current requirement that all staff work from home, signatures for affirmations are not available at this time.

April 9, 2020

Respectfully submitted,

/s/ T. Jason Haas _____
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TESTIMONY OF OUCC WITNESS MARK H. GROSSKOPF
CAUSE NO. 45330
NORTHERN INDIANA PUBLIC SERVICE COMPANY LLC

I. INTRODUCTION

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

2 A: My name is Mark H. Grosskopf, and my business address is 115 W. Washington
3 Street, 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")
6 as a Senior Utility Analyst. For a summary of my educational and professional
7 experience and my preparation for this case, please see Appendix MHG-1.

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

9 A: My testimony discusses the accounting and ratemaking treatment requested by
10 Northern Indiana Public Service Company LLC ("NIPSCO" or "Petitioner") to
11 record and recover costs associated with NIPSCO's proposed 6-Year Gas Plan for
12 the period January 2020 through December 2025 ("6-Year Plan"). My discussion
13 includes Petitioner's proposed Transmission, Distribution, and Storage System
14 Improvement Charge ("TDSIC") and revenue requirement cost recovery
15 mechanism ("TDSIC mechanism"). In addition to my testimony, OUCC witness
16 Brien Krieger discusses NIPSCO's request for approval of Petitioner's 6-Year
17 Plan detailing transmission, distribution, and storage system improvements,
18 including targeted economic development projects and extension of service in

1 rural areas.

2 **Q: Please provide a brief summary of your recommendations.**

3 A: If the Commission should approve the 6-Year Plan, I recommend approval of the
4 portions of Petitioner's proposed TDSIC mechanism and method for calculating a
5 cost recovery revenue requirement that are consistent with the TDSIC mechanism
6 currently approved by the Commission in Cause No. 44403. I do not oppose a
7 modification to the currently approved TDSIC mechanism, whereby NIPSCO
8 proposes to adjust allocation percentages to reflect migration of customers among
9 the various rate classes. Also, consistent with the Commission Order in
10 Indianapolis Power & Light Company's ("IPL") TDSIC 7-Year Plan, Cause No.
11 45264, the OUCC will address adjustments to the weighted average cost of capital
12 rate ("WACC") in forthcoming TDSIC cost recovery filings for Petitioner's 6-
13 Year Plan.

14 **Q: Do the recommendations of OUCC witness Krieger affect your**
15 **recommendation?**

16 A: Yes. Mr. Krieger recommends denial of Petitioner's 6-Year Plan, and reflects the
17 eligibility of the projects in the 6-Year Plan for recovery through Petitioner's
18 TDSIC. My recommendation reflects the TDSIC mechanism by which eligible
19 costs are calculated in the revenue requirement for recovery in rates. My
20 recommendation would only apply if the Commission should approve Petitioner's
21 6-Year Plan over Mr. Krieger's recommendation.

II. TDSIC COST RECOVERY MECHANISM

1 **Q: Please discuss the ratemaking treatment and cost recovery in Petitioner's**
2 **current TDSIC mechanism.**

3 A: The ratemaking treatment and cost recovery TDSIC mechanism was approved by
4 the Commission in Cause No. 44403-TDSIC-1 on January 28, 2015. Updated
5 volumetric cost recovery factors have been approved by the Commission in
6 subsequent semi-annual proceedings using the TDSIC tracker mechanism. In
7 accordance with Indiana Code ch. 8-1-39, NIPSCO recovers, through the TDSIC,
8 80% of the costs incurred for eligible transmission, distribution, and storage
9 system improvements, both while under construction and post in service. The
10 costs recovered through the TDSIC revenue requirement include a return on the
11 cost of new capital investments, operations and maintenance expenses,
12 depreciation, property taxes, and financing costs associated with Petitioner's
13 approved and eligible system improvements. Recovery of 80% of the eligible
14 revenue requirement is through the TDSIC, and the remaining 20% is deferred for
15 subsequent recovery in Petitioner's next base rate case. The costs are recovered
16 on a historical basis subsequent to the date the actual costs were incurred.

17 **Q: Is Petitioner proposing to use the same TDSIC mechanism currently used for**
18 **calculation of its cost recovery revenue requirements?**

19 A: Yes. Petitioner's witness James Racher states on page 13, lines 7-9 of his
20 testimony, "NIPSCO proposes to use the same methodology set out in the
21 Ratemaking Order for calculating the revenue requirement associated with the
22 2020-25 Gas Plan." On page 4 of his testimony, Mr. Racher describes the
23 approval of the TDSIC cost recovery mechanism in the "Ratemaking Order" for

1 Cause No. 44403-TDSIC-1 on January 28, 2015. Mr. Racher offers a lengthy
2 discussion of the ratemaking treatment and how Petitioner's current TDSIC is
3 calculated on pages 5-13 of his testimony. Mr. Racher's description of the current
4 TDSIC process is consistent with my experience and understanding.

5 **Customer Class Revenue Allocation:**

6 **Q: Is NIPSCO proposing any modification to how revenue requirements are**
7 **allocated to the various customer classes.**

8 A: Yes. Currently, in each TDSIC cost recovery filing, NIPSCO allocates the
9 transmission, distribution, and storage revenue requirements consistent with the
10 revenue allocation approved in Petitioner's last rate case. In this Cause, as stated
11 in Mr. Racher's testimony, page 13, lines 15-17, "NIPSCO proposes to adjust its
12 allocation percentages to reflect the significant migration of customers amongst
13 the various rate classes for each TDSIC tracker filing." NIPSCO reasons that
14 allowing adjustment of the allocation factors between rate cases will prevent
15 unintended consequences of customer migration between rate classes, and
16 properly allocate the associated share of the revenue requirement.

17 **Q: Did NIPSCO define the term "significant" in its proposal to adjust**
18 **allocations for significant migration of customers?**

19 A: Yes. In response to OUCR Request 1-002 (Attachment MHG-1), Petitioner
20 verified that the footnote on page 13 of Mr. Racher's testimony defines
21 "significant customer migration" as the migration to a different rate class of any
22 customer with average monthly usage greater than 791,000 therms per month, for
23 the previous twelve months. A migrating customer would have to exceed this
24 usage threshold, for the 12 months prior to migration, before NIPSCO would

1 propose an adjustment to revenue requirement allocation percentages.

2 **Rural Extension Margin Credit:**

3 **Q: In the current TDSIC tracker mechanism, does NIPSCO credit margin**
4 **revenue received from new rural customers against the TDSIC revenue**
5 **received as a result of rural extensions?**

6 A: Yes. NIPSCO is authorized to provide a credit to the TDSIC tracker for actual
7 margins received from new customers added under the rural extension projects,
8 thereby reducing the cost impact to existing customers. NIPSCO credits 80% of
9 actual margins associated with new customers connected through the rural
10 extension program. In response to OUCC discovery Set 3-001 attached to my
11 testimony as Attachment MHG-6 in Cause No. 44403 TDSIC-1, Petitioner stated
12 its rationale for the 80% margin credit as follows: "NIPSCO proposes to credit
13 80% of margin for new rural customers through the gas TDSIC tracker because
14 80% of the underlying project costs are recovered through the tracker under Ind.
15 Code § 8-1-39-11."

16 **Q: Is NIPSCO proposing to continue the margin credit for rural extensions in**
17 **the TDSIC tracker mechanism going forward?**

18 A: Yes. Aside from the customer migration allocation adjustment discussed earlier,
19 NIPSCO is not proposing any changes to the methodology currently approved by
20 the Commission for calculation of the TDSIC revenue requirement. In response to
21 OUCC Request 1-003 (Attachment MHG-2), Petitioner verified its intent to
22 continue the margin credit for rural extensions in the gas TDSIC mechanism,
23 consistent with the Commission Order in Cause No. 44403-TDSIC-1.

1 **Q: Do you agree that the application of a margin credit towards rural extension**
2 **investment cost recovery should be an integral part of TDSIC filings going**
3 **forward?**

4 A: Yes. The margin credit balances the interests of the utility and the ratepayers. The
5 OUCC continues to support NIPSCO's approved 80% margin credit for rural
6 extensions for each TDSIC filing.

7 **Weighted Average Cost of Capital:**

8 **Q: Have there been developments in other TDSIC Plan filings that could affect**
9 **the WACC in future TDSIC cost recovery filings?**

10 A: Yes. The Commission issued an Order in IPL's TDSIC 7-Year Plan case, Cause
11 No. 45264, which could have the effect of an adjusted WACC with each TDSIC
12 filing. Rather than adjustments to expense levels in revenue requirements to offset
13 depreciation of replaced assets, "other information" can be considered in
14 determining a pre-tax return. Consistent with the direction given by the
15 Commission, in the final paragraph of Section H on page 27 of its Order in IPL's
16 Cause No. 45264, the OUCC will address adjustments to the WACC based on
17 "other information" in NIPSCO's future TDSIC cost recovery filings.

III. CONCLUSION

18 **Q: What is your recommendation regarding NIPSCO's request for approval of**
19 **its proposed TDSIC cost recovery mechanism and revenue requirement**
20 **schedules?**

21 A: For TDSIC cost recovery in this Cause, if the Commission approves the 6-Year
22 Plan, I recommend approval of the same methodology for the TDSIC mechanism
23 and revenue requirements schedules approved and used by Petitioner for TDSIC
24 cost recovery in Cause No. 44403. However, NIPSCO's future TDSIC cost

1 recovery filings will be subject to adjustments to the WACC as described above.

2 Also, I do not oppose NIPSCO's plan to adjust customer class revenue allocation

3 percentages to reflect migration of customers among the various rate classes.

4 **Q: What is your recommendation regarding NIPSCO's request for authority to**
5 **defer any costs associated with the 6-Year Plan that are incurred prior to**
6 **and subsequent to the issuance of an Order in this proceeding until such**
7 **amounts are recovered through rates?**

8 A: To the extent the costs incurred are associated with a 6-Year Plan approved by the
9 Commission, I recommend Petitioner be granted the authority to defer these costs
10 until they are subject to review in a rate proceeding, either through a TDSIC cost
11 recovery filing or a base rate case. The costs incurred should be subject to review
12 in a rate proceeding before recovery is approved.

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

14 A: Yes, it does.

APPENDIX TO TESTIMONY OF
OUCW WITNESS MARK H. GROSSKOPF

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

2 A: I graduated from Indiana University in May 1980, receiving a Bachelor of
3 Science degree in business with a major in accounting. I worked in auditing and
4 accounting positions at various companies from 1980 to 1995. I joined the OUCW
5 in April of 1995 and have worked as a member of the OUCW's Natural Gas
6 Division since June of 1999. I became a Certified Public Accountant in November
7 of 1998. I also completed both weeks of the National Association of Regulatory
8 Utility Commissioners Annual Regulatory Studies program at Michigan State
9 University. I completed an additional week of the Advanced Regulatory Studies
10 Program hosted by the Institute of Public Utilities Regulatory Research and
11 Education at Michigan State University.

12 **Q: Have you previously testified before the Commission?**

13 A: Yes, I have testified as an accounting witness in various causes involving water,
14 wastewater, electric, and gas utilities, including but not limited to, base rate cases,
15 7-Year Plans, Transmission, Distribution, and Storage System Improvement
16 Charge ("TDSIC") tracker cases, Federally Mandated Cost Adjustment
17 Mechanism ("FMCA") tracker cases, Gas Cost Adjustment ("GCA") cases, and
18 energy efficiency and revenue decoupling cases.

19 **Q: Please describe the review and analysis you conducted to prepare your**
20 **testimony.**

21 A: I reviewed Petitioner's testimony, exhibits, and supporting documentation, and
22 analyzed Petitioner's responses to OUCW discovery requests. I participated in
23 meetings with other OUCW staff members and Petitioner's representatives to

1 identify and address the issues in this Cause. As it relates to this Cause, I was
2 involved with Petitioner's original 7-Year Plan and subsequent tracker filings in
3 Cause Nos. 44403, and 44403 TDSIC-1 through 44403 TDSIC-10.

Cause No. 45330
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Set No. 1

OUC Request 1-002:

Referencing James Racher's direct testimony, page 13, lines 15-17:

- a. Please define the term "significant" as it is used in the phrase "significant customer migration."
- b. Please quantify the term "significant" as it is used in the phrase "significant customer migration."
- c. Please explain footnote 2 and the significance of "Gas customers with greater than 791,000 Therms per month average monthly usage for the previous 12 months."

Objections:**Response:**

- a. The phrase "significant customer migration" is defined in Footnote 2. The term "significant" as it is used in the phrase "significant customer migration" means a gas customer with greater than 791,000 Therms per month average monthly usage for the previous 12 months.
- b. The phrase "significant customer migration" is quantified in Footnote 2. Specifically, the term "significant" as it is used in the phrase "significant customer migration" means a customer with greater than 791,000 Therms per month average monthly usage for the previous 12 months.
- c. As noted in parts a and b above, Footnote 2 defines and quantifies the phrase "significant customer migration." In order to prevent unintended consequences due to a customer with greater than 791,000 Therms per month average monthly usage for the previous 12 months migrating to a different Rate, NIPSCO would modify the allocation percentages to properly allocate the migrating significant customer's estimated share of the revenue requirement. The resulting percentages would be reflected on Attachment 2, Schedule 4.

Cause No. 45330
Northern Indiana Public Service Company LLC's
Objections and Responses to
Indiana Office of Utility Consumer Counselor's Set No. 1

OUCR Request 1-003:

Referencing James Racher's direct testimony, page 5, lines 2-9, wherein NIPSCO is proposing "continued extension of gas service to rural areas" and anticipates "recovering approved capital expenditures and TDSIC costs associated with the 2020-2025 Gas Plan through its existing Gas TDSIC Mechanism, consistent with the Ratemaking Order."

a. Is NIPSCO proposing to continue the margin credit for rural extensions in the Gas TDSIC Mechanism, consistent with the "Ratemaking Order" in Cause No. 44403-TDSIC-1?

b. If no, please explain any proposed changes and the rationale of these proposed changes.

c. Does NIPSCO anticipate a continuation of the margin credit for rural extensions in the Gas TDSIC Mechanism, consistent with the "Ratemaking Order" in Cause No. 44403-TDSIC-1?

d. If no, please explain.

Objections:

Response:

- a. Yes.
- b. Not applicable.
- c. Yes.
- d. Not applicable.

CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing ***OUCC'S TESTIMONY OF MARK H. GROSSKOPF*** has been served upon the following counsel of record in the captioned proceeding by electronic service on April 9, 2020.

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